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On Nudging In Public Policy

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ON NUDGING IN PUBLIC POLICY

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Abstract

This thesis examines *nudging*, a technique aimed at making individuals act, choose, and behave in the ways deemed rational by policy makers. Nudging has only recently been adopted for public policy strategies. The ultimate goal of this thesis is to determine the ethical implications of nudging in public policy, by specifically exploring its origins in behavioral economics, and its methods, areas of influence, and moral consequences. The thesis consists of three chapters. The first chapter contextualizes nudging within the study of behavioral economics, and reconstructs in a chronological and logical sequence the most important scholarly and popular literature on the subject. The second chapter delves into the practical aspects of nudging: it consists of a number of examples that distinguish among private, public, and semi-public nudges, and clarifies where nudges appear, what agencies are typically responsible for implementing them, and what elements of a nudge tends to increase or decrease its effectiveness. Finally, the last chapter explores the ethical boundaries of nudging by distinguishing between nudges that manipulate and those that persuade the receiver. The thesis concludes that nudges that use manipulative techniques to alter behavior are unethical, because they deprive the individual of the right to choose on his or her own, and thus to learn from one's own choices.

I. INTRODUCTION

Microeconomics is all about optimal choice. Consumers are deemed to be rational economic actors who maximize their utility given the constraints of their personal preferences and budget. Similarly, firms do their best to maximize profits given their constraints: costs of inputs and available technology. In the course of the last century, this *optimizing* approach was used also in the realm of political science as the choices that rational citizens made in the political process began being studied under the same type of lens, as choices that rational consumers made. Voters were essentially seen as always rational, therefore making the most rational choice, much like a consumer would in microeconomics. To make an economically, or politically rational decision, consumers, or voters, must intelligently use the information available to them. This requires complete, uninterrupted, and consistent rationality on the part of the decision-maker. As decision-makers, we know that this kind of consistent rationality is rare. There are constant distractions that make it difficult for us to always make the ‘rational’ choice. However, if we take an irrational approach to choice, then the outcome is: suboptimal choices. So: what to do?

Public policy—the system of laws, regulatory measures, and courses of action that governments make in response to political and public issues—is one way to help society limit both the extent to which individuals make suboptimal choices, and the social consequences those suboptimal choices produce (Geurts 6). Policy makers—those with the “...power to influence or determine policies and practices at an international, national, regional, or local level”—can use a variety of incentives, disincentives, and

public interventions to help individuals make choices (behave) that are suited and attractive for both the individual and society (Geurts 8). However, for public policy to be successful, individuals must be forced out of being irrational and made aware of the incentives, disincentives, and social consequences that come from their irrationalities, and *convinced* to act in ways deemed rational by policy makers.

Nudging, the focus of this thesis, is a technique aimed at *convincing* individuals to act, choose, and behave in the ways deemed rational by policy makers. While nudging, or similar forms of influence, have existed since humans appeared on earth, and in marketing for a long time, it has only recently been adopted for public policy strategies. This thesis specifically explores the methods, areas, and moral consequences of *nudging* in public policy.

The first chapter of this thesis reviews the most important scholarly and journalistic literature on nudging of the last three decades. We will see that, in order to talk about nudging, we must first look into behavioral economics, the theoretical study from which policy applications of nudging came from.

The second chapter will provide an analysis of nudging. More specifically, the chapter will explore the types of nudges that exist, the people and agencies responsible for implementing them, and a discussion on how effective they are. Chapter two will take an interdisciplinary approach that allows us to consider the psychological, sociological, and economic effects nudging presents. Most importantly, chapter two will set the stage to raise questions about the ethical implications of policy practices like nudging.

The ethical implications of the applications of nudging to public policy will be the focus of chapter three. Questions that will be addressed include: What is the value of nudging, if any? Is it ethical to engage in something that has been described as manipulative and paternalistic? Behavioral economics is a useful study because it provides better explanations of people's actions. However, whenever applied to policy interventions (nudging), behavioral economics opens itself to obvious risks. Namely, policy makers will get better and better at influencing people once they understand why people do what they do in given situations. As nudging has become more popular over the last five years, the ethical debate surrounding it has become more complex and yet not sufficiently explored. The goal of this final chapter is to begin to form an educated opinion about whether nudging, or what forms of nudging, may be ethical (or not).

II. NUDGING: LITERATURE REVIEW

Economics is about decision-making. For as long as the field of economics has studied the decisions that individuals, groups and nations have made or make, the question of why and motivation has always followed. Adam Smith reflected on similar questions in his *The Theory of Moral Sentiments* (1759), asking why we tend to pursue riches and avoid poverty, and whether or when such tendencies could corrupt our souls. Jeremy Bentham (1789) considered decision-making when he used the concept of utility to identify moral actions according to their consequences. The underpinnings of the first steps of the discipline of political economy are all based on psychological considerations.

Psychology had not yet been fully developed as a science by the 18th century and was therefore given little credit in classical political economy, although it played a crucial role in its assumptions and development. More than two centuries later, the sub-field of behavioral economics keeps asking many of those same questions. Since the 1970's, behavioral economics has undertaken important explorations of the psychological bases of economic assumptions, concepts, models, and modes of individual and collective behavior; re-enacting an interdisciplinary approach to orthodox economics that had not been seen since the philosophical approaches to classical political economy of the late 17th century. Behavioral economics was fully recognized as a leading area of economic research in 2002, with the award of the Nobel Prize in Economics to Daniel Kahneman for his work in the field.

This new line of research began in 1974, when psychologists Daniel Kahneman and Amos Tversky published a paper entitled “Judgment Under Uncertainty: Heuristics and Biases” to reconsider the question of what determines people’s beliefs when it comes to making decisions under uncertain circumstances. Essentially, the paper asks: how do we make decisions when faced with choices? What are the processes we engage in? Kahneman and Tversky explain that people rely on a limited number of heuristic principles, i.e., principles learned “by doing,” which help them assess complex probabilities, or values of uncertain quantities. The heuristics people come up with, however, are not necessarily always useful—as they may also lead to errors in decision-making. The main contribution of their paper was to explain what may cause these misjudgments and missteps.

Kahneman and Tversky locate three heuristics that lead to failure in rationality and ultimately errors in decision-making: representativeness, availability of instances or scenarios, and adjustment from an anchor (anchoring). The authors define representativeness as the way people misjudge probabilities (Tversky and Kahneman 1124). To further convey this particular misstep, Kahneman and Tversky cite a study from their past work together. In the study, they provide their subjects with a short description of a person—in this case the person is described as an introvert and quiet. They then ask their subjects to decide whether the person is a librarian or farmer. The majority of the subjects answered librarian, basing their answer on the description of the person, while failing to consider the probabilities that exist in reality—there are many more farmers than librarians (Tversky and Kahneman 1124). The second heuristic Kahneman and Tversky identify, availability of instances or scenarios, leads people to think, “...that likely occurrences are easier to imagine than unlikely ones” (Tversky and Kahneman 1128). If a person wakes up with a stuffy nose and sore throat, their first assumption isn’t cancer, it’s a cold. People like to predict scenarios based on how often they occur. A second characteristic of availability of instances, explains that when events co-occur with one another, people become used to that co-occurrence. This can lead individuals to misjudge certain situations because they are used to the fact that those happenings co-occur with one another. Lastly, the authors highlight anchoring as yet another way humans let heuristics effect their decisions. Anchoring happens when people make estimates, rely too heavily, or ‘anchor’ on initial values or traits they are exposed to when making decisions. The failure to rationalize in this case arises because

the anchor may have little influence on the actual value or trait in question, leading people to make sub-optimal decisions (Tversky and Kahneman 1128).

Aside from explaining heuristics and their potentially irrational effect on decision-making, Kahneman and Tversky challenge the new field of behavioral economics to further this line of research in order to better understand how humans make decisions under uncertainty and ultimately improve human judgments and decisions in these kinds of scenarios. As the current chapter of this thesis proceeds we will see how each of these heuristics has led to further research in the field, and how different thinkers have explained (or attempted to explain) these tendencies. However, before other thinkers began contributing to the field, Kahneman and Tversky further theorized how humans make decisions.

“Prospect Theory: An Analysis of Decision Under Risk” is a critique of expected utility theory—an account of how humans are presumed to make rational decisions in conditions of uncertainty—and provides an alternative model to choice under risk called Prospect Theory. The goal of this paper was to prove that people violate expected utility theory, a cornerstone of economic thought, when making choices that may have uncertain outcomes. Kahneman and Tversky rely on numerous examples, as they did in their 1974 paper, to show how humans actually make decisions in risky situations. Instead of multiplying the utility values of outcomes by their respective probabilities (expected utility theory), the authors explain that people tend to attach more weight to choices that they believe certain, regardless of whether the probabilities indicate otherwise (Kahneman and Tversky 265-68). The first sequence of studies in their 1979 text highlights this so-called “certainty effect,” which is one of many ways in which people

fail to assess certain situations correctly. An example from Kahneman and Tversky's paper explains that an individual is much more likely to choose a situation in which they are sure to gain (100 percent) \$240, rather than a 25 percent chance to gain \$1000 and 75 percent chance to gain nothing. Even though expected utility theory points to the second option as being rational and therefore optimal, 84 percent of the subjects taking part in the study chose the first (Kahneman and Tversky 268).

Tversky and Kahneman's Prospect Theory was soon reviewed by Richard H. Thaler in his "Toward a Positive Theory of Consumer Choice" (1980), where it is argued that neoclassical economic theory models consumer behavior as if we were "robot-like experts" (Thaler 58). Thaler sides with Kahneman and Tversky, and explains that in reality consumers make economic mistakes when making choices, not because they are "dumb" but because the average consumer doesn't spend sufficient time thinking about how best to make decisions (Thaler 59). This theory and particular line of research have been seminal in the field, as there have been many contributions that built on the studies of Kahneman, Tversky, and Thaler since the 1980's, including an entire issue devoted to behavioral economics in the 1997 *The Quarterly Journal of Economics* (Camerer, Lowenstein, and Rabin 7).

In summary, the theoretical questions that have emerged from the most important contributions to behavioral economics of the 1970's and 1980's are 1) What can behavioral economics tell us about how we make decisions? 2) How do those decisions defy neoclassical economic theory? 3) Do economically optimal decisions make us always the happiest?

