

Realizing nudging's potential: improving well-being and reducing socio-economic dysfunction

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Introduction

Nudge: To push or poke gently, especially with the elbow, in order to get the attention of, or hint slyly. *Webster's New World Dictionary*

Who would have thought that nudge would become an important economic concept? Part of the purpose of this paper is to explain why the nudge concept has become important and is becoming more important. My concern here is with government nudging and its overall potential. This paper focuses on the ideal role of nudging in the economy: 1) how nudges can help people realize their potential well-being, and 2) how nudges can help society overcome its most difficult social problems, the ones that often thwart people from improving their well-being.

The paper begins by considering the basic elements of the nudge concept as well as the philosophy of libertarian paternalism. In addition to the early writings on nudge of Richard Thaler and Cass Sunstein, the paper considers the later nudge writings, notably those by Sunstein. Based on this important foundation, the paper develops a number of novel insights related to the nudge concept. First, it explains how nudging is related to the human capital concept. Second, it provides clarification regarding the purpose of nudges, i.e., that nudges are actions (interventions) that contribute to people's well-being. Third, it explains how nudges can be used to overcome societies' most difficult social problems. That is, it explains how nudges can be used to resolve or mitigate severe socio-economic dysfunctions, particularly the types that arise from the behavioral causes of market failure. The example of obesity is used to illustrate this. Finally, it explains how nudges might be used as a way: 1) to improve the functioning of market economies, 2) to improve overall societal functioning, and 3) to improve and clarify societal values.

Nudge basics

According to Richard Thaler and Cass Sunstein (2008, p. 6), a nudge occurs when a nudger changes "any aspect of the choice architecture that alters ... [the nudgee's] behavior in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid." The classic example of a nudge is changing the way food is displayed at a school cafeteria in order to steer students toward making healthier food choices than they would otherwise make (pp. 1-2). The nudger is a "choice architect" who changes the context or the decision environment of the nudgee thereby leading the nudgee to make better choices (p. 3). Banning harmful food choices or using taxes and subsidies to influence food choice are not nudges. In Thaler and Sunstein's view, nudges are needed because people do not behave as the perfectly rational beings (Econs) depicted in neoclassical economic theory. In fact, real people are humans whose decision making and behavior are not only less than perfectly rational but

whose behavior is flawed in a predictable way. Nudges are designed to systematically improve humans' behavior, thereby making human nudgees' lives longer, healthier, and better (p. 5). Certainly this is paternalism. "It tries to influence choices in a way that will make choosers better off *as judged by themselves*" (p. 5). But as Thaler and Sunstein point out, it is libertarian paternalism because it is "a relatively weak, soft, and nonintrusive type of paternalism because choices are not blocked, fenced off, or significantly burdened" (p. 5; see also Thaler and Sunstein, 2003). The nudgees are not forced to change their behavior; they can opt out and choose whatever behavior they desire.

Let's consider the nature of human fallibility, and thus, why in today's world there is a need for nudges. The essence is that we are "busy people trying to cope in a complex world in which ... [we] cannot afford to think deeply about every choice ... [we] have to make" (Thaler and Sunstein, 2008, p. 37). As a result, in our decision making we cope by using sensible decision rules of thumb that can sometimes lead us astray. Because our decision-making behaviors are often deficient, we are nudge-able, i.e., it is possible to devise nudges that will improve our decision-making behavior. That nudges can improve decision making is not something that neoclassical economists would expect. After all if, as neoclassical economists assume, people are making perfectly rational decisions, how can they be improved upon.

Nudges work for different reasons (Sunstein, 2015, p. 511). "Some nudges work because they inform people; other nudges work because they make certain choices easier; still other nudges work because of the power of inertia and procrastination" (p. 511). A reminder nudge can help when people are inattentive. "Many nudges have the goal of *increasing navigability*—of making it easier for people to get to their own preferred destination" (p. 512). Certain types of nudges such as the use of a GPS can help when life (and travel) is hard to navigate.

Nudges can help in many kinds of situations. In general, there is a greater need for nudges in situations that are difficult and occur infrequently (Thaler and Sunstein, 2008, pp. 74-75). More particularly, nudges may be needed for situations involving investment goods in which the costs are experienced now but the benefits come later (exercising, dieting). Nudges can also be useful with respect to sinful goods (smoking, alcohol) in which pleasure is experienced now but unpleasant consequences may come later. Further, nudges may be useful in situations in which we lack self-control. One situation is when we have difficulty getting up and out of bed in time for the day's activity. Another is when we may have trouble resisting the impulse to gamble (pp. 47-49). In the former situation, self-nudges can work (using an alarm clock). In the latter situation, it might be helpful to restrain one's gambling impulse by getting one's name put on a list of people banned from casinos.

Nudges can be particularly helpful "when choices are fraught and when nudgers have expertise" (Thaler and Sunstein, 2008, pp. 250-251). The goal is to make life simpler, safer, easier or less costly (Sunstein, 2014, p. 584). "The most effective nudges tend to draw on the most valuable work in behavioral science (including behavioral economics) and hence reflect a realistic understanding of how people will respond to government initiatives" (p. 585).

