

Introduction to the Symposium on “Nudges and Incentives”

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Introduction to the Symposium on “Nudges and Incentives”

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Nudges have enjoyed huge popularity in policy circles in the last 10 to 15 years, as witnessed by the appearance of a large number of nudge units around the globe. Part of this popularity no doubt derives from the promise to deliver effective interventions at low or even *no* cost. Yet this view is almost certainly too simplistic. From a policy perspective, it may indeed be interesting to know to what extent nudges may be *more or less effective* than an alternative intervention involving incentives. Furthermore, nudges may need to leverage incentives, leading to interesting interaction effects, instead of constituting a free alternative. What is more, the accumulating evidence suggests that nudges may be less effective than was initially thought. In a study combining the accumulated evidence from two nudge units, DellaVigna & Linos (2022) recently showed that the effects of nudges tend to be significantly lower at scale than suggested by nudge interventions described in journal publications. The bulk of this difference seems to be driven by publication bias—the tendency of authors to report and editors to publish significant results, and to store away insignificant results in a file-drawer. This symposium includes 7 articles that explore the effect of nudge interventions, and their interplay with financial incentives. The results paint a rich and complex picture of what may work under what circumstances, and thus contribute to the consolidation of a more nuanced view of nudges.

A fitting example is provided in the contribution of Andor, Gerster, and Peters (add cite). In a large-scale field experiment including 120,000 customers of two German utilities. The authors study the effects of an energy saving information campaign on subsequent electricity consumption. While they find a reduction of 1.4% in electricity consumption over baseline consumption for one of the utilities, they document an exact null effect for the other. The findings thus highlight potential difficulties with scaling interventions in a context where effects may be site-specific. Further randomizing the framing of the energy savings in terms of monetary savings, greenhouse gas emissions, or a combination of the two, showed no effect. While showing that information campaigns can be promising in some settings, the study thus also constitutes a cautionary note against potential pitfalls when attempting to extrapolate from existing findings to new settings and sites.

Battacharya & Dugar (cite) conducted a field experiment in several fish markets in Kolkata, India, to determine the effectiveness of different norm-based interventions to reduce cheating by sellers. In particular, they compare a moral norm-nudge based on a generic appeal to honesty with a nudge leveraging a local superstition, whereby the first transaction of the day will determine a seller’s luck for the entire business day. Appealing to the business superstition has an enormous effect—none of the 61 sellers approached are found to cheat after such an appeal. The effects of the moral nudge, on the other hand, are more nuanced. While such a nudge does not reduce cheating on the extensive margin relative to the control treatment, it does reduce cheating on the intensive margin, i.e. individual sellers still cheat their customers, but by less. The study thus highlights some of the subtleties involved in designing effective nudges, which may need to be tailored to the specific circumstances of a market or a culture.

The choice of smart defaults has been hailed as a widely applicable, and easy to implement solution to policy problems. As long as people are free to choose, the reasoning goes, defaults do not restrict individual liberties; since many people will stick with whatever is chosen as the default option, choosing a default to promote a desirable outcome will be an effective and non-invasive intervention (Thaler & Sunstein 2008). Giaccherini, Gilli, Mancinelli, & Zoli (cite) tested such a default intervention with the goal of reducing food waste in restaurants. Running a field experiment in collaboration with several restaurants in Turin, Italy, they compared a treatment in which a doggy bag was provided by default if a certain amount of food was left over and unless customers explicitly opted against this option, to a control treatment. They also ran an additional treatment, simply informing customers that asking for doggy bags was becoming increasingly common. While they report a significant effect of the simple information intervention, the default option failed to produce a significant effect. This result may seem surprising in view of the previous literature, and serves to highlight that one size may not fit all when it comes to nudging behaviour across different contexts.

Chen, Fonseca, and Gromshaw (cite) specifically address the interplay between financial incentives and information nudges. In particular, they conducted one natural field experiment trying to nudge punctuality in showing up for an experiment, and one lab experiment trying to nudge cooperative behaviour in a multi-player, one-shot prisoners' dilemma. In both settings, they manipulated monetary incentives and information nudges in an orthogonal fashion. While they found incentives to be effective in both settings, the information nudges only showed an effect in the prisoners' dilemma. They furthermore document heterogeneous reactions to treatments by motivated and unmotivated subjects, thus showing heterogeneous treatment effects that may have important policy implementations, depending on exactly what goal one aims to achieve.

Neckermann, Turmunkh, van Dolder, and Wang (cite) present yet another randomized information nudge, trying to induce students to submit teaching evaluations. In particular, they test three different nudges—one aimed at increasing the perceived impact of teaching interventions; one leveraging a descriptive norm of high participation in evaluation exercises; and one trying to get students to pre-commit to later submit an evaluation. Although the impact of the intervention differed between bachelor and master students and according to grade point average, the aggregate effect was close to zero and insignificant for all three interventions. This serves to highlight the potential limitations of nudge invitations, which the authors discuss extensively with respect to their own setting.

Differences in willingness to compete by men and women have been documented to result in earning differences (Niederle & Vesterlund, 2007). Kessel, Mollerstrom and van Veldhuizen (cite) try to tackle differences in willingness to compete by implementing an identical informational nudge in a lab experiment and in a field setting with high school children in Sweden. Simply informing participants of the gender gap and explaining the resulting earning implications proves successful in reducing the competitive gap between the sexes. Not everybody profits equally from this intervention, however. While high-performing women tend to profit from the intervention, low-performing women tend to lose out from it, so that the welfare implications are less clear-cut than one may have guessed from the aggregate results. Taking due care of such potential heterogeneity in effects thus remains a potential challenge for nudge interventions.

It is often suggested that the use of smartphones and social media is excessive from an individual welfare point of view. Hoong (cite) investigates this issue in a randomized experiment with smartphone users. Obtaining baseline measurements of real, desired, and predicted smartphone use, she shows that people tend to underestimate the time they spend online, and that they tend to spend significantly more time online than they want. A treatment offering access to soft commitment devices to limit time spent online is taken up by two thirds of participants. Uptake of this soft commitment device furthermore achieves the desired effect of reducing time spent on social media, at least in the short and medium run. Nevertheless, the reduction in time spent online still fails to fully fill the gap between desired and actual time allocated to these activities.

The evidence collected in this symposium paints a more nuanced picture of the effect of nudges than what has been suggested in some of the previous literature. While nudges may well be effective in many situations, the seven papers included in this symposium clearly show that there is no silver bullet. In particular, these papers have shown that nudges may at times be more or less effective than monetary incentives; may be effective in some situations or contexts but not in others; and may have strongly heterogeneous effects on different sub-populations, which may affect welfare considerations and thus interact with policy objectives. My hope is that the results can contribute to a more refined understanding of nudges and of the need to custom-tailor them to the target populations and the circumstances of the implementation.

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