Seminal contributions that addressed these questions head-on are: Dan Ariely's *Predictably Irrational* (2008) and *The Upside of Irrationality* (2010), and Daniel Kahneman's *Thinking, Fast and Slow* (2011). Questions on the potential application of behavioral economics also began to be asked: Richard Thaler and Cass Sunstein in *Nudge* (2008), and Peter John in *Nudge, Nudge, Think, Think* (2011), for instance, asked, 1) how can we use behavioral economics to improve the decisions of individuals on a large scale? And especially relevant to the scope of this paper is the question, 2) can behavioral economics be used to enhance efficiency and lower costs of policy initiatives?

a. Towards Policy Design

Dan Ariely's *Predictably Irrational: The Hidden Forces That Shape Our Decisions* (2008) is a transitional contribution that, by integrating behavioral economics and social psychology, moves beyond plain theoretical questioning and begins to approach issues of policy implementation. Ariely's agenda is not only to portray the ways in which humans act in irrational ways by misjudging or ignoring probabilities, but also that these irrational tendencies can be quite predictable. Although the irrationality of human decision-making is highlighted in this text, so too are ways in which individuals can accept and learn from their irrational tendencies. Ariely provides examples that demonstrates our lack of consideration, discipline, and ultimately rationality when it comes to making business, financial, and personal decisions. He argues that these frequent missteps are not random and in many ways should be considered normal.

In an early chapter of his book, Ariely opens the theme of relativity. He contends that humans don't know what they want until they see it in context. "We don't have an

internal value meter that tells us how much something is worth. Rather, we focus on the relative advantage of one thing over another, and estimate value accordingly” (Ariely, *Predictably* 2). He provides a few examples to make his point clear, including a story reported by the *New York Times* on a consultant who helps restaurants price their menus. This advisor has learned that high priced menu items increase the restaurant’s revenue, independently of whether people actually buy those specific menu items. Ariely asks the same question you’re probably asking yourself, why? His answer is simply; relativity. People may not buy the most expensive dish—say, a filet mignon—, but they will buy the second most expensive dish—a salmon filet—, because in context and *relative* to the steak, the salmon doesn’t look so expensive, even if it is in absolute term (Ariely, *Predictably* 4). Ariely illustrates a second example to show how advertisers in all industries have used similar techniques to drive sales.

He recalls a TV store and their methodically priced televisions: a 36-inch Panasonic for \$690, a 42-inch Toshiba for \$850 and a 50-inch Philips for \$1,480. Ariely again explains that people rarely know the actual value of the good, and have a hard time computing the difference in value between the choices. The TV salesman, like the restaurant advisor, knows that people are likely to choose the second most expensive item and even more likely to choose the middle item when given three choices. Knowing this, the TV salesman prices the TV he wants to sell in the middle, as the second most expensive one (Ariely, *Predictably* 3-4). While Ariely discusses relativity and how behavioral economics plays a role in the everyday lives of ordinary people, others have begun to ask how these insights can be used to develop effective policy measures.

Two months after the release of *Predictably Irrational*, Richard H. Thaler and Cass R. Sunstein showed how these studies in behavioral economics can in fact be applied to improve human decision making in their book *Nudge: Improving Decisions About Health, Wealth, and Happiness* (2008). In their book, they suggest that behavioral economics is perhaps more accurate than neoclassical economics in predicting human decision-making, and question whether behavioral economics could be used in the application of public policy. The premise of Thaler and Sunstein's work is to encourage a form of policy design that operates on the basis of behavioral economic findings. The authors refer to this as "choice architecture," that is, building policy initiatives in a way that—they say— doesn't take away from an individual's freedom to choose (Thaler and Sunstein 3). They claim that this form of policy design will offer policy makers a way to influence the decision making process of individuals, without restricting their freedom to choose—ultimately leading them away from irrational choices and toward more economically optimal decisions. This marks the beginning of the study of applications of nudging to public policy.

Some of the nudges contained in the book have become particularly well-known in the field. For example, they discuss how standard economic theory approaches saving for retirement and decisions on health and diets. They explain how people are usually assumed capable of both solving complex mathematical problems and applying the methods they just derived. In an ideal world, or in the world of an orthodox, mainstream economist, these assumptions are taken as elements of reality. To Thaler and Sunstien, they are only assumptions. Here, the authors differentiate between humans and imaginary persons they refer to as "Econs", beings living in a world where decision-

making is unhindered by irrational behavior and therefore, always optimal (Thaler and Sunstein 7).

For instance, according to rational economic choice a person must be maximizing her utility when she decides to smoke a cigarette and eat a cheeseburger. Behavioral economics would argue that this choice, although (perhaps) optimal in the current period, is far from optimal in the longer run. Behavioral economics explains that people often make choices without thinking about future impacts. People think nonlinearly and past personal experiences hold non-calculable effects. Fundamentally, the part of the mind that is thinking rationally can be offset by other parts of the mind that are weighing ‘non-rational’ variables. If these impacts and variables are considered and weighed properly, the choice might be different.¹ How can these behavioral economic findings be used to improve the decisions of individuals and society?

Thaler and Sunstein’s controversial suggestion opened the door for more literature. Since the publication of *Nudge*, the application of behavioral economics to public policy has caught the attention of many, prompted new ideas, and caused a stir surrounding the efficacy and ethics of such approaches.

On Amir and Orly Lobel reviewed both *Nudge* and *Predictably Irrational* in their article “Stumble, Predict, Nudge: How Behavioral Economics Informs Law and Policy” (2008), which highlights situations in which these behavioral insights may successfully and unsuccessfully effect policy. Amir and Lobel explain, “It is particularly important to understand what type of mechanism is causing suboptimal decision-making, and whether the solution should attempt to eliminate an individual’s intuitive response by engaging

¹ See Kirkpatrick, Lee A., and Seymour Epstein. "Cognitive - Experimental Self-Theory and Subjective Probability: Further Evidence for Two Conceptual Systems." Rational system and Experimental system.

the rational mind, or should use the power of the intuitive processes to change without engaging the rational mind” (Amir and Lobel 2116). Their warning is based on the argument that decisions are built on two different decision-making systems, called “system 1,” the impulsive part of our mind, and “system 2,” the slower, more deliberate part of our mind. Fundamentally, these two systems represent instinct versus rationality. The authors emphasize the importance of understanding which system is probed in order to ensure that nudging will lead to the desired policy outcomes. An example the author’s use in their text, taken from *Nudge*, considers the effectiveness of the opt-out method in organ donation scenarios. Thaler and Sunstein suggest that simply changing the default option for organ donation to opt-out, (placing the responsibility upon the individual to remove herself from being an organ donor) will subsequently increase the amount of organ donations. Amir and Lobel contend that by changing the default to opt-out, individuals may consider the choice more closely. They may consult their families and a “reactive effect” could occur, causing organ donation to decline (Amir and Lobel 2116). Amir and Lobel’s main concern with nudging appears to be the overestimation of its positive effects, and thus the overuse of nudging.

b. The Critics

Dan Ariely’s second book, *The Upside of Irrationality: The Unexpected Benefits of Defying Logic* (2010) brings back an aspect left pending in previous contributions: he focuses on how irrational tendencies can in fact lead people to more enjoyable outcomes. Much like the title suggests, *The Upside of Irrationality* highlights the benefits and beauties of being human and irrational. A logical and humorous example is what Ariely

calls the “Ikea Effect” (Ariely, *The Upside* 83). Concretely, it is the feeling people get from doing, from creating something themselves, in Ariely’s case, a piece of Ikea furniture. Even though it takes more time, and the end result doesn’t produce a particularly beautiful, well-made piece of furniture, the satisfaction of assembling and finishing it by oneself, increases the piece’s value. The general point Ariely makes, is simple; humans have irrational reasons for enjoyment and satisfaction. Even though building a piece of Ikea furniture isn’t economically optimal, as the building takes more time and the furniture won’t last very long, the pleasure and happiness people can get from completing a task makes it worth it. Throughout the rest of his book, Ariely illustrates both the many ways in which behavioral economics sheds light on everyday lives, and ways in which human irrationalities lead people to enjoyment.

Gerd Gigerenzer and Nathan Berg view behavioral economics in a slightly different way in their paper, “As-if Behavioral Economics: Neoclassical Economics in Disguise.”² They draw a connection between behavioral and neoclassical approaches by explaining the similarity between Prospect Theory (developed by Kahneman and Tversky) and Expected Utility Theory.³ Specifically, the authors explain that both behavioral economics and neoclassical economics rely on the single normative model as the ideal for making decisions correctly, and question the extent to which we can rely on behavioral economics to inform us about human decision making (Berg and Gigerenzer 17-19). To support their viewpoint, the authors contend that behavioral economics uses “very little empirical investigation seeking to uncover actual decision processes...”(Berg

² See also Berg N. and Gigerenzer G. 2007, “Psychology implies paternalism?: Bounded rationality may reduce the rationale to regulate risk-taking”, *Social Choice and Welfare*, 28, 2, 337-359

³ For more reading see pp. 265-67.

and Gigerzner 1). In the section “Neoclassical + New Parameters with Psychological Names = Behavioral Economics?,” the authors assert the notion that behavioral economics hasn’t created a new realm of research, but instead added new testing parameters to already existing neoclassical studies. Although the authors do point to ways in which behavioral methods and neoclassical methods differ: time consistency, transitivity, and subjective expected utility; ultimately, they conclude that, “The primary finding is that of widespread similarity in the neoclassical and behavioral research programs. This suggests common limitations in their ultimate historical trajectories and scientific achievements”(Berg and Gigerzner 42). The authors describe themselves as proponents of using psychological methods to determine how we make choices, and their stance on behavioral economics is that to make it a more “rigorously empirical science”, and one that can lend itself to policy making, behavioral economists need to spend more time observing successful decision-makers in their environments (Berg and Gigerzner 1).

