

Nudge: Improving Decisions about Health, Wealth, and Happiness



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Carolyn and the Cafeteria Story



We react instinctively based on the order of what we have to make a decision on.

Things at the beginning vs what is at the end.

What things are at our eye level and what are below.

According to study in the book on Carolyn cafeteria, The researchers were able to increase selection of specific foods by 25% just by rearranging the food

How we think

Automatic system

- Uncontrolled
- Effortless
- Associative
- Fast
- Unconscious
- Skilled

Reflective system

- Controlled
- Effortful
- Deductive
- Slow
- Self-aware
- Rule following

We make decisions based on

- i. **Optimism and overconfidence:** We often over-estimate our abilities to achieve things.

Eg: 94% of US professors at large universities believe they are better teachers than average.

- ii. **Gains and losses:** Losing something' is valued at least twice as highly as 'gaining something.

Eg: Pledge clubs where people will lose money if they do not deliver against their pledges

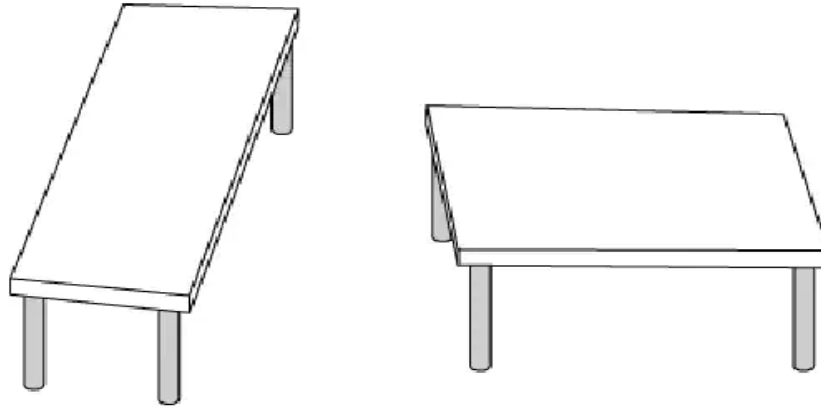
iii. **Status quo bias:** People tend to stick with their current situation that overcomes the inertia of change.

Eg: It's easier to gain compliance to a medication if people have to take it every day.

iv. **Framing:** The contextualizing of an issue can dramatically influence decision-making

Eg: Doctor says, "Of 100 patients who have this operation, 90 are alive five years later" vs. "of 100 patients who have this operation, 10 are dead five years later".

Biases and Blunders



Which table is longer?

Here's a classic example. Spock would look at this image and see clearly that the two tabletops are exactly the same size. But most of us feel pretty sure that the one on the left is longer and skinnier than the one on the right.

Five biases that affect our decision-making

Achoring

relying too heavily on one piece of information and making (usually) false assumptions because of it.

Availability

overstating risk, or predicting the frequency of an event based on the number of examples of it

Representativeness

Seeing patterns in random information.
Similarity among two choices

Herd mentality:

we're heavily influenced by others, and peer pressure can be a major factor in the choices we make.

Status quo bias:

Doing something that has traditionally been done even though it may not be the best thing for you personally. We have a tendency to resist change unless the benefits are clear.

Choice architect

A choice architect has the responsibility for organizing the context in which people make decisions.

Many people turn out to be choice architect without realizing it

Eg: arranging the ballot papers

A doctor describing an alternative medication

A parent describing possible educational options to your children

A sales person

There is no such thing as a nudge-less choice

There is always something that influences our choices. People are influenced by small factors in the design of an experience, so even if you don't consciously design your choice architecture, it is still there, affecting the actions of the chooser.

Libertarian paternalism

People should be free to do what they like and to opt out of undesirable arrangements if they

want to do so. However, this is a weaker idea because people make bad choices

It is legitimate for choice architect to try to influence people's behavior in order to make their lives longer, healthier and better.

Eg : a policy is paternalistic

Why nudges can help

Humans respond to incentives but are also influenced by nudges. By properly deploying both incentives and nudges we can improve our ability to improve people's lives while still insisting on everyone's freedom to choose

We favour nudges over commands, requirement and prohibitions

Following the herd

Social influence

If many people do something or think something, their actions and thoughts may

convey information about what is best for you to do or think

Peer pressure

If you care about what other people think about you then you might go along with the crowd to avoid their wrath

Eg: teenage girls who see other teenagers are having children are more likely to become pregnant.

Humans are easily nudged by other humans!

Humans like to conform

Doing what others do

If you lie down with a dog you will raise up with flees

The spotlight effect

This is where people conform to social norms and fashions because they think others are closely paying attention to what they are doing

Eg when other are wearing casual

Cultural, political changes and unpredictability

False Assumption and two misconceptions

People make choices that are in their best interest or that are at the very least are better than the choices that would be made by someone else. Choice based on experience and informed

Misconception

- i. It is possible to avoid influencing people's choices

Eg: Carolyn cafeteria

- ii. Paternalism always involve coercion

Eg: the order of the food does not force a particular diet on anyone

When do people need a nudge

- i. Degree of difficulty spell checker or spread sheet
- ii. Frequency
- iii. Feedback
- iv. Knowing what you like
- v. Mixed verdict

Choice architecture in action

- i. Default
- ii. Expected error
- iii. Give feedback
- iv. Understanding
- v. Structure complex choices
- vi. Incentives- who uses, who chooses, who pays, who profits

Conclusion

- Seemingly small features of social situation can have massive effects on people's behavior, nudges are everywhere and are unavoidable
- An understanding of choice architect and the power of nudges will lead others to think of creative ways to improve human lives in other domains