Should the government nudge you?

Who gains from a default, how big real nudges are (1.4 points, not 8.7), where they work, nudge vs price vs ban, sludge, and three tests for a fair nudge.

1 Self-tests

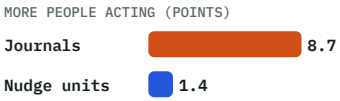
three defaults

- **Default** (Lesson 9): "what happens if you do nothing" · say yes or no to three:
- savings plan at a new job → **you** gain, later · donor by default → **others** gain · marketing emails + address shared → the **company** gains
- Answers differ? → ask **who gains from the default** · no right answer · nothing stored or sent

2 How big?

DellaVigna · Linos, 2022

- US economists · **every** trial (test: nudged group vs not nudged) of two US **nudge units** (government teams testing nudges, e.g. reminder letters) · **126 trials** · **23 million** people
- Journals: **8.7** points · nudge units: **1.4** points → ≈ 6 × smaller · **percentage point**: "the gap between two percentages": 10% → 11.4% = 1.4 points (but 14% more)
- **Publication bias**: journals print big results · small studies get lucky → ≈ **70%** of the gap
- 10,000 people → `1.4 × 100 = 140` more act · texts: 2 points of 20,000 → `400` · `$2,000 ÷ 400 = $5` each ⇒ small, cheap, no miracle



3 Where it works

one-off vs habit

- **One-off choice** (sign up, show up, pay once) → a default decides once, effort gone → **strong**
- **Daily habit** (healthy lunch all year, tutoring every week) → choice every day → nudge **fades**
- Pension plan by default ≫ a healthy lunch every day · tutoring slot booked → sign-ups ↑ more than weekly visits

4 Tools · sludge

nudge, price, ban

- **Nudge** → steers, forbids nothing, same price (fries at the back) · **price** → tax / subsidy (government money → lower cost) (+50¢) · **ban** → removes the choice
- **Sludge** (Richard Thaler, US economist, Nobel 2017, Lesson 1): "friction that makes it harder to do what you want" · friction = extra steps, effort
- One-click sign-up, cancel by phone 9 to 5 · gym: leave by posted letter · $30 back only by mail → inertia → people give up → company earns from effort it created
- Same tool, **opposite direction**: default that helps you save ↔ pre-ticked box that renews a subscription



5 Ethics

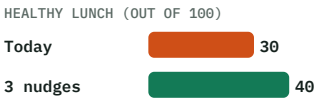
three tests · debate

- **Transparency**: still works if explained out loud? (Cass Sunstein, US legal scholar, Lesson 9) · fails: hidden pre-ticked $5 donation
- **Your own goals**: afterward, would people say it helped them do what they wanted? · **Who writes the form**: serves you, or the designer?
- **For**: every form has a default anyway → a good one helps, almost free · **Against**: the writer decides for you, may be wrong or self-interested
- **Positive** (data can check: "units found 1.4 points") vs **normative** ("should": "governments should never use defaults") · this course does not choose

6 Your turn · defense

redesign, then ask

- Cafeteria (toy): `30 + 4 + 3 + 3 = 40` (dish first, water default, sign) · salad bar far away −5 = sludge · ban fries +10 = **not** a nudge
- Mug café: `25 + 8 + 3 − 4 = 32` · shelf behind the counter = sludge
- Defense: **what happens if I do nothing?** · **who gains from the default?** · **would it work if explained out loud?** · pre-ticked gray "$2 tip" → fails



Watch out: a nudge is **not** a miracle (1.4, not 8.7) · **not** always good: same tools = sludge · and a ban or a tax is **not** a nudge