In his most recent work, *Thinking, Fast and Slow* (2011), Daniel Kahneman explores what he calls the two systems of our mind, mentioned by On Amir and Orly Lobel in their article. ‘System 1’, as Kahneman explains, “operates automatically and quickly, with little or no effort and no sense of voluntary control” while ‘system 2’ “allocates attention to the effortful mental activities that demand it, including complex computations. The operations of ‘system 2’ are often associated with the subjective experience of agency, choice, and concentration” (Kahneman 20-21).

The human mind develops patterns to predict both present and future events. Because of this, humans enjoy natural and intuitive responses and reactions to scenarios that are taking place constantly because they have developed a mental log of similar

situations. This is the reactive ‘system 1’ at work. To illustrate this, Kahneman recounts the time he and some co-workers were driving from New York City to Princeton and saw a car burning on the side of the road. The following week, as they were making the same trip (as they do every week), they saw another car burning in the same place. Kahneman describes this location as “the place where the cars catch fire” (Kahneman 72). These two events created an “active expectation” (Kahneman 72). His mind was now ‘used’ to seeing cars burning in that location and for a long time after, he expected to see more cars on fire in that same place. The human mind often doesn’t let ‘system 2’ into the picture. It takes it upon itself to react and decide how the person will feel. The mind possesses an uncountable number of mental and physical expectations simply because that individual was used to certain things occurring in given situations (Kahneman 80-81).

Although Kahneman’s work here does address the imperfections of human decision-making, he doesn’t suggest the use of policy to correct for the irrational decisions humans are bound to make. In this way, Kahneman’s most recent contributions to behavioral economics follow the same kind of questioning that he and Tversky began over three decades ago, and contrast those made by Thaler and Sunstein in their, *Nudge*.

Nudge, Nudge, Think, Think: Experimenting with Ways to Change Civic Behaviour (2011), by Peter John and some of his colleagues, differs from texts such as Kahneman’s and Ariely’s, because it specifically questions whether nudging represents an effective use of public money. It does so by analyzing the significance of behavior change, while also considering the impact these policies may have on public consent.

Nudge, by Thaler and Sunstein—a focal point of this literature review—is also a point of emphasis in John et al.’s text. The authors differentiate their work from the work

done in *Nudge*. They take on, "... an analysis of the underlying thinking behind the most prominent new forms of intervention. Whilst supporting many of the nudge initiatives we argue that think should compliment them and will deepen and broaden out the behaviour-change programme" (John et al., 15). Essentially, the notion of "think" should assist this new line of "nudge" intervention. To truly understand how this book alters the direction of research on behavioral economics and its relation to policy change we should explore precisely what the authors mean by the term "think."

The term "think", according to the authors, is meant to account for the "potential lack of legitimacy of nudge" (John et al., 15). In addition to this, "think" has the capability of solving the problem of manipulation that nudging presents. The idea behind "think" is to get citizens to, "...think through challenging issues in innovative ways that allow for evidence, and the opinions of all, to count" (John et al. 21-22). The authors of this text push for a combination of these two strategies, the nudge strategy, which we have extensively reviewed, as well as, the think strategy. These authors are not just in favor of finding ways to get people to do something; they insist on finding ways to get people to understand and think about what it is they are doing.

c. Conclusion: Moving Forward

This literature review has (hopefully) emphasized the most important streams of thought in behavioral economics that have contributed to the practice of *nudging* as an influential way to enhance policy.

1. Behavioral economics, the integration of psychology and neoclassical economics, explores how the conflicting emotions of the human psyche interact with the

mechanical systems of the economy, more specifically, the intersection of economic systems, decision-making, and irrational processes.

2. The result of behavioral economics studies has been a clearer understanding of how humans make decisions and how they instinctively exhibit less-than-rational behavior when doing so.
3. Nudging has been introduced in order to bypass the less-than-rational tendencies humans possess, “making” people respond to policy incentives (or disincentives) in ways that satisfy the desired policy outcomes.
4. By “making” people choose in the ways desired by policy-makers, and in ways they might not have chosen otherwise, does nudging break an ethical code?

The following chapter will investigate the actual practice of nudging, and construct a foundation for a discussion on the ethical implications of nudging, the focus of the final chapter of this thesis.

III. NUDGING: AN ANALYSIS

As we begin to analyze the practice of nudging, it is important to note that nudging can be focused on just the private sector, the public and private sector together, and just the public sector. In this chapter, these categories will be referred to as: Private, Public/Private, or Public. While all the three areas of application of nudging should be considered in order to acquire a good understanding of these practices, more emphasis

will be placed on the analysis of nudging in the public sector, as that is the typical realm of public policy, and is also the category of application that triggers the most important ethical questions (dealt with in the final chapter of this thesis). But first of all: who are the biggest “nudgers”?

a. Global Nudge Agencies

One of the first and most influential agencies involved in nudging, is the Behavioral Insights Team (BIT, also called the Nudge Unit). Based out of the United Kingdom and started in 2010, the Behavioral Insights Team was created to spread the understanding of behavioral sciences to the policy community. It began as the first government institution dedicated to the application of behavioral sciences, and is now a social purpose company owned by its employees, the government, and Nesta (an innovation charity in the U.K). The Nudge Unit is comprised of economists, psychologists and anthropologists who have worked in the government, the private sector, and academia. They employ experts from various socio-economic fields, ranging from unemployment and tax strategists to public and mental health professionals. The Nudge Unit has done research, conducted studies, and published results in a number of different areas that focus on behavioral economics and its potential application in public and private arenas.

More recently, the Nudge Unit has expanded its reach to help other countries such as Australia and the United States. In 2009, the Obama Administration appointed Cass Sunstein (co-author of *Nudge*) to head its Office of Information and Regulatory Affairs (OIRA). The OIRA is responsible for development and oversight of government-wide

polices in areas such as information technology, privacy, and statistical policy (“Office of Reg.”). Sunstein, a supporter of behavioral sciences, was the director of the agency for three years (Fahrenheit and Wilson). Shortly after Sunstein’s departure, the U.S government has attempted to recreate the British Nudge Unit here in the States. Maya Shankar, a cognitive neuroscientist, is set to be the head of what is being called the “Social and Behavioral Sciences Team” (Nesterak).

Similar agencies have established themselves in Denmark, where Pelle Hansen, a behavioral philosopher at the University of Southern Denmark, is leading the Danish Nudging Network, also called “iNudgeYou.” With a team of eight, consisting of project managers and researchers, the Danish Nudging Network has been influential in improving public decisions about health, wealth, and sustainability. Much like the Nudge Unit in the U.K, the Danish team works with public and private institutions and NGO’s on applying behavioral sciences to create “pro-social” behavior changes. Although the Danish team is a non-profit organization and significantly smaller than the Nudge Unit in the U.K, they have made considerable progress since their conception in 2010, having worked, for instance, on efficiency in airports, increasing the use of stairs instead of the elevator, and limiting litter (“Nudge Nudge” *The Economist*).

Public policy development influenced by behavioral sciences is not limited to the above agencies. According to a 2014 Economic and Social Research Council (ESRC) report led by Mark Whitehead and his team, entitled, “Nudging All Over the World,” 136 countries have witnessed some effect of behavioral sciences on public policy. Of those 136 countries, 51 have established centrally directed policy initiatives. The Netherlands, France, the U.K and U.S have each played a major role in leading policy initiatives that

harness behavioral sciences and strategies by implementing behavioral insights across a variety of policy sectors (Whitehead 30).

To better understand the type of work these agencies and countries engage in, a detailed look at the Nudge Unit's, *EAST: Four Simple Ways to Apply Behavioral Insights* (2014) may be worthwhile. Authored by David Halpern, the CEO of the Nudge Unit, and his colleagues, this report is meant to continue the dialogue between policy makers, academics, and institutions on how to create effective nudges. In addition to holding conferences, seminars, and workshops, with U.K cities, firms, and other agencies, the Nudge Unit recently published this report to share its understanding of behavioral insights and its potential impact on policy initiatives.

The title of the report, EAST, stands for "Easy, Attractive, Social and Timely." In order to make a nudge effective, it has to be easy. Specifically, the Nudge Unit suggests harnessing the power of defaults, and making messages simple and understandable, both of which reduce the time it takes for people to make a decision about the good or service being offered, therefore decreasing the opportunity cost of citizens and consumers. With simpler and cheaper ways of engaging people, policy makers and firms subsequently cut costs of having to attract people in other more expensive ways thus increasing their efficiency (Halpern 9).

The second tip is to make it attractive. The report, for instance, contains the following example: when letters sent to non-payers of car taxes include a picture of the offender's vehicle, people were 40-49 percent more likely to respond and pay the tax. This way, the choice architects not only catch the individual's attention, but they are also able to sustain it long enough to have them act (Halpern 19).

Thirdly, a nudge should be social. Humans are naturally social beings embedded in dozens of social networks. They belong to schools, neighborhoods, firms, religious groups and families. They like to be included and accepted, and feel wanted and needed. As a choice architect, it can be useful to capitalize on this inherent trait. The Nudge Unit advises choice architects to encourage people to commit to others, and show that the rest of the community is taking part in the desired task. To foreshadow some upcoming examples portraying this type of nudge, consider how the government could decrease the amount of time it takes to collect taxes by sending out letters to households that are late on their dues, notifying them that others in similar tax brackets have already paid. In similar fashion, the government could limit electricity use by comparing household's energy consumption to that of their neighbors (Halpern 28).

Lastly, the report explains that the timeliness (T) of a nudge is crucial in how effective it is. As recalled throughout this thesis, humans prefer immediate payoffs rather than future ones. Therefore it is important to influence people by making costs—the penalty for not doing something like paying a car tax, or payoffs—instantaneous. A nudge right after the event occurred motivates people when they are the most likely to be receptive. It's like training a dog. There's no use in giving a dog a treat two hours after it did what it was supposed to do. The dog should be rewarded immediately after it sat when it was asked to sit, just like it should be scolded immediately after it did something wrong (Halpern 37).

b. Behavioral Change (Nudging) Categories

Before examining actual examples of nudging in the private and public sectors, it's worth understanding how different nudges work from a psychological point of view. According to Whitehead and his team there are three types of behavioral change policies: Neurological Targets, Motivational Targets, and Forms of Consent (Whitehead 33). Each type of nudge is meant to provoke a different human response by targeting different aspects of the human psyche.

