

# The New York Times

**BUSINESS DAY**

## ***Behaviorists Show the U.S. How to Improve Government Operations***

**By BINYAMIN APPELBAUM**

SEPT. 29, 2015

WASHINGTON — The federal government found a clever way to make a little extra money last summer.

Some vendors who provide federal agencies with goods and services as varied as paper clips and translators were given a slightly different version of the form used to report rebates they owe the government.

The only difference: The signature box was at the beginning of the form rather than the end. The result: a rash of honesty. Companies using the new form acknowledged they owed an extra \$1.59 million in rebates during the three-month experiment, apparently because promising to be truthful at the outset actually caused them to answer more truthfully.

The altered form is among the early successes of a year-old effort by the Obama administration to apply academic research on human behavior to the business of running a government. The idea is that a little science might help the government collect taxes, distribute benefit payments and even help people find jobs, get an education or save for retirement.

This month, the White House announced the creation of a Social and Behavioral Sciences Team to lead this push, and President Obama issued an executive order encouraging agencies to conduct their own experiments.

“The goal is to help people who want to take a given step but may face some barriers,” said Maya Shankar, the Oxford-educated scientist who leads the team. “You can do everything to make sure that a program is well designed, but if it’s not getting into the hands of people who are supposed to be benefiting from it, everything up to that point was for naught.”

Governments generally operate on the assumption that people are rational. One of the basic implications of mainstream economic theory is that public policy works best when people are treated as rational decision makers.

Yet a growing body of research has found that people are not only irrational on occasion, but they tend to be irrational in some consistent and predictable ways. People tend to be influenced by the last thing they heard. They tend to fear losses more than they like profits. They tend to be a little lazy.

And researchers from this new school argue the government should account for these tendencies.

“Almost any domain that they let us go in, we could figure out some way of making at least modest improvements in what they’re doing,” said the University of Chicago economist Richard Thaler, one of the founders of behavioral economics and a leading advocate of governments making use of what he calls “nudges.”

Ms. Shankar and her team of 15 — including psychologists, economists and sociologists — conducted about a dozen experiments over the last year to prove the value of the approach, but so far the successes remain small. The rebate forms, for example, increased revenue by about 6 percent.

Moreover, nudges are hard to mass-produce. The British government, which created a “nudge unit” in 2010, found it could increase collections from delinquent taxpayers by telling them nine in 10 neighbors had paid up, a common marketing technique. But when the United States Treasury Department tried a similar technique last year, it did not work.

And changing behavior is tricky. The most important change behavioral economics has made in federal policy is a 2006 law that made it easier for companies to enroll workers in retirement plans by default. The change has increased participation, but it also may have reduced the amounts some people have saved. People enrolled by default also tend to stick with the default savings rate, often lower than the average for people who sign up themselves.

“Is the government really competent to determine the directions in which we should be nudged?” asked John Cochrane, a Stanford University economist.

Mr. Cochrane said the administration’s experiments so far seem basically harmless — “government spam, messaging people to tell them to do x or y or z.” But he said he was troubled by the possibility of more forceful nudges devised by technocrats influenced by lobbyists or other political considerations.

“The case for the free market is not that each individual’s choices are perfect,” he wrote in a recent blog post. “The case for the free market is long and sorry experience that government bureaucracies are pretty awful at making choices for people.”

Still, behavioral scientists have won the attention of policy makers partly by holding out the promise of improvements at very little cost. Nudges are cheap. The idea that tweaking a tax-collection letter might bring in as much money as hiring tax collectors is deeply appealing in an era of austerity.

“I think we can achieve a real increase in well-being, in happiness, in a stronger society without necessarily having to spend a whole lot more money,” David Cameron, the British prime minister who created the first “nudge unit,” said during his 2010 campaign.

An early victory: The British team found people who had not registered vehicles were more likely to do so if they were sent a picture of the car beside the standard warning it could be taken away.

Civil servants in Britain are being trained in behavioral science, and the governments of Australia, Denmark and South Africa are among those dabbling in nudgery. The British

program, spun out of the government, was recently hired by Bloomberg Philanthropies to work with American cities. The World Bank is mulling the lessons for economic development.

Ms. Shankar's team asks federal agencies about their priorities, then mines the academic literature for ways to improve those policies. The team also has created a network of academic institutions to provide advice.

The adjusted rebate forms, for example, were inspired by a 2012 study. Researchers similarly adjusted the form sent to customers of an auto insurance company asking them to report how many miles they had driven. Those asked to sign at the top reported driving about 2,400 more miles.

(The persistence of these effects is an open question. The first time a person signs, they answer the questions more honestly, but by the 10th time, the nudge might be powerless. Ms. Shankar said there had been "a little dip" in rebate payments since last summer, but the effect remained quite strong. Mr. Thaler noted that alarm clocks wake people up every morning.)

Perhaps even more than new ideas, the behavioral group is bringing a new approach to government. Experimentation is the key: Different nudges are tried systematically, results are quantified and, even after the best approach is selected, the team goes back to see how things are working.

The team, for example, created eight versions of an email encouraging members of the military to enroll in a retirement savings program. About 80,000 service members received each version. The most effective, which combined step-by-step instructions with an example of how much a person could save by putting away a little money each month, roughly doubled enrollment rates.

These efforts are informed by common sense as much as academic insight. People are more likely to do things that are easier to do. Yet simplicity has rarely been a priority in the development of federal programs. "They've been more worried about making sure it's legally perfect than making sure it's understandable to anybody," Mr. Thaler said. "So there's a lot of room to simplify things."

A version of this article appears in print on September 30, 2015, on page B1 of the New York edition with the headline: Behaviorists Show the U.S. How to Nudge . Order Reprints| Today's Paper|Subscribe