To illustrate the growing range of activities that can be considered nudges, Sunstein (2014a, pp. 585-587) compiled a list of ten important nudges:

- 1) Establishing default rules,
- 2) Simplifying existing programs,

- 3) Using social norms to inform people about what others typically do,
- 4) Increasing the ease and convenience of activities,
- 5) Providing full disclosure regarding market and government activities,
- 6) Providing warnings regarding the risks of private and public activities,
- 7) Assist people to choose positive courses of action using precommitment strategies,
- 8) Providing reminders to people with a great deal on their minds,
- 9) Eliciting people's implementation intentions,
- 10) Informing people of the nature and consequences of their own past choices.

Nudges and human capital

Nudges create two kinds of human capital

The nudge concept, as Thaler and Sunstein (2008) defined it, follows from the insights of cognitive psychology concerning how human behavior is often systematically and predictably irrational. Given humans' irrationality, it makes sense to attempt to intervene in order to help those whose behavior is biased improve their behavior so that their lives go better as judged by themselves. The concept of human capital has not been part of this nudge story. This is true whether we are considering psychological or nonpsychological reasons for nudges. The human capital concept, however, is becoming part of the nudge explanation. Notably Sunstein (2017, pp. 3-4), and perhaps others, now recognize that there are both educative and noneducative nudges.

Educative nudges

Educative nudges, in contrast to noneducative ones, add to nudgees' knowledge, and thus, their capacities. In other words, educative nudges add to a nudgee's human capital endowment. The term educational nudge does not refer to formal education or classroom education that typically takes place in educational institutions. Examples of educative nudges include disclosure requirements, reminders, and warnings. Without the knowledge or information imparted by such nudges, the nudged people would be less capable of doing some of the things that they desire to do. Educative nudges can help people make better choices and improve their behavior by jogging people's memories, appealing to their highest goals and aspirations, and making relevant facts salient. Clearly educative nudges raise the resources in people who are nudged and thereby make them more capable of reaching their goals. Due to such educative nudges, nudgees are more capable of figuring things out and navigating through some of the difficulties of their lives (Sunstein, 2017, p. 3). Undoubtedly, the economy benefits from this kind of investment in human capital.

Noneducative nudges

Noneducative nudges, on the other hand, do not teach the nudgees anything (Sunstein, 2017, p. 3). Noneducational nudges certainly change the decision environment, but nudgees are not better informed or more capable. Despite the fact that noneducational nudges do not contribute to the human capital of individual nudgees, these kind of nudges arguably can add to the aggregate human capital of the economy. That is because these nudges can create a kind of human capital that becomes embodied not in individuals but in the choice architecture. If so, the favorable result is due to the addition of a kind of human capital known as organizational capital. This added human capital raises the capacity of the economy because

as a result of the investment, the relationships and patterns of activity within the economy are improved, leading to greater economic capacity. Included among the noneducational nudges are many default rules as well as decisions on how things are ordered such as on a menu. Noneducational nudges often redesign the world in a helpful way (p. 3). A well-designed airport, for example, contains many educational and noneducational nudges including signage and the design of paths through the airport that steer people in helpful directions.

The soft infrastructure

As indicated above, nudging adds to the economy's stock of human capital. It is useful to consider the human capital investments that are created by various types of nudges to be essential parts of the economy's soft infrastructure. That infrastructure is soft relative to roads, bridges, and other very tangible types of infrastructure. Despite its "softness," it may arguably be nearly as important as hard infrastructure to the economy's overall productivity.

Expressive nudges also contribute to productivity

Some educational nudges do not involve changes in choice architecture in the usual sense. As Sunstein (2015, p. 512) has explained, public officials cannot avoid nudging. Such officials may take actions in line with Constitutional law, actions that have an expressive function that influences and guides citizens and defines their social commitments even if the actions are not coercing. Because the "Constitution safeguards freedom of speech, private property, or human dignity, it will help create a kind of choice architecture, and it will nudge" (p. 512). Governments utilize many default rules that affect citizens' economic and noneconomic activity. Many "default rules are a product of traditions, customs, spontaneous orders, and invisible hands" (p. 512). These expressive types of nudges are inevitable; they contribute to the economy's human capital stock and its soft infrastructure.

Nudging and education are complementary

Gerd Gigerenzer (2015, pp. 363-364) has been a critic of nudging, but he is not strictly opposed to nudges. Essentially he argues that education, especially "educating people to become risk savvy" in their decision making, is a much better alternative than using nudges. Sunstein (2015, pp. 520-522), on the other hand, does not believe it makes sense to think of nudging and education as competitive alternatives. In his view, the two are complements; both are indispensable.

The purpose of nudges

What nudges ideally should do

As Thaler (2015, p. 345) points out, "nudges are merely tools" that can be used for good or bad. That is why Thaler uses the phrase "nudge for good" which means that nudges should be used to ensure that people's lives go well, i.e., making people's lives longer, healthier, and better. Note also that Thaler and Sunstein (2008, p. 5) said that nudges should be used to "help solve many of society's major problems." That second aspect will be dealt with in later sections of this paper.