Neurological targets can either be focused towards conscious or subconscious aspects of human behavior. A nudge policy that targets the conscious part of the mind engages the subjects and focuses their attention on the issue at hand and nudges them to act. Such policies may present themselves like the letters sent out to non-payers of car taxes discussed above. On the other hand, nudges that target the subconscious part of the mind are ways in which the choice architect can steer the subjects towards something while never explicitly telling them what to do. A non-policy example that may paint a clearer picture of this is: cathedrals. The ceilings are often gold plated with murals so that worshippers are inclined to look up towards an assumed higher power. Cathedral architects may not have been choice architects, yet these architects have some similarities.

Motivational targets can be directed at the rational or emotional forms of behavior. Rational targets for example, might help people understand complex financial decisions, thus making it easier for them to make rational decisions. Behavioral policies that focus on emotional elements, also known as "Peer-based approaches," tap into the human desire to be included, or not excluded, from the group. This form of nudging is a

powerful and potentially harmful tool that can have unintended consequences; namely, it can make people feel excluded or shamed.⁴ Choice architects can use this knowledge to create behavior change policies that make people want to conform to supposed societal norms (Whitehead 33).

Finally, forms of consent may include a number of different policies. On one side of the spectrum is presumed consent: policies can be set up in a way that assumes consent, simply by altering the default rule. An example of this, involving organ donation, will be discussed at great length later in the chapter. On the other side of the spectrum are mandated choice policies that “...seek to prompt behaviors not by resetting the default but by making it easier for people to make certain decisions” (Whitehead 33). An example of this method requires subjects to check a box when signing up for retirement benefits. The power of the default was briefly mentioned when discussing the Behavioral Insights Team work on “EAST.” The changing of the default is important because it enables firms (or governments as will be shown later on) to lower the opportunity cost of their consumers or users. Less time is needed to become involved with, to use, to change, or to buy a certain product or service.

Many of these insights have only recently been introduced to policy makers, but advertisers have been using similar tactics for decades. By appealing to an individual’s emotional makeup, companies can sway how consumers make decisions. The next section describes how private firms have enhanced participation by utilizing default changes.

⁴ This idea will be discussed more thoroughly towards the end of the chapter

c. Private Sector Nudges

1. Many gyms and clubs in the U.K and US will ask their new members to set up an automated monthly payment. In this way, the organization can simply take out the amount owed from the members' account with the default set as "pay until they request to terminate their membership." The yoga studio that I belong to uses this exact method. There are times when I take breaks from yoga due to injury or time restraints, but I never cancel my membership because the effort to do so seems daunting. The studio benefits from people like me, who find that it takes too much time to cancel a membership and renew it every time they take a break. 2. Social networking sites have default settings on sharing their users' information with advertising companies that users rarely check. These default settings allow the social networking companies (Facebook, Twitter, Pinterest, etc) to share their users' information with anyone who is willing to pay. If the default settings were opposite to this, then the information would rarely be shared. 3. The default settings of cell phones: the brightness, sound, ringtone and background are often kept as they were. The user doesn't take the time to go into the settings and remove the defaults (Halpern 10).

Other examples of private firms utilizing defaults include strategies used by newspaper and magazine companies. When consumers subscribe, the company makes it very difficult for them to unsubscribe. Do you still get emails from websites that you visited or made accounts on years ago? This happens because the company sets the defaults to allow them to send their new customers emails until they unsubscribe. Nudging in this way is now being administered within firms to help employees, and thus

help society as a whole. In order to explain this type of application that may have individual and social impacts, we'll return to *Nudge*.

d. Private/Public Sectors Nudges

In their discussion of 401(k) plans, Thaler and Sunstein explain that about 30 percent of employees fail to enroll. The authors then suggest what they call, "Making savings automatic" (Thaler and Sunstein 108). In other words, simply change the default rule. In the case of most retirement programs the default option is non-enrollment. Essentially it entails some effort from the individual to become enrolled. Instead, the authors argue for an enrollment plan that automatically enrolls people, unless they put in the effort to opt out. This method, as described by the authors, has proven effects.⁵ Another option, in addition to the automatic savings method, is to require the individual to check a box indicating whether they want to be enrolled or not. This requires people to "state their preferences" (Thaler and Sunstein 110), and leaves them with no default option (Thaler and Sunstein 107-09). Again, both alternatives have proven to increase the rate of enrollment.

Although changing the default rule to automatic enrollment is effective, sometimes people have a hard time actually contributing to their retirement plan once they are enrolled. To combat this issue, Richard Thaler suggests what he calls "Save More Tomorrow" (Thaler and Sunstein 114). This is another form of choice architecture that takes into account, "...psychological principles that underlie human behavior" (Thaler and Sunstein 114). For example, people want and even plan to save more,

⁵ In a paper by Brigitte Madrian and Denis Shea cited in *Nudge* (2001), the opt-in approach saw just 20 percent enrollment after three months, whereas the opt-out approach saw 90 percent immediately.

however, they rarely follow through. In addition, no one likes to see less money in his or her paychecks. This is often referred to as loss aversion, the feeling people get when they see money go. The “Save More Tomorrow” plan helps employees commit to saving in advance. The key to this type of plan is that it suppresses the psychological tendencies in humans that would normally push them to back out of a traditional savings plan. Thaler explains, that “Save More Tomorrow” increases an employee’s contribution to his or her retirement only with an increase in pay. This way the employees don’t see their paycheck diminish and thus don’t view it as a loss. When “Save More Tomorrow” is combined with automatic enrollment, an increase in both enrollment, and savings is obtained.

As the long-term viability of the Social Security system becomes more uncertain, firms may begin considering implementing policies such as the ones above. By doing so, the firm, although only directly benefitting its employees, is helping society as a whole. If citizens are better equipped for retirement, the government’s cost for covering retirees decreases. In addition to nudges that are used by the private sector but have a public sector benefit, the government can use similar tactics to help current and future citizens directly. The upcoming section outlines nudges used by local, state, or federal governments that help citizens in various ways.

e. Public Sector Nudges

To begin this section, a somewhat personal anecdote might help portray how common some of these nudges are. My parents receive a monthly letter in the mail that displays how much electricity they consume. Included in the letter is a visual diagram

that illustrates how much electricity they consume compared to how much electricity other people in our neighborhood consume. This nudge, depending on my parents' energy consumption, separates their household from the rest of the neighborhood. It subtly tells them to cut down on electricity use, assuming they use more energy than their neighbors. It incentivizes them to alter their behavior in order to feel included with the rest of their neighborhood. Other environmental nudges are being used in Denmark to combat water shortages. The WaterGuide is an attachment to showerheads that detects water and energy usage. As the shower runs, the WaterGuide updates its users on how much water is being used, nudging them to take shorter showers.

A 2013 article by Katrin Bennhold outlined some interesting nudges in the public sector of Great Britain, a few of which are similar to the first example given above. She explains that “The [nudge-] unit has been nudging people to pay taxes on time, insulate their attics, sign up for organ donation, stop smoking during pregnancy and give to charity — and has saved taxpayers tens of millions of pounds in the process...” (Bennhold 1). Looking specifically at the example of paying taxes on time, the Nudge Unit sent different types of reminder letters to citizens who hadn't yet paid their dues. One of the nudges was simply a sentence telling the forgetful taxpayers that most of the people in their community had already paid. This nudge is similar to the nudge mentioned in the anecdote I began this section with. Both nudges tap into the human desire to be included in the group.

Referred to as peer-based approaches, these nudges use peer pressure to influence behavior change. If these nudges were to be categorized based on the way they work, they would be placed in the motivational category that targets human emotions.

f. Psycho-sociological Complexities of Nudging: Examples and Reflections.

Earlier in this chapter, the power of the default rule was discussed at length. All the examples given, however, fell into either the private sector category, or the private/public category. Changes to the default can also be used by public sector agencies. For instance, take the earlier case of organ donation. Different countries use different policies, which ultimately lead to a difference in data.

The United Kingdom takes an opt-in approach to organ donation, meaning that citizens are only organ donors if they sign up to be, they are not presumed as such. As of 2009, the U.K appeared at the bottom of the organ donation list at about 16 donors per million. Spain on the other hand, takes an opt-out approach to organ donation. With this method, Spain is utilizing the power of the default—everyone is presumed to be an organ donor until they choose to opt-out. Spain, at 34 donors per million, has more than double the organ donors than the U.K (C. Rudge i50-52). By considering these two countries alone, and their different approaches to organ donation policy, one would have to assume that an opt-out (Spain's) approach is more effective. This, however, is not the case.

Consider the United States, which concedes to the same organ donation approach as the U.K. The U.S, however, appears near the top of the list at roughly 27 organ donors per million people. Greece uses an opt-out approach, the same as Spain; however, they come in near the bottom with only 5 donors per million people. The initial hypothesis that an opt-out approach is superior when it comes to organ donation is not necessarily accurate (“Opting out” *The Economist*).

So, what does this say about the effectiveness of changing the default rule when it comes to organ donation? The answer isn't so simple. Organ donation is a delicate situation because of how personal it can be to people. Corollary policies, or plain culture, could contribute to Spain and United States' high organ donation participation rate, and to Greece's and the United Kingdom's low organ donation participation rate. Thaler and Sunstein suggest in *Nudge* that although other factors come into play when determining which approach—the opt-in or the opt-out—is best, there is evidence that when everything else is held constant, a policy with presumed consent (opt-out), increases organ donations by about 16 percent yearly (Thaler and Sunstein 181).

The specific issue of organ donation and presumed consent versus informed consent highlights more than just the power of nudges. It also presents the controversial use of partial equilibrium analysis, discussed here below, and ethical aspects of nudging, that will be the focus of the last chapter of this thesis.

Partial equilibrium, quite common in economic models, is a type of analysis that evaluates the equilibrium conditions of only one market at a time, while holding everything else constant (the so called *ceteris paribus* condition). Recall the above example of organ donation: Thaler and Sunstein suggest that when everything else is *held constant*, a policy with presumed consent (opt-out), increases organ donations by about 16 percent yearly. Yet, certain countries employ the same organ donation policies but obtain different donation results. In the case of organ donation, culture, religion, and other variables may affect the ultimate outcome of donation rates.

