

## **Nudge: The Final Edition by Richard H. Thaler and Cass R. Sunstein**

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The book is an excellent discourse on aspects of human behavior and methods to influence it in predictable ways. It begins with human decision making as an exercise in choice architecture. Choice architecture basically denotes the context in which human beings make decisions. It rightly says that almost all people and professionals who are interacting with other people are in a way choice architects. As an example, a doctor who presents alternative course of treatment is essentially presenting choices to the patient. The book argues that there are no neutral choice architectures and even the smallest insignificant details of the design will influence human behavior in different ways. Nudge refers to those design aspects of the choice architecture, basically framing and presentation aspects of a choice, that influence human behavior, but excludes forbiddance/coercion/fear or change in economic incentives.

The book places choice architecture within the broad socio-economic theory of Libertarian-Paternalism. Although these two ideologies are much reviled singly, and even contradict each other, this particular combination of libertarianism and paternalism is advocated by the book, and forms one of the central themes of the book. The libertarian aspect is basically an ode to free will of the individual, unless it harms other. However, the book argues that human behavior and decision making can be sub optimal many times, due to lack of knowledge, incomplete information, prejudices, temptations, absent mindedness and habit, and hence does call for soft interventions. Here it is clarified adequately that this soft, non-intrusive brand paternalism is advocated, squarely located within realms of free will and liberty. Thus, libertarian-paternalism here allows choice architects, both in public and private sector, to try to influence people's behavior to make their lives better, but only by designing the context of choice i.e. Nudging, and not by using taxes/subsidies/bans/mandates or anything related to fear of punishment or lure of reward. Further, it does not try to influence the values and end goals of human, but only the decisions regarding means to attain those goals, thus ensuring the agency of humans in deciding their lives. No kind of choices are blocked or punished or burdened in this framework, the choice architecture is to be designed in such a way which compensates for human's prejudices, lack of information, lack of self-

control and cognitive ability and they are nudged in direction of taking the right decision towards their own welfare.

The concept of nudge is clearly located within the free market and liberal view of the world. However, it does move away from absolute laissez faire view of the world, wherein humans are viewed simply as homo economicus i.e. perfectly rational, robotic and unbiased characters with a clear idea of their own self-interest, and the knowledge, wherewithal and will to pursue it. Here, in the laissez faire approach, the simple solution is to present human with as many choices as possible, and he/ she will pick the right choice. However, due to multiple cognitive biases, absent mindedness, temptation and a host of other factors, this maximisation of choice approach has not led to human welfare-oriented decision making. On the other hand, is regulatory public policy making using mandates/coercions/rewards for certain kinds of human behavior. Nudge policies lie between absolute unrestrained free will, which demands absence of any kind of policy making and merely maximisation of available choices, and regulatory policy, which uses rewards/ incentives or coercion/mandates. Thus, nudge preserves individual free will and liberty, while ensuring the causes of human incompetence while decision making is deftly compensated for in an unobtrusive manner.

The concept of nudge is backed up by view of human as a flawed being with cognitive biases and other shortcomings, which I totally agree with. In order to ensure this flawed human makes the right choices for himself and/or people around him, the nudge approach in a way harvests the biases to the benefits of human decision making, by making subtle modifications in the choice architecture present around us. The normal absent minded, under informed, perennially busy human always deploys heuristics, or ad-hoc rule of thumb methods, while making decision, which produces biases in decisions. As an example, due to mindlessness, loss aversion, inertia and anxiety while choice making and host of other reasons explored by the book, humans frequently tend to stick to the default option, rather than going through the entire range of menu options which a homo economicus would do. This is the anchoring or status quo bias. Changing the default option on forms or other similar menu changing costless measures can have a drastic effect on outcomes, in areas of household savings to combating climate change to areas of healthcare, poverty reduction etc. There are other biases produced by deployment of heuristics, as quoted by authors from Kahneman's work (Kahneman, 1995), such as availability bias, caused by resorting to data/options easily available in one's memory for decision making, rather than all options actually available.

These can again be helped by unobtrusive nudges of actually making important data/options issues salient during advertising.

Further, it focusses on Smart disclosures by public and private organisations i.e. timely release of complex information in standardised machine-readable formats. This would help create online decision-making tools called choice engines, which would help nudge the user towards making the right decisions and also reduce 'sludge'. Sludge is an interesting new term, referring to cobweb of needless data and bureaucratic processes, red tape paperwork, long administrative forms and regulations etc. which hinder optimal decision making. These are recommended to be attacked and removed on a seek and destroy mode, and smart disclosures shall eventually lead to the same. Overall, I completely agree with the view of human as slightly absent minded and ill-informed decision maker, subject to biases of intuition, mindlessness and temptation, rather than a perfectly rational robot. Accordingly, not just choices and maximisation of number of choices, but the framing and designing of choices i.e. elements of the choice architecture, can be important nudges toward guiding humans towards better decisions, and the nudge approach can help public/private organisations in designing more human welfare-oriented policy, without being intrusive or curtailing human liberty. Further, the authors bring a well roundedness to their advocacy of the nudge approach within the framework of libertarian paternalism, by acknowledging that though nudge policies cannot supplant regulation and policy making backed by coercion/incentive, most public policy can use the nudge approach to supplement incentives-based policy, to ensure better outcomes, while at same time reducing their intrusiveness and curtailment of free will.

## **Bibliography**

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### **Author's Profile**

Shri Ankit Anand is currently serving as Director (TER) in the National Communications Academy (NCA-F), Department of Telecommunications (DoT). He has previously held key positions in DoT HQ and Pr. CCA Delhi, where he served from 2014 to 2017. He is a 2012 batch officer of the Indian Posts & Telecommunications, Accounts and Finance Service (IP&TAFS) with substantial expertise in telecommunications and finance. Before joining the civil services, he worked as a Financial Derivatives Trader and Analyst at Future First for two years. He holds a Bachelor of Engineering degree from NSIT, Delhi University.