Both educative and noneducative nudges can make it easier for individuals to navigate through difficulties and thereby obtain more of what they want, i.e., increase their satisfaction of their actual preferences (Tomer, 2008, pp. 1705-1707). This means that nudges can enable a nudgee to raise his welfare in the conventional sense. This may not, however, enable him to raise his *well-being* unless the nudge enables him to increase his satisfaction of his true preferences. An individual's well-being (or true well-being) is only raised if in his decision making he is fully informed and choosing in line with his true preferences, and thereby, able to obtain more of what is really right and best for him (p. 1707). The key to appreciating the true potential of nudging is understanding that the purpose of nudging should be to improve people's well-being, not just satisfy their wants. People want many things that are not really and truly good for them. Getting more of those things is what they may desire, but it is not what ultimately makes them better off. Ideally, nudging will raise people's well-being and makes them really better off.

Well-being

Buddhist teachings are very valuable in helping us to understand the nature of human well-being and how it can be enhanced. According to Payutto (1998, p. 33), "when our chosen efforts are founded on wisdom and intelligent reflection and not based on clinging to desires serving our self-interests, it leads us to choose truly beneficial outcomes," ones that contribute to our well-being (Tomer, 2017b, p. 145). Right consumption involves using goods that satisfy true values (or true preferences), whereas wrong consumption involves the use of goods satisfying artificial values (p. 146).

"If consumption involves indulging oneself in order to satisfy desires without consideration of its harmful effects [on oneself or others], that is, without consideration of whether it is consumed compulsively, whether the consumption is associated with pathologies, or whether the consumption is nutritious and otherwise physically and mentally healthy, then the consumption is not likely to contribute to our true well-being. In other words, unless the consumption is contributing in some significant way to our physical, mental, and spiritual health and welfare, and thereby, contributing positively to some aspects of our human development, it is not contributing to our true well-being" (Payutto, 1998, p. 42).

It follows that nudges should generally only be used in the attempt to raise well-being in situations where well-being is significantly below what it could be. A corollary is that nudges generally should not be used to try to raise the consumption of goods having only artificial value. The main point here, of course, is that nudges should only be used to improve people's well-being. Nudge for good, but only for the really good! Don't nudge to increase consumption of sweet desserts.

Nudging in markets?

Little or no need for nudging in mainstream type markets

Should nudges be used to try to improve the performance of markets? Mainstream economists might reply that there is little or no need for nudges in markets, at least in competitive markets. After all, profit seeking firms will be led to produce and sell what buyers

want. This will lead to an economically efficient outcome for the economy that maximizes the net benefits to society. That assumes, of course, that 1) the markets are sufficiently competitive, 2) there are no external effects of these transactions, 3) the relevant goods are not public goods, and 4) buyers are fully informed about the traded goods. If any of these four assumptions do not hold, that indicates market failure, which means that consumers wind up paying too much for products that do not contribute to their well-being. In other words, it means that consumers are not sovereign. But it is important to note that mainstream economists generally believe that with the appropriate kinds of economic intervention from governments, markets will be kept from failing. Therefore, from the standpoint of mainstream economics, consumer sovereignty seems like a reasonable expectation. Consequently, based on this mainstream thinking, there would appear to be little or no need for nudging in markets.

Markets with behavioral market failures

The above analysis of market failure, however, does not take behavioral considerations into account. Unfortunately, consumer sovereignty is not likely to exist unless the following behavioral assumptions hold: 1) consumers really know what provides them with well-being, 2) consumers communicate this to businesses via their market behavior, 3) consumers do not allow businesses to influence them to the contrary, and 4) businesses are strongly motivated, not just to make profits, but to supply goods that contribute to their customers well-being. There are, not surprisingly, strong reasons for believing that these behavioral assumptions about markets typically do not hold. First, consumers' purchases typically reflect what they actually prefer; they are often unaware of their true preferences and what provides them with true well-being. Second, as behavioral economists have learned, people are predictably irrational (Ariely, 2008), and in many situations they are biased in their consumer decision making (Akerlof and Shiller, 2015, p. xi; Tomer, 2017a, p. 79). As a consequence, businesses, whose behaviors all too often have a negatively opportunistic orientation, are likely to recognize and seize opportunities to gain at the expense of consumers, especially when business sellers sense that consumers are vulnerable due to their biases (p. 78).

As Akerlof and Shiller (2015) explain it, businesses are typically in a phishing mode; they are trying to get consumers, the target phishes, to do things that are in the interests of the selling businesses (the phishermen), but things which are not in the interests of the target consumers. For the businesses who are phishing, "it is about angling, about dropping an artificial lure into the water and sitting and waiting as wary fish swim by, make an error and get caught" (p. xi). As a result, many phools are caught. These phools are certainly not sovereign consumers, and their consumption very often does not contribute to their well-being. Obviously, for such consumers, the market has failed. These types of market failures are not the kind recognized by mainstream economists. They are instead *behavioral market failures* (Sunstein, 2014b, p. 16). It turns out that using nudging, perhaps along with other governmental interventions, to deal with these failures can make a lot of sense.