The beauty, but fundamental flaw of the nudging approach to policy design is that it uses psychological techniques to influence the decision-making process of individuals.

However, the psychological makeup of individuals varies across culture lines, making it almost impossible for one nudge to have the same effect in two different places. Geert Hofstede explains in his *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations across Nations* (2001), that “A better understanding of invisible cultural differences is one of the main contributions the social sciences can make to practical policy makers in governments, organizations, and institutions—and to ordinary citizens” (Hofstede xv). If behavioral economics is to be applied to policy initiatives, it becomes imperative that cultural and societal norms are taken into consideration before such techniques are implemented.

In recent years, behavioral scientists in the U.S have taken on the challenge to nudge people towards eating healthier. In many ways, behavioral scientists have begun pushing back against what unhealthy food suppliers have been doing for decades. If you've been in a grocery store or super market before, you may have noticed the colorful tags, wrappers, or boxes that cover all the candies, sodas, or cereals we all love. There are posters everywhere pointing us in the direction of the racks of Doritos, or the buy-one-get-one-free two-liter Cokes. This isn't an accident. Companies know how easy it is to get people's attention and convince them to buy their unhealthy goods. This is the power of advertising.

To combat advertisers and their unhealthy products, behavioral scientists have convinced cities to implement methods that nudge people toward the produce section instead of the Chips Ahoy and extra cheesy nacho dip. All over the U.S, social scientists are experimenting with these techniques. In El Paso, Texas, certain grocery stores have built-in mirrors in the grocery carts. If you think about this tactic carefully, it makes

sense (Moss, 2013). Consider again how distracting it is to walk through a super market. At every turn you're faced with another advertisement and another decision. It can be hard to ignore the buy-one-get-one free sign. The point of the mirror in the shopping cart is to get shoppers to look away from the signs and at the mirror in the cart reflecting themselves. It makes people re-focus, perhaps subconsciously, and remember why it is that they came to the store in the first place (Moss).

In another experiment in Virginia, a grocery store put yellow tape in each shopping cart and basket dividing it in two. A flier explained that the shopper should put fruits and vegetables on the right side and non-produce items on the left side. When this strategy was applied, average produce sales increased by about \$5—from \$3.99 to \$8.85.

Back in El Paso, grocery stores laid down giant green arrows that pointed customers to the produce section. As simple as this may sound, the shoppers responded. While most shoppers normally enter the store and go to their right, the green arrows pointing left nudged 9 out of every 10 shoppers to go that way, towards the produce. Collin Payne and Mihai Niculescu, the social scientists administering these studies in El Paso, explained that when the green arrows on the floor were combined with the mirrors in the cart, the nudges didn't work. Nudging is about finding that space where you aren't pushing people too hard, but you're pushing them just enough (Moss).

Similar neurological targets are being used in Europe to promote environmental change. Pelle Hansen the chairman of the Danish Nudging Network has been experimenting with ways to get people to take the stairs more often, and not to litter. A recent study conducted by his Nudging Network, showed that red strips on the floor leading up to stairs in an office building increased the amount of people who took the

stairs by 70 percent. A similar study conducted by Hansen and his team proved that green footsteps painted on the ground leading to trashcans decreased the amount of litter on the ground by 46 percent (Webster).

Additionally, the Danish Nudging team has been working on an ongoing project that attempts to speed up the process of boarding planes. The goal, as described by Shirley Wang of the Wall Street Journal, is to coax passengers to be more orderly without telling them that they have to be. After initial observations of more than five hundred flights, the team has learned that people standing around the gate create less order, more chaos, and a slower boarding process: the more people sit, the faster things move. The problem identified by Hansen and his colleagues occurs because seating in most airports seems meant for groups, which is not how people usually travel. Most people travel by themselves or in pairs. Airports could thus move flights along quicker and save money if the seating around gates was more ideal for pairs and individuals (Wang).

The European Commission, the legislative branch of the European Union, has taken notice of the work done by agencies like Hansen's "iNudgeyou Team." In response, the Commission has published a series of four reports explaining the effectiveness nudging may have on citizens and businesses alike in order to further positive environmental and social changes. Although agencies such as Hansen's have produced important and beneficial work, the Behavioral Insights Team has continued to lead the way in promoting these positive social changes.

A final example of nudging allows an analysis of how nudges can utilize incentives. In the last five years, cities across the U.S have begun taxing shoppers for any disposable bag. (My hometown of Berkeley, California, was one of the first). The

cost is minimal, usually somewhere between five and ten cents, which seems like it wouldn't make much of a difference to a shopper who just spent close to one hundred dollars on groceries. However, such policies are making waves. A 2010 article in the Wall Street Journal noted that in Washington D.C retail outlets that usually use 68 million bags per quarter, had handed out only 11 million in the first quarter of 2010 and less than 13 million in the second quarter (Simon). Taxes have been implemented before to try to influence consumers and businesses to cut down on wasteful tendencies, but none have worked quite to the effect that this one has. So why is this small tax on disposable bags making a difference?

Money itself doesn't really have much to do with it. Instead, shoppers no longer get bags automatically, they must now ask for them in front of everyone else in line. This nudge, like others we have already discussed, uses peer pressure. One is more likely to feel culpable for harming the environment when others witness him or her doing it. This brings us right back to the letter my parents receive on a monthly basis. They don't want to be the house using all the electricity; they want to fit in with the group by contributing to the neighborhood's effort to help save the planet (Simon).

The above example of taxing shoppers for paper or plastic bags leads to an interesting debate. Does a tax count as a nudge? More specifically, are you nudging people to change their behavior by imposing a monetary tax on them? A nudge is meant to be incentive-based, in some form or another. The subtlety of the incentive can be how it affects people psychologically, much like many of the nudges we have discussed thus far, or the incentive can be of monetary value. In this specific case, the nudge does both. Taxing people 10 cents for bags dis-incentivizes the use of bags because it costs extra,

but more effectively, it forces people to ask for bags in front of others. In economic terms this nudge changes the optimal choice by altering the preferences of the individual—not wanting to ask for a bag in front of others—rather than changing the optimal choice by changing the budget constraint (the added ten cent cost of a bag). This example again presents the issue of peer based nudging, and allows us to reopen the psychological dimensions of nudging that have been revealed through the chapter.

Nudging can influence humans in a number of different ways, most notably by tapping into their fear of being excluded from a group. The notion of inclusion and exclusion isn't so benign, however. It's not just a matter of one versus the other. The fear of being shunned or singled out as different (as the shopper above may feel if she opts for a paper or plastic bag) is very profound. As Dominic Abrams and his co-authors explain in their *Multidisciplinary Handbook of Social Exclusion Research* (2008), “Almost without exception, the consequences of social exclusion for targeted individuals and groups are negative...the need to belong is one of the strongest human motivations” (Abrams 30). This is fundamentally why people in society tend to follow the social norms established by that society. And it's why adolescents follow their strict dress codes, in effect to avoid what happens to a member of an Amish community who does not, i.e. shunning. Abrams adds that when humans feel excluded, “... [they] often try and change or alleviate their exclusion by behaving in prosocial or conciliatory ways. This might involve working harder for the group or conforming to the opinions of others” (Abrams 35). Feelings of exclusion can be brought forth in many different ways and have tremendous influence on people or groups.

In addition to exclusion, the feeling of uncertainty can also influence behavior change and conformity. Robert Cialdini addresses this point in his book, *Influence: The Psychology of Persuasion* (2007). When humans feel unsure of themselves, or when the situation they are faced with is unclear and ambiguous, they are most likely to accept the actions of others. This is why a nudge that tells people to cut their electricity down to the amount of their neighbors can have an effect. The choice architect in this instance is using what Cialdini's, calls "weapons of automatic influence" (Cialdini 7). He explains that "the secret of their effectiveness lies in the way they structure their requests, the way they arm themselves with one or another of the weapons of influence that exist within the social environment" (Cialdini 7). Cialdini goes on to mention that one word can engage a psychological feeling that makes us respond in an automated way. In the cases above, a designed feeling of exclusion prompts a person to change their behavior in order to feel included and part of the group.

This opens an important ethical dimension of nudging. One of the ongoing roles of society is to inform its members about what is acceptable and not acceptable. If a person does what is deemed acceptable then she is considered part of the community. On the other hand, if a person breaks this contract, than there are consequences. An extreme example would be breaking the law that results in jail time or fines. A subtler example is someone who doesn't zip up his fly in public, or eats with his hands in a fancy restaurant. Neither of these actions results in the same type of punishment as committing a crime, and yet these actions still have consequences.

To relate this current discussion of acceptability within society back to nudging; nudges rely on people to pay attention to what is acceptable and what is not within a

culture. If not paying taxes were acceptable, the nudge that attempts to get people to pay taxes on time would be ineffective. Similarly if wasting energy weren't frowned upon in this day and age, (in some places and to some people it's not), then the nudge that attempts to get people to cut energy consumption would be useless.

There is a deeper issue here, however. The choice architect of a nudge plays a role in explaining to people what's acceptable within society. If they make people feel excluded for wasting energy, then they are dictating the norms and values of society. Is it always a good thing for the government to interpret and remind us of what's right and wrong? One reminder is not the same as another reminder, and one norm is not the same as another norm. This makes the evaluation of public nudging extremely complex and opens the door for ethical considerations of the practice.

IV. ETHICS OF NUDGING IN POLICY

As the last chapter addressed, nudging techniques are being used more frequently as forms of policy intervention to influence people in rational, emotional, conscious and subconscious ways. In countries like the United States and Great Britain, nudges are used to increase organ donations, help people eat in healthier ways, cut down on energy consumption, reduce waste, and save for retirement. The increased popularity of such behavioral change tactics in the world of policy makes for a current and important ethical debate.

How does one decide whether something is ethical or not? Deciding whether nudging is ethical or not is complex because it involves questions about manipulation, power, education, freedom, and individual well being versus group well being.

Pelle Hansen (director of the Danish Nudging Network) and Andreas Jespersen identify manipulation as the main ethical issue regarding nudging. “A persistent and central tenant in the political and ethical criticism has been the claim that nudging works by “manipulating people’s choices” (Hansen and Jespersen 8-9). Manipulation is an issue because “...Nudging impairs our autonomy and our ability to make moral choices for ourselves” (Bovens, quoted in Hansen and Jespersen 9). As we will see throughout the development of this section, if we consider nudging an intrusion on an individual’s autonomy, it can also lead to additional serious problems such as limiting someone’s right to choose and destroying the opportunity for that person to learn from his or her own choices. If individuals are deprived of their right to choose and make mistakes, the social consequence is a lack of equality of opportunity, and ultimately a lack of freedom.

A useful way of engaging in an ethical discussion about nudging would be to consider nudging in relationship to the value of human autonomy. Autonomy is a value recognized by Enlightenment thinkers, and a value on which the United States is built (Schneewind 4). Manipulation is an interruption—an intrusion on human autonomy. In order to analyze the ethical implications of nudging under this framework, a discussion regarding manipulation and autonomy must take place. Before getting there, however, it’s worth delving into the complexities that typically accompany any ethical discussion.

Ethical discussions are complex because ethics is not black and white. People’s views differ depending on their historical, economic, and cultural context. Ethics at its

heart is ambiguous also because opinions change over time. In other words, ethical perspectives change according to time and location. Here are some examples.

Contraception and abortion have been a topic of ethical debate, reaching as far as the Supreme Court. In the monumental decision of *Roe v. Wade* (1973), the court stated that a woman has the right to privacy and therefore a right to an abortion under the due process clause of the 14th amendment. Yet, forty years later, many still question the ethics of abortion and forms of contraception. Christopher Kaczor explains that abortion raises questions that confront the meaning of life, and even a life worth living; it raises questions about equality between men and women, and the right an individual has to privacy (Kaczor 4). The reason this topic is still an ethical issue is because it consists of two legitimate, conflicting values that most people believe in. One is that people have a right to choose what to do with their bodies, and the other is the sanctity of life. Depending on where an individual is in the world or in history and depending on an individual's religious affiliation, priorities, and belief system, a person will have different opinions about whether abortion is ethical.

The second example is physician-assisted suicide. In two 1997 Supreme Court cases (*Vacco v. Quill* and *Washington v. Glucksberg*), the court declared that physician assisted suicide is not protected under the Constitution. States are therefore permitted to establish their own laws allowing or prohibiting the practice. The variation on perspective regarding physician-assisted suicide will depend on the same conflict of values that abortion does: sanctity of life versus the right to determine one's own destiny.

The final example is the fight for marriage equality and the most recent civil rights movement. This particular debate touches on an issue that Michael Warner

addresses in his book, *The Trouble with Normal: Sex, Politics, and the Ethics of Queer Life* (2000). He explains that, “All too commonly, people think not only that their own way of living is right, but that it should be everyone else’s moral standard as well” (Warner 4). People have a hard time understanding that their own ethical perspectives are just perspectives. They like to think of them as truths and don’t recognize that their values are context specific—they simply think they’re right. The ambiguity here does not involve sanctity of life, but instead whether or not the majority has a right to impose its perspective on a minority, which has replayed itself throughout history. It also raises questions as to whether or not anyone is allowed to define what is the truth. Is it legitimate for anyone in an argument to say that they possess the truth and the person they are in disagreement with possesses an opinion? Does anybody own the truth?

When President Obama first took office, he stated that the country wasn’t ready for same sex marriage. President Obama, like most politicians, gauges popular opinion before backing certain stances on social issues. Seven years later: popular opinion surrounding same sex marriage has changed, along with President Obama’s.

Perhaps, the most interesting notion revealed in the above-mentioned debates is that people modify, reshape, and transform their thoughts about what they deem ethical and unethical. In his essay, “Evolutionary ethics: can values change”, Sir Kenneth Charles Calman, a cancer researcher and former chief medical officer of Scotland, contends that, “...values can and do change, though certain core values may be unaltered over a long period of time. The changes which occur...relate to changes in knowledge, changes in social and cultural values and norms, and changes arising through an individuals personal life experiences” (Calman 366). As technologies and societies grow

more advanced, new ideas spring to life. Constant innovations challenge a society's values and what they determine to be ethical, as well as, how human beings are expected to treat one another. The ability to perform an abortion, or assist a dying person in ending their life are both technological advancements that lead to new ideas, subsequently raising questions about the meaning of life and death and the rights of individuals. Similarly, Internet technology has changed the way the world works, in both positive and negative ways. It allows people to stay connected across the globe, but it also allows people to steal and share private information of others. Each new idea brings with it a set of questions, all of which should require ethical consideration. Societies and individuals alike will pick sides to these ethical debates depending on their values, norms and experiences. Because what is considered ethical is changing over time and is influenced by cultural context and personal experience, it's neither consistent nor permanent. If such is the case, how do we move forward in determining whether nudging is an ethical practice?

a. Persuasion, or Manipulation?

Ultimately, nudging is a form of influence. Someone is trying to influence another person to do something. In order to determine whether or not nudging is ethical, we must examine different forms of influence and establish what form nudging makes use of.

Persuasion and manipulation are both forms of influence that people engage in all the time. Parents encourage their children to do things like eat their vegetables and do their homework. Friends push one another to try new things and go on nightly

adventures. In order to figure out what kind of influence nudging makes use of, a distinction between persuasion and manipulation must be made. According to the Oxford English Dictionary, to manipulate is to handle or control, especially in a skillful manner, or to control or influence in a clever way. With this definition, manipulation seems to come from a place of deceit and ill will. It is a matter of encroaching on someone's autonomy and interfering in some way with his or her freedom to choose.

T. A. Van Dijk, a professor and scholar in the fields of discourse analysis and text linguistics believes there's more to manipulation than the definitions above. He offers a useful analysis of manipulation and discursive power abuse in his "Discourse and Manipulation" paper. Van Dijk makes an important distinction that has been briefly touched upon: he differentiates between what he calls "(legitimate) persuasion" and "(illegitimate) manipulation" (Van Dijk 361). He explains more clearly that if the negative associations of manipulation are done away with you are simply left with this so-called (legitimate) persuasion. According to Van Dijk, persuasion allows, "the interlocutors...free to believe or act as they please, depending on whether they accept the arguments of the persuader, whereas in manipulation recipients are typically assigned a more passive role: they are *victims* of manipulation" (Van Dijk 361). Rom Harre, a philosopher and psychologist holds a similar stance on persuasion and manipulation. When discussing the difference between the two forms of influence, he explains that manipulation "...also seems to have psychological entailments but they are of a negative kind, namely that the victim of manipulation is unaware of the influences exerted upon him" (Harre 126). So, the important difference seems to be related to the *awareness* of the recipient that he or she is being influenced.

There is however some overlap between legitimate persuasion and illegitimate manipulation, making things even more complicated. Van Dijk himself refers to this line as “fuzzy” (Van Dijk 361). How do persuasion and manipulation get confused? A person or group might try to persuade their audience, while the audience—depending on education, beliefs, and degree of empowerment—might still be manipulated. The persuader or manipulator will have a difficult time knowing whether the recipient was indeed persuaded, or manipulated. Messages can have different consequences depending on the speaker, the message, and the recipient. How can one know if she is being manipulative, or persuasive, and similarly, how does one know if the audience is manipulated or persuaded?

Van Dijk introduces another criterion: “Manipulation not only involves power, but specifically *abuse of power*, that is, *domination*.” He adds that manipulation is always in the best interest of the manipulator and against the will and interests of the recipient (Van Dijk 361). This is a crucial point in the discussion. Manipulation is about power and control. Manipulators are in a position of power and use their position to manipulate others. Politicians, writers, scholars and teachers, and for our purposes, policy-makers, manipulate those less powerful than themselves to do things that are beneficial to the party in power (Van Dijk 362). Harre adds, “...The notion of manipulation seems to be reserved for those cases where the effect of successful manipulation of someone or a group of people will be a change in them that is in the interests of the ‘orator’, and probably not in the best interests of the ‘hearer’ (Harre 127). Therefore, manipulation can be more clearly defined as only in the interest of the

manipulator and rests upon some intention of benefitting the individual or group in power. Yet, the abuse of power or domination can happen even without intention.

Good intentions, without the intention to manipulate, can still manipulate. More precisely, an individual, or group of people in a position of power can act with good intentions and can still be manipulative. Harre, however, argues that it is not the intentions of the manipulator that determine if an act is manipulative as much as it is the absence of the awareness on the part of the manipulated. The key component of manipulation is the unawareness the 'hearer' has of the influence the 'orator' exercises, or at least of the interests the 'orator' displays. That being so, an act can still be manipulative even if it is in the best interests of the 'hearer' so long as she remains unaware of the 'orator's' influence. "In manipulation, since the 'hearer' is not engaged as a conscious and rational being in the discourse the 'orator' is and must be treating the 'hearer' as a thing" (Harre 127). Therefore, when the 'hearer' is not engaged the act is manipulative, regardless of intention and interests.

Recall the brief example of a parent feeding her young child. The parent, who is in a position of power, and responsibility, is attempting to influence her young child to eat vegetables. The child is too young to be aware of her parent's intentions. If the parent makes the sound of a plane and sways the utensil back and forth getting closer and closer to their child's mouth until she begins to giggle and reaches for the spoon, then one could say that parent is manipulating her child. Although this is a rather benign, even necessary form of manipulation, she is still using her position of power and the unawareness of the child to influence her, in this case to eat vegetables. This of course is beneficial to everyone involved, the caring parent, whose intentions are to feed the child

vegetables to keep her healthy, and the giggling child who is now healthier after having eaten the vegetables. Nonetheless, this act is still manipulative. Remember, an act can be manipulative regardless of intent and interests. Manipulation as a form of influence when dealing with young children is appropriate. With older children or citizens who have the capacity for self-awareness, it may not be.

Consider a similar scenario in which a parent uses persuasion instead. Harre describes persuasion as engaging the 'hearer' in a dialogue. Suppose now that the parent is trying to convince her nine-year old to eat vegetables. Rather than flying a spoon in front of her face, which would likely have little effect, the parent explains the health benefits of the leafy-green vegetable. "Kale is a super-food with dozens of anti-oxidants that will help you perform better on the soccer field" (Parent). Now, the kid, this time aware of the parent's intentions and interests (which haven't changed from the first example) is being persuaded, not manipulated. Persuasion can exist as long as the subject is aware of the persuader's intentions, which is satisfied in this example because the kid knows that the parent wants her to eat the kale. This is what distinguishes persuasion from manipulation.