Business motivations in the case of behavioral market failures

Why don't businesses respond to market demand by producing and selling what really is right and best for their customers? There are two main answers to this question. The first answer is the one articulated by Akerlof and Shiller (2015, p. x). To begin, buyers in markets have weaknesses in knowing what they want. These weaknesses give businesses the incentive to take advantage of buyers' cognitive and other biases by learning about them, priming them, and then setting a trap for them (pp. xi-xii). According to Akerlof and Shiller, the key to

understanding the negatively opportunistic behavior of businesses is the combination of highly competitive markets and the very significant profits accruing to firms that exploit their customers' psychological, informational, and emotional weaknesses. These businesses have learned how to utilize manipulation, deception, and trickery and do so in ways that are generally in accord with the business norms prevailing in Western economies (Tomer 2017a). In the view of Akerlof and Shiller (2015), such businesses are simply unable to pass up these highly profitable exploitive opportunities that would otherwise be undertaken by competing companies.

The second answer that explains why businesses often are not oriented to serving the best interests of their customers, but at other times behave with much greater concern for their customers' well-being, is related to humans' two core underlying motivations, self-interest and other interest (or empathy). Paul MacLean's (1990) research on human brain physiology is an important starting point for understanding these core motivations. In MacLean's view, humans' self-interest motivation derives from the functioning of the innermost part of the human brain, our reptilian brain. In contrast, empathic motivation derives from the paleomammalian brain that is located above the reptilian brain and is associated with caring, parental, and other interested behaviors. This understanding of the relationship between brain physiology and motivation gave rise to dual motive theory, which incorporates the view that humans have two core motivations (self-interest and empathy). This dual motivation view is in sharp contrast to mainstream economics' view of humans as motivated solely by self-interest. Gerald Cory (see, for example, 2018) has developed and applied dual motive theory to economics (see Lynne, 2006 and Tomer, 2012 for related research). According to dual motive theory, humans in their economic activity may be motivated by self-interest, at times excessive self-interest, but they are also capable of empathetic behavior and behavior with a much better balance of self-interest and empathy. Arguably, Western business leaders are too often motivated by excessive self-interest and insufficient empathy, which leads to the negatively opportunistic behavioral pattern. On the opposite side of the coin, there is evidence that a significant and growing number of businesses are capable of socially responsible behavior that manifests a desirable balance of self-interest and empathy.

Examples of behavioral market failure and how nudging can help

Consider examples of behavioral market failure in which a seller takes advantage of a buyer, thereby increasing the seller's profitability in a way that lowers the well-being of the buyer. One interesting example of a behavioral market failure is the case of goods with "shrouded" attributes. The shrouded attributes of a good involve the good's extra costs that the consumer pays little attention to because they are not observable or salient. One particular example involves a person who wants to buy a new car and who attempts to understand the fuel economy of different car models in order to help her make a better car purchase decision (Sunstein, 2014, pp. 41-44). The buyer can, of course, consult the fuel economy and energy efficiency information provided by the seller. This conceivably can help the buyer make a good decision about what type of vehicle to buy. If the consumer gives sufficient attention to and understands this detailed fuel economy information, she could presumably save a substantial amount of money, not to mention time, over the life of the vehicle. Unfortunately, things are not so easy. The consumer's problem is that key information is often shrouded, i.e., it is not salient and not presented in a form that draws the consumer's attention to the difference in fuel costs between different vehicle models. And "many consumers are unwilling to make the energy-efficient investments [in understanding the information] even when those investments appear to pay off in the relatively short-term" (p. 44). As a result, car buyers tend

to buy vehicles that are not as energy efficient as they could be, vehicles that use significantly more fuel than makes sense for them given their auto preferences. The result is that consumers' well-being is significantly lower than what it could be. Can nudging help? In this situation, educative nudging in the form of improving the presentation of the fuel economy information to make it more easily understandable (a form of disclosure) can pay off. This kind of nudging not only should lead to better car purchase decisions but reduce the consumer decision bias that vehicle sellers can otherwise take advantage of.

Consider another example of a kind of behavioral market failure that involves a shrouded good (Akerlof and Shiller, 2015, pp. 167-169; Gabaix and Laibson, 2006). In typical shrouded goods, there is a base good and an add-on good. The price of the base good is explicit, known, and advertized, and sellers compete aggressively to sell it. But the selling company will typically hide (or shroud) the prices of the add-on goods and not compete to sell them. In the case of a hotel room, the base good is the room that has a listed price; the add-ons include such things as parking, telecommunications, room service, etc. for which the prices are hidden. The hotel can easily take advantage of unsophisticated customers who do not realize that the charges for the add-ons comprise a very significant part of the cost of their hotel stay. As a result, these unsophisticated hotel customers are easily tricked into paying much more for their hotel stay than they expected. This pattern clearly lowers the well-being of these hotel customers relative to what it would otherwise be. For such customers, the market is failing. What is needed is to nudge hotels toward giving full and clear disclosure to hotel guests of all the costs associated with staying in the hotel. According to Sunstein (2014, pp. 17, 164), in the case of this and other behavioral market failures, nudges typically in the form of disclosures, warnings, and default rules are the most appropriate responses to eliminating or lessening the market failure.