Given Van Dijk and Harre's contributions, manipulation is defined as a difference in power (between manipulator and manipulated), and in awareness. Thus, manipulation is about power, control and inequality; it is less about intention and gain. Therefore, manipulation can benefit both parties, or even benefit the less powerful party, alone. With that in mind, manipulation may not always be completely destructive, even though it tends to come with costs.

...*Manipulation is illegitimate in a democratic society, because it (re)produces, or may reproduce, inequality: it is in the best interests of the powerful groups and speakers, and hurts the interests of less powerful groups and speakers. This means that the definition is not based on the intentions of the manipulators, nor on the more or less conscious awareness of manipulation by the recipients, but in terms of its social consequences (Van Dijk 362).*

We could understand those “social consequences” as the threat to individual autonomy. The costs of manipulation, therefore, have to do with perverting the autonomy of an unaware recipient (or ‘hearer’), more specifically, the people in power perverting the autonomy of those with less power. In order to connect the previous discussion of manipulation to nudging, the threat of manipulation to the value of human autonomy must be discussed. A look at how autonomy is debated in medical ethics may be helpful in doing so.

b. The Value of Autonomy

As medicine has become more advanced, it has enabled us to keep people alive in ways that were not possible even fifty years ago. With these medical advancements, the ethical concerns about intruding on one’s autonomy have also heightened.

Atul Gawande, a surgeon, writer, and public health researcher, recently published a book called *Being Mortal* (2014). The book explores what truly matters at the end of someone’s life and how to help hospitals; families and individuals achieve such goals. A major point of emphasis throughout the book is how the advancement of medicine has been able to keep people alive for much longer, but with a cost. Gawande explains in detail the path surgeons take to helping patients who are approaching the end of their

lives. Instead of trying to understand what a patient's goals are, surgeons—who are taught how to fix things—tend to offer the patient only a few more miserable months of life with either surgery or drugs that can induce horrible side effects. Gawande explains that our society has redefined what the end goal is—to live longer no matter the costs. His book conveys the importance of autonomy in the way one ends his or her own life, the desire to be comfortable and surrounded by loved ones, and the value of autonomy.

The value of autonomy...lies in the scheme of responsibility it creates: autonomy makes each of us responsible for shaping his own life according to some coherent and distinctive sense of character, conviction, and interest. It allows us to lead our own lives rather than be led along them, so that each of us can be, to the extent such a scheme of rights can make this possible, what he has made himself (Ronald Dworkin quoted in Gawande 140).

Gawande describes a person's life like a book or story, shaped like an "arc" with a beginning and end (Gawande 238). People don't view their life as just good or bad by averaging together all the moments, they remember defining ones. This is why an ending is important and should be up to the person who lived that life and in that body (Gawande 238).

Surgeons and doctors are medical professionals. We look to them to help us make important life decisions, perhaps the most important life decisions that come toward the end. We expect them to present us our options and help us choose the right one. This is where the problem arises, and the interruption of human autonomy. Medical professionals may not know the right choice for that individual. Here, Gawande encourages doctors, surgeons, and families to have a conversation with the sick and

elderly about their remaining goals, not allowing the goals of society to determine their ending. Instead of living six more months in and out of the hospital with incredible pain, patients could choose to live one more month in the comfort of their home surrounded by people they love. The value of autonomy is not so much about the choice itself—it is about the choosing. Doctors should help individuals figure out what their end goals are, and then help achieve them. By doing so, medical professionals are respecting the autonomy of their patients and allowing them to end their lives according to their values and beliefs that have accumulated and changed over a lifetime.

Policy makers can take a similar stance. Much like surgeons, policy makers are experts at their craft, with economists and psychologists at their sides informing them of the most effective ways to reach people. This is where nudging enters the conversation. When policy makers use psychological and economic insights to determine how to reach people and the ‘best’ policies to implement, they are encroaching on a citizen’s autonomy and are therefore being manipulative. Again, policy makers are experts and we look to them to help us make the right decisions, but they are experts according to the goals of the government—of the people in power, not of the individual. This brings us back to the definition of manipulation given by Van Dijk.

c. Back to Nudging

Manipulation in this form is about inequality and social consequences. Doctors and surgeons may know how to fix things, but they do not always know what matters to the individual. This notion, when applied to the government is the basis upon which Austrian economics and subjectivism is built. “Subjectivism argues that we will be

unable to attach meaning to human action if we attempt to describe it in terms that make no references to human perceptions and plans” (Horwitz 18). If what matters is comfort, surgery may not be the best option. Similarly, policy makers and economists may know the most economically efficient way of having people donate their organs or cut down on electricity usage. However, out of context, and without reference to individual perceptions, the rational way might not be in the best interest of the individual. More importantly it may not allow the recipients to *choose* how they want to cut down on electricity or if they want to cut down on electricity at all.

Additionally, policy makers are often not elected officials, and even in today’s modern democracies, elected officials are not always successful in representing their constituency’s best interests. “...When citizens elect their leaders, they temporarily delegate the exclusive decision-making authority over policy-making to the holders of public office. This creates room for abuse of power between elections” (Persson 1165-66). Keeping this type of authority in mind, consider the power policy makers have when employing behavior change techniques. Is it ethical for policy makers to have the power to determine the best decisions for individuals, without ever engaging in a dialogue about their values, beliefs, and desires? The power dynamic of these relationships (nudging) is worth taking a closer look at.

Luc Bovens a professor of philosophy at the London School of Economics argues in his “The Ethics of *Nudge*,” “There is something less than fully autonomous about the patterns of decision-making that *Nudge* taps into. When we are subject to the mechanisms that are studied in ‘the science of choice’, then we are not fully in control of our actions” (Bovens 212). Nudging matches the rough definition of manipulation we

have established because it allows the policy maker to intrude on someone's autonomy. With this in mind, the argument can be made that people in power may be dangerous and their power must be limited. This idea is essentially what the United States of America was founded upon, and it is partially the point I'm making. Limiting the powerful so that they don't abuse the less powerful is an important theme to hold onto, and has been a major component of this section. However, if a society holds too tightly to this idea, there is the potential for stagnation. Some elaboration might make this clearer.

The biggest problem with the very rational and logical fear of power allocation is that people live in groups. In Aristotle's words, "...the good is same for a city as an individual, still the good of the city is apparently a greater and more complete good to acquire and preserve" (Aristotle, *NE* 7-8). The group always has a kind of momentum and type of power that the individual doesn't possess. This creates a situation where there must be a limit to individual autonomy because the common good may override it.

Take any neighborhood for instance. Each individual in that neighborhood uses the sidewalks. But the group, as a whole decides what the sidewalks will be like—the width, the height, how many lines, cracks, and steps it will have. The act of choosing for each individual is limited in this case. Ultimately, a choice has to be made that satisfies the group, given their budget and time. Nudging attempts to satisfy this by limiting the money and time spent while still helping the group, even if it intrudes on the individual's autonomy by taking away their direct right to choose. In this way, nudging is benefitting the group as a whole, which according to Aristotle, is "a greater and more complete good" (Aristotle, *NE* 7-8).

This creates a conflict between the individual and the group. Patrick Coby analyzes Aristotle's conceptions of politics, which might help unfold this relationship further. "...The polis is defined as a community of equals who rule and are ruled in turn. But in proportion as excellence is a consequence of political life, the individual does himself no favor by submitting to the rotational scheme of the polis. The surrender of power may be good for the association, but it is bad for the individual" (Coby 495). This dynamic puts governments in the difficult position of having to look after the group as a whole, while also considering the interests of the individual. This again is where nudging occurs and the potential for an intrusion on the individual's autonomy. It's also where the very rational fear of the powerful taking over the less powerful comes to light.

There are obvious and important benefits to nudging that make it an attractive and useful form of intervention, including the example above. The most important question is whether or not the benefits of nudging outweigh its costs. A discussion of the remaining problems that nudging introduces might help provide a more definitive answer to this question.

The consequences of nudging go beyond just taking away an individual's right to choose. As has been shown, nudging as a form of manipulation is about inequality and the social consequences it produces. It furthers the unequal distribution of wealth, knowledge and power already so prevalent within the U.S, but also across the world. It is crucially important for people to make decisions for themselves not only because it stands the test of autonomy, but also because it is a process of learning. Luc Bovens explains that, "Adam Smith thought that adversity was the best school to develop the respectable virtue of self-command. The cost of *Nudge* may be that we forgo the chance

to gain the virtue of self-command” (Bovens 218). Nudging assumes that people do not, or even cannot, always make optimal decisions on their own.

A public entity that nudges its citizens is like a parent that doesn’t allow her child to learn on their own—to learn from their mistakes and successes alike. A nudge is not a form of education because it changes a situation, and takes away the opportunity for people to learn from adversity. At the very least this should be a concern. It’s the moral obligation of those in power to think about those with less education, less money, and less control, otherwise a democratic state becomes a totalitarian one. Nudging offers the people in power a way to step around this moral obligation. More simply, nudging is saying that policy makers—those who are in power—know better.

Bovens further explains that, “...*Nudge* is less desirable when it creates a people who have become incapable of taking their lives in their own hands and to make autonomous changes in their agency to make it fit in with their overall preference structure” (Bovens 218). Behavioral change techniques take away the opportunity for people with less power to learn not only about the world around them, but how they want to live in it. This is the most dangerous aspect of nudging and it brings us back to the importance of dialogue. If the people who make policy decisions never offer their recipients a chance to notice and respond to their nudges, then the nudges are manipulative. Good intention is important, but it’s not enough. Policy-makers must give their constituents an opportunity to respond to their policies and listen to their responses. If policy makers don’t give people a chance to respond, or at least allow people to become aware of the policies, it is unlikely that the subjects of nudges will learn from their steered choices.