More on seller motivations in behavioral market failure

The behavioral market failures explained above are just a couple of examples (certainly not the worst examples) of business sellers taking advantage of unsophisticated or vulnerable consumer buyers in order to profit at their expense. These kinds of business sellers apparently have a negatively opportunistic orientation to their customers. Moreover, the sellers apparently have excessively self-interested motivation. From a dual motive perspective, these kinds of businesses would seem to be insufficiently motivated by empathy. Another way to put it is that their self-interested motivation is insufficiently balanced by empathic motivation. Perhaps as Akerlof and Shiller (2015) have suggested, these manipulative business decision makers believe that they have no choice but to behave in this manner if other firms in their market are behaving this way and if they want their firms to survive. In any case, businesses are too often drawn into adopting these negatively opportunistic behavior patterns, patterns that lower the well-being of the people who consume their products, and perhaps, those who work in their firms.

Toward higher level, broader nudging

Let's consider how nudging or nudge-like actions might be done at a higher level. To do this, it is important to generalize about the lower level nudges already considered. Lower level nudges are designed to help individuals navigate successfully through their lives. In particular, they generally help individuals act wisely to obtain more of the specific things that they expect will improve their well-being and less of the things that subtract from their well-being. For

example, they might help individuals get more healthy food and exercise and save more for retirement. They also might help individuals be less involved with tobacco products, addictive drugs, alcoholic beverages, and gambling activity. And lower level nudges might help individuals act wisely to get where they want to go, both locationally and with respect to their life's purpose. These lower level nudges are simply helping individuals engage in more wise activities and less unwise activities in order to increase their well-being.

Higher level nudges, on the other hand, are designed to foster wise actions on the part of groups of people and organizations who are dealing with difficult problems that create obstacles to the well-being of their fellow citizens who live in the particular communities, regions, societies, or nations involved. Such higher level nudges might be designed, for example, to counter the socio-economic forces contributing to the growth of chronic diseases in a country. In other cases, these higher level nudges might be designed to counter the dysfunction associated with large scale behavioral market failures. Rectifying such market dysfunctions arguably can make a very important contribution to the well-being of the people in a nation. In many situations, large scale nudging would make more sense than attempting to use many lower level, narrowly focused nudges, especially if the problem involves a complex negative behavioral pattern. Higher level nudges might conceivably become part of a nation's or a state's policy arsenal that is mobilized when certain types of human development are failing. Presumably, carrying out higher level nudges will require a higher degree of wisdom in order to achieve success.

Such nudging actions might to a significant degree involve "taming the free market." This would likely be true in cases where overly self-interested business actions are at the heart of the problem (see Sachs, 2012, p. 164). As Sunstein (2014, p. 10) points out, "free markets ... reward sellers who attempt to exploit human errors." When such exploitation is occurring, the policymakers (including nudgers) would have to learn how the excesses of the free market(s) are interfering with positive human development. Based on what is learned, a plan involving higher level nudges and other actions could be designed.

Kate Raworth (2017) in her book *Doughnut Economics* recognizes that nudges can play an important positive role. In her view, nudging can be very beneficial when "values, heuristics, norms and networks that currently shape behavior" are nurtured and nudged (p. 105). She provides valuable examples of environmental nudging. Further, she points out that effective "nudges ... often work because they tap into [people's] underlying norms and values—such as duty, respect and care" (p. 106). To some extent, using higher level nudging involves conceptualizing the good society and defining its important values. This is because higher level nudging is a key part of the process of improving society. Accordingly, nudges can help one's society eliminate some of the obstacles that are keeping it from becoming a society that its citizens aspire to be part of. Finally, the success of these higher level nudging efforts would be much more likely if the nation's goals were focused more on increasing the aggregate well-being (deriving from both tangible and intangible sources) of its citizens, rather than being focused on achieving largely material goals such as increasing national output and income. In the next section, an example relating to the obesity problem will be considered and analyzed.

Nudging to overcome socio-economic dysfunction: the case of obesity

Past research and the importance of the subject

My past research on obesity is pertinent to this section. My article entitled “What Causes Obesity? And Why Has It Grown So Much?” (Tomer, 2011) developed a socio-economic model that explains the causes and growth of obesity, particularly obesity in an advanced industrialized country like the U.S. My article entitled “Stemming the Tide of Obesity: What Needs to Happen” (Tomer, 2013) outlines the kind of policy efforts needed in order to eliminate or drastically reduce the social problem of obesity. This section of the paper uses these two earlier researches as a starting point. What is new here is explanation regarding how both lower and higher level types of nudging (especially the latter) have a great potential to be used in the battle against obesity. The analysis in this section provides not only an important example of how nudging can help to deal with a society’s obesity problem but how it can help to deal with other social problems and societal dysfunctions. Because a considerable number of socio-economic dysfunctions have underlying causes and patterns similar to obesity, much can be learned from the obesity example.

Obesity and health science

To understand the causes of obesity, it is important to start with health science. Consider the insights of Mark Hyman, a medical doctor and leading writer on the relationship between people’s health behaviors and the state of their health. According to Hyman (2006), the key dietary causes of obesity include: “1) diet high in refined, processed carbohydrates, 2) diet high in ‘bad’ fats, 3) diet low in fiber, and 4) diet low in antioxidants and high in oxidants. The problematic life behavioral patterns are: 1) overly rapid eating, 2) eating in the presence of stress ... 3) sleep deprivation, 4) lack of exercise, and 5) high exposure to toxins” (Tomer, 2011, p. 27). A person who chooses a poor diet and poor behavioral patterns is likely to experience poor intermediate health outcomes that are very likely to lead to obesity (Hyman, 2006).

On the other hand, healthy foods, the consumption of which tends to prevent obesity, are largely whole, unprocessed foods; they are full of fiber, antioxidants, vitamins, and minerals. Many are vegetables. Healthy foods are high in good fats, and they exclude refined grains, sugar, and sugary items. These foods have a high phytonutrient index, a measure of a food’s healing plant chemicals, and a low glycemic load, a measure of the response of a person’s blood sugar to a meal. The consumption of healthy foods contributes to people’s well-being; the opposite is true for unhealthy foods.

Essential elements of the model

To fully understand the causes of obesity, it is necessary to understand much more than the health science factors. Understanding the many external and internal factors that influence an individual’s choice of diet and life patterns is also crucial. The internal factors are the individual’s endowment of 1) personal capital, 2) social capital, 3) health capital, and 4) genes that determine an individual’s physical and psychological predispositions to obesity. The external factors are 1) the infrastructure of obesity, especially the behaviors of various suppliers of processed food; 2) technological change impacting on markets, causing changes in the prices of food and exercise; 3) socio-economic factors contributing to chronic stress in individuals; and 4) the advice about eating behavior from health professionals (Tomer, 2011,

pp. 30-31). The essence of the argument is that obesity tends to occur when vulnerable individuals who have low personal capital, low social capital, low health capital, and genes predisposing them to obesity encounter stressful situations, lower prices of unhealthy food and higher prices of exercise, poor advice from health practitioners, and the large and growing infrastructure of obesity (p. 31). For the purposes here, this paper will mainly focus on two key variables, personal capital (PC) and the infrastructure of obesity (IO), which are defined in the following paragraphs. In other words, the focus is on the motivations and behavior of IO businesses in relation to food consumers whose behavior reflects their PC endowments, particularly their biases and other vulnerabilities.

Personal capital is a kind of human capital embodied in individuals, but, unlike standard human capital, it is not generally associated with investment in education and training. PC is partly the product of one's genetic inheritance, partly the result of one's life-shaping events, and partly an outcome of one's efforts to mature and to grow in nonintellectual ways (Tomer, 2011, p.38). "PC is relevant here because an individual's accumulated PC will determine much about how she responds to the influences deriving from the infrastructure of obesity" (p. 38). PC reflects one's emotional intelligence. In particular, it relates to an individual's ability to be self-regulating, especially one's ability to control impulse, delay gratification, and keep distress from swamping one's ability to think.

The infrastructure of obesity refers to the features of the socio-economy that influence eating negatively and thus tend to contribute to food consumers' poor health and obesity (Tomer, 2011, p. 31). The IO includes the influences deriving from food suppliers, in particular the agricultural, food processing, food distribution, and food preparation industries. The IO businesses are the ones who are producing and selling unhealthy foods, foods that contribute to people's low well-being. David Kessler (2009) has emphasized the role that food processing companies play in making food unhealthy by adding sugar, fat, and salt, not to mention artificial flavoring.

"The food suppliers are not just supplying these unhealthy foods because they are being demanded by consumers. As Kessler (2009) explains, food suppliers are actively designing these foods to enhance their appeal. More specifically, they are creating foods with added sugar, fat, and salt 1) to make them hyperpalatable, 2) to make them override the body's satiety signals, which indicate when one is full, and 3) to make them more habit forming" (Tomer, 2011, pp. 32-33).

The IO food suppliers are creating customers who are "conditioned hypereaters" (Kessler, 2009, pp. 137-141). Such food suppliers are also aggressively using advertising and other marketing strategies to increase the sales of their products. In addition to the food supplying companies, the infrastructure of obesity encompasses powerful social and cultural forces that promote unhealthy diets and lifestyles (Tomer, 2011, p. 34). Food suppliers and their collaborators have set the trap, and they have caught a great many vulnerable, low PC consumers. The result is a high and rising rate of obesity and poor health, in other words, low well-being.

Implications for policy: nudging

Behavioral market failure requires policy actions

It is quite clear that the obesity situation described and analyzed above involves a major behavioral market failure. Food suppliers of many types are taking advantage of the biases, lack of knowledge, and other vulnerabilities of many food consumers. These actions are causing considerable harm and lowering the well-being of a considerable segment of the population in advanced industrialized nations. Because of the magnitude and negative impact of the socio-economic dysfunction, there is a great need for policy actions to rectify the problem.

Higher level nudging is needed

What needs to be done? As Sunstein (2014b, p. 17) has pointed out, in the case of behavioral market failures, concerted government action, particularly nudging, is needed. However, because of the scope of the obesity problem and the deeply embedded nature of the negative behavioral problems, simply using lower level nudging directed at individuals in various locations in a nation seems unlikely to put much of a dent in the socio-economic dysfunction involved. Higher level nudges are needed and may need to be invented. Moreover, already invented types of nudges will presumably need to be adapted to situations involving large scale behavioral market dysfunction.

Examples of anti-obesity nudging

Consider a few examples of nudging that apply to food consumers (see Sunstein, 2014a for a more general list):

- 1) Warnings about the dangers of unhealthy diets
- 2) Attempts to favorably influence food buyers using information about social norms relating to food consumption
- 3) Encouragements to food consumers to precommit to specific healthy types of eating
- 4) Provide reminders about healthy eating. Do this at times and places where its likely to have a favorable influence on eating decisions
- 5) Elicit people's intentions to eat more healthily
- 6) Elicit people's plans to improve the healthiness of their diets
- 7) Provide illustrations of the well-being deriving from healthy eating patterns and lifestyles
- 8) Provide examples of unwholesome, negative eating patterns to be avoided
- 9) Invite people to explore the extent to which they have become emotional or compulsive eaters who respond excessively to certain food stimuli
- 10) Invite people to explore other ways in which negative emotions trigger excessive, unhealthy eating patterns

Consider a few nudging examples that apply to food sellers:

- 1) Require disclosures by food sellers of the ingredients and processes used in preparing their food for sale
- 2) Invite sellers to consider how they could use more healthy ingredients or more healthy processes in their food

- 3) Provide information about how the unhealthy ingredients in and processes used in food preparation can have unhealthy consequences for their customers
- 4) Invite sellers to consider how they and their customers could be better off if their business acquired a socially responsible orientation
- 5) Use of healthy default rules relating to the preparation of foods that could be prepared in a number of different ways
- 6) Provide examples of socially responsible food businesses, how they operate and their relationship to their customers
- 7) Elicit food sellers' memory of how their businesses have in the past enabled specific healthy outcomes to be achieved by their customers

Why anti-obesity nudging can be successful

Anti-obesity nudges like the ones above can arguably be successful if they improve many people's eating patterns and substantially improve the healthiness of the food that businesses are supplying. This would conceivably do much to lessen a nation's obesity problem. In effect, nudges like these would be doing two main things. One, it would substantially lower the biases, vulnerabilities, and lack of information of food consumers, especially for people with low PC and low health capital. Second, it would raise the awareness of food business owners with respect to how their businesses could operate in a way that does not contribute to the obesity problem. It could also conceivably help the business owners make decisions based on a better motivational balance between self-interest and empathy. Certainly, if food business decision makers came to understand specifically how unhealthy foods can severely hurt the health of many consumers as well as hurt the health of the nation, food businesses would be able to make decisions with a much healthier dose of empathy. Such an outcome would do much to raise the well-being of all food consumers. Presumably with less obesity related socio-economic dysfunction in the economy, food markets would serve the public much better, and consumers would be more sovereign. It should be noted, however, that there is probably a significant group of food business decision makers who would not be influenced by nudges or other similar measures that attempt to make their methods of operation less exploitive. To that extent, the positive influence of the above kinds of nudging would not be as great.

For the purposes of socio-economic conceptual clarity, let's take a step back to ponder the essence of the above analysis. It is helpful to focus only on the food consumers and food suppliers in light of both the phishing for phools analysis and dual motive theory. What nudging (especially higher level nudging) has the potential to do is twofold. First, it might help food businesses transition away from their exploitive, negatively opportunistic patterns (in the food sphere at least). Such businesses could then transition toward socially responsible patterns, manifesting much more empathic decision making. Second, it might help food consumers be less biased, more informed, and otherwise less vulnerable. These food consumers would then be much less exploitable by food suppliers. Arguably, such an outcome will do much to rectify the socio-economic dysfunction related to obesity.