According to Mark Whitehead of the Economic and Social Research Council (ESRC), there is very little public deliberation on nudge-type policies. When these policies are debated it is on a case-by-case basis, and not on the more general moral implications of such tactics (Whitehead 34). The nature of these nudge policies is that they often target the unconscious; therefore, they don't allow people to grasp what is being placed in front of them and taking away any chance of education.

To combat this denial of education, Whitehead and his team argue that a certain level of public deliberation should take place in order to educate the public about these relatively new behavioral methods and allow for critiques (Whitehead 34). At the very least, there has to be the option for feedback to make nudge policies non-manipulative. In addition to becoming non-manipulative, given the chance for responses, these forms of behavioral sciences can help people better understand the nature of their own decision-making. By doing so, Whitehead and his colleagues at the ESRC explain that "forms of psychological capital" associated with decision-making can be gained and a "...greater social awareness of the varied rational and emotional drivers of human behavior could provide a basis for enhanced forms of behavioral mastery and personal development" (Whitehead 34). Instead, policy makers have used nudge techniques to coordinate large-scale changes, bypassing the educational potential they hold and ignoring the value of human autonomy.

Nudge policies should encourage people to think about the possibility that nudging may end up in the wrong hands. T.M Wilkinson, a professor of Political Studies explains in his paper, "Nudging and Manipulation" that, "Possibly none of Thaler and Sunstein's favoured nudges would be manipulative, assuming they consistently follow

their own recommendation for an escape clause. However, they are not the only ones who are enthusiastic about taking advantage of psychological quirks” (Wilkinson 355).

Throughout history when groups of people or countries have imposed their beliefs and values on others, the results have been disturbing. An extreme example is Nazi Germany, but this also happens with humanitarian organizations helping out poorer countries. Western powers impose what they think is right by offering women the opportunity of sterilization for more food. The assumptions made by these organizations, and more broadly speaking the values instilled in modern Western thought, are that people shouldn't just keep having children because it is more economically and ecologically wasteful. However, in Southeast Asia or West Africa a large family can allow the family to produce more food or money. These examples illustrate what nudging may look like when paired with potentially malicious or other intentions.

Nudging should therefore be a topic of ethical debate. Both policy makers and policy takers should engage in conversations about the tactics of nudge policies that tap into human motivation, emotion, and rationale. People must ask themselves the difficult questions that come with nudging. Is this nudge manipulative, and how so? How can we change it? What if nudges are targeted at certain races or classes? What if policy makers decide to get even more complex and manipulative? How tricky will nudges become then? Who regulates nudges? Do we need a department for that?

Bovens has, “...argued that *Nudges* must be transparent in principle at the level of each token *Nudge*, in order to ensure that everyone can unmask the manipulation if they wish to do so. This protects the rights of minorities who do not wish to be so manipulated and it keeps a check on the government” (Bovens 219). Bovens uses the

term “token nudge” to signify nudges that are not subliminal images, but rather nudges much like the ones discussed throughout the last section.

A scenario in which each token nudge is transparent, however, brings forth a further dilemma. If a subject is warned about possible nudges, the effectiveness of the policy decreases. The whole point of a nudge is that it increases efficiency because it takes less money and energy to effectively carryout behavioral change polices. If this aspect of nudging is done away with, then all that remains is an ‘old school’ policy, one that requires more time and money. Nonetheless, Bovens argues that each nudge should be made so that a “watchful” person could “unmask” a nudge if she pleases, and through the democratic process society could award the government the right to use nudging techniques (Bovens 217). Wilkinson adds that, “If those nudges are not consented to by their targets, they would manipulate and infringe upon the targets autonomy. Such nudges are hard to justify” (Wilkison 355). And finally, Whitehead suggests, there must be a constant dialogue between the people in power and the people with less power otherwise nudging stays somewhat invisible, unrecognized, and unethical (Whitehead 34).

The goal throughout this chapter is to engage in a conversation about the ethics of nudging and about its complexities, not to just accept nudging as ethical, or conclude that it is unethical. It may be impossible to say whether nudging as a policy practice is ethical, but it seems possible to reflect on the ways in which nudging may be ethical or unethical.

The ethics of a nudge depend on the nudge itself and the recipient. According to our definition of manipulation, nudges will present themselves differently to different

people. To some, a nudge may be undetectable, therefore taking away an individual's right to choose and to learn from her choice. To others, however, the same nudge may be entirely transparent, making it both non-manipulative and ethical. Thus a nudge is unethical when it is undetectable, not because the choice itself is different from what the person would have done on his or her own (although that could also make it unethical), but because the nudge takes away the opportunity for the person to learn from her choice and because it violates the value of human autonomy. On the other hand, a nudge is ethical when it is transparent and when it allows the recipient to back away if she so chooses. The ethical elements of nudging in persuasion and manipulation might be represented more clearly with a hypothetical example of a nudge that can be both ethical and unethical.

The inherent power and education level of the policy maker, and the potential lack of power and education of the recipient are crucial in determining whether a nudge is persuasive or manipulative and therefore ethical or unethical. Say, for example, the federal government wanted citizens to limit the amount of trash they produce by recycling more. Without directly telling citizens the ultimate goal of reducing waste by recycling more, the federal government implements a nudge policy that provides every citizen a talking recycling bin. Each time an item is recycled correctly (plastic, glass, or metal) in the bin, the bin says "thank you." While this nudge is harmless to some, it can also be manipulative and harmful to others. An individual, who is unaware that reducing waste combats ecological threats such as global warming, but now recycles regularly due to the talking recycling bin, is being manipulated. On the other hand, an individual who is more informed on the topic of global warming (and therefore more empowered), and

aware that recycling can help combat this issue, is being persuaded by the talking recycling bin. This example functions ethically and unethically because the same nudge can have different effects depending on the power and education level of the recipient.

If a nudge informs and educates the recipient of the desired outcome(s), making them aware, or the nudge only targets people who already possess the information necessary to understand the intentions of the person or group implementing it, then the nudge is persuasive and ethical. The key component here is the difference in education and power between the policy maker and the policy taker. Because there is a power differential implicit in nudging, policy makers must work to ensure that their audience is able to understand the nudge placed in front of them. There remains one last problem, however.

Ultimately, manipulation and nudging exist. There is always someone with more power, money, and control. There is no such thing as a level playing field, which makes this question of “to nudge or not to nudge” even more elaborate. Thaler and Sunstein bring attention to this fact and to what they call the inevitability argument in *Nudge* (2008). They explain that, “...Some kind of nudge is inevitable, and so it is pointless to ask government simply to stand aside. Choice Architects, whether private or public, must do *something*” (Thaler and Sunstein 240). The inevitability argument is a good one, but it fails to address the problems associated with nudging that have been discussed throughout this section. Additionally, the inevitability argument doesn’t determine whether we should continue to nudge. Yet, in a way, Thaler and Sunstein are correct. Something will be done—policies will be put in place. Even though many nudges are manipulative because they target the unaware, and unethical because they don’t allow an

individual to learn from her choices, they don't have to be so. A system that forces nudges to be transparent and one which allows nudges to be critiqued and altered is paramount because any nudge that manipulates also interferes with an individual's development, with the potential for human evolution. People become themselves when they make their own choices and that is what's most important and worth preserving.

V. CONCLUSION: FINAL THOUGHTS

According to neoclassical economic thought, humans are viewed as rational, utility-maximizing agents who make decisions based upon their preferences and budget. Behavioral economics views humans as decision-makers affected by psychological, social, cognitive, and emotional motivations. Therefore, behavioral sciences use psychological, microeconomic, and neurological insights to determine, *perhaps more accurately*, how humans make decisions. As we know from personal experiences, factors not directly related to the choice at hand have the ability to turn us into what neoclassical economics would deem, *irrational* decision-makers. If the choice is affected by inherent irrational tendencies, then it is regarded as suboptimal. Nudging attempts to correct for these inherent, irrational, and suboptimal choices, by influencing decision-makers in conscious, subconscious, rational, and emotional ways. The deliberate influence of nudging raises questions about the force and ethics of its impact. It is easy to identify the social and even individual benefits that come with nudging. The challenge is to consider the unintended consequences nudging presents, its hidden costs.

Because the objective of nudging is to steer decision-making towards rational choices, the concept of rationality adopted in the nudge holds a great role in the determination of its consequences. The notion of rationality is context specific, historically constructed, and limited primarily to western thought. Therefore, power-holders, who typically execute the nudge, are able to reproduce their power, and the power structure that supports them, by determining what is 'rational'. Thus the reproduction of class power must be implicit in any nudge. The issue here is twofold: what is 'rational' is perceived differently across different social locations, and those already with power are in a position to reproduce it.

While nudging reproduces class power—an important issue—this thesis has also highlighted the policy practice of *nudging* within the context of behavioral economics in a manner that allows for a more mainstream ethical debate that is current and necessary. This ethical debate has centered on manipulation as the key issue that makes nudging unethical to skeptics in the fields of economics, psychology, philosophy and political science. As discussed in this thesis, in order for a nudge to be manipulative, it must be undetectable by its recipient, and a difference in power must exist. If the recipient is unaware of the nudge, her right to choose and learn from that choice has been removed by those with more power, and the value of human autonomy has been interrupted. This notion that nudging is manipulative and therefore unethical raises other important questions. How can nudging be made non-manipulative and still maintain its effectiveness? Is manipulation always dangerous and wrong?

Although effectiveness is important in any policy action, it may well be that maintaining an individual's freedom to choose has greater value. This is a value certainly

embraced in this thesis. Aristotle believed that the good for the community is the most complete good, the only good, because it also benefits the individual. According to this belief the benefits of nudging seem to always outweigh its costs—collective good is greater than individual freedom. However, this thesis has argued that personal decisions are best left to the individual, not because they will always make the most economically rational choice (for themselves or for society), but because the value of autonomy is essential in a person’s development and for a democratic society as well. While manipulation may not always be wrong, and in some cases might even be necessary (feeding a baby vegetables), nudging takes advantage of citizens fully capable of making decisions on their own. And finally, an argument based upon inevitability doesn’t mean people should stop trying to find ways to make something better. This thesis would suggest that it is the ethical obligation that pushes people to improve not only their own well-being, but also the well-being of others. Nudging and behavioral sciences can and should play a substantial role in societal and individual success when they abide by the ethical parameters discussed in this thesis.

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