Nudging compared to other government policies

Governments do many things and do them in many different ways. The instruments of government policy include mandates, bans, economic incentives and disincentives (including subsidies, fees, and taxes), non-fiscal incentives and disincentives, and restricting choice

(Sunstein, 2014a, p. 1). One important thing done by governments is changing people's problematic behavior, for example, their obesity-related behavior. Doing this involves measures that inform, persuade, and promote. Nudges can do some of this work; however, nudges do not influence behavior by getting people to engage in effortful deliberation. As explained earlier, while nudges can be educative, they differ from standard forms of education that require more effort. According to Sunstein (2015) and others, it is useful to think of nudging as a complement to, not as a substitute for, the other instruments of government policy. Different governments combine nudges with standard policy measures in quite different ways. In Singapore, for example, policymakers have developed a uniquely successful approach that utilizes a mix of nudging and non-nudging instruments depending on the particular government program (Low, 2012). Governments need to compare the typical advantages and disadvantages of nudging to those of other government instruments. Nudging's advantages include: low cost, potential to promote economic and other goals, preserves freedom of choice, can deliver prompt results, can be effective and have a large impact, avoids coercion, and draws on valuable findings of behavioral science (Sunstein 2014a, pp. 1-2). Despite these advantages, nudges are not a panacea; particular nudges can and do fail. That is why Sunstein, Thaler and others strongly advocate the use of empirical tests including the use of randomized controlled trials prior to nudging to improve the effectiveness of nudging and avoid failures that are likely if government nudgers were to rely only on their intuitions and wishful thinking (p. 3).

The ethics of nudging and nudging's critics

Many critics have written to express opposition to nudging on the basis of ethical arguments. The most common of these criticisms of nudging involve the related concepts of autonomy and human agency. One definition of autonomy is "the capacity for an individual to determine and pursue her own conception of the good according to her own will" (Chris Mills as quoted in Sunstein (2015a, p. 516)). Human agency refers to an individual's ability to take whatever actions he or she decides on. At the heart of the various nudge criticisms is the view that when nudges have been instituted, their functioning serves to undermine a person's autonomy and either does not allow full human agency or puts it at risk. This seems to suggest that the presence of a nudge will imply or lead to a situation in which some kind of elite will gain the power to steer people in directions preferred by the elite, but not necessarily a direction preferred by nudgees or by citizens generally (Sunstein, 2015b, p. 210). Certainly it is conceivable that something like this could happen. Sunstein's reply, however, makes a lot of sense. He says that "in a nation that is committed to both individual liberty and social welfare, those [types of] nudges are unacceptable" (p. 210). Sunstein (2015a, p. 513) also points out that when nudges are in place, human agency is retained because individuals need not choose the action toward which they are being nudged. Their freedom of choice is not compromised; they can always opt-out and choose some other action.

Another set of criticisms of nudging are concerned with the concept of paternalism. A government action such as nudging would be considered paternalistic if its goal is to "influence the choices of affected parties in a way that will make those parties better off" (Thaler and Sunstein, 2003, p. 175). Critics especially object to paternalism if the policy is attempting to protect the affected individuals from themselves (Sunstein, 2014b, pp. 1-10). The critics argue that individuals (nudgees) are or should be in control over their own bodies and minds. Therefore, paternalistic actions are unnecessary interferences in individuals' lives (p. 7). Moreover, individuals know themselves better than any policymaker can know them.

Individuals, of course, make mistakes, but they should be free to be in charge of their lives and to learn from and correct their mistakes. Paternalists, on the other hand, challenge the above view (known as John Stuart Mill's Harm Principle (1859)). Sunstein in particular argues that there is a strong moral argument for paternalism and for nudges that are paternalistic (Sunstein, 2014b, pp. 4-5). The essence of the paternalistic argument is that "people are prone to error, and paternalistic interventions would make their lives go better" (pp. 4-5). Some of people's mistakes are extremely damaging. Also, individuals in "free markets" are "exposed to rampant exploitation by businesses." Buyers are "easily manipulated by sellers into making bad choices" (pp. 8-9) in part because people are myopic, impulsive, impatient, procrastinating, unrealistically optimistic, etc. For these reasons, Sunstein and others support sensible paternalistic nudges that provide people with needed protections while respecting their dignity and desire for freedom of choice.

A social movement is also needed

To deal with a major socio-economic dysfunction like obesity, relying only on specific policy interventions including nudging may not be sufficient. What also may be necessary is a social movement. In the case of obesity, Klein and Dietz (2010, p. 398) state that "the breadth of policy and environmental changes necessary to address obesity require changes on the scale of a social movement." Such a social movement would be characterized by the mobilization of many grass-roots groups who are strongly motivated by a perception of a common threat (Tomer, 2013, p. 92). "For example, the tobacco control social movement in the U.S. owes much of its success to the population's perception of a clear health threat (i.e., lung cancer)" (p. 92). With respect to obesity, although higher level nudges in conjunction with other policy initiatives can be extremely important, they may not be enough, even if well designed and implemented, to put a stop to the obesity epidemic. Stemming the tide of obesity might require a social movement involving a combination of business, community, and government actions. The purpose of such a social movement would be to create a powerful influence countering the cause(s) of the social problem. It would do this by mobilizing all available resources to effectively resolve or mitigate the problem. The upshot is that an antiobesity social movement will be necessary when conquering obesity requires the creation of a large scale socio-economic environment that is generally conducive to healthy eating, exercise, and lifestyle (p. 92).

Conclusion

The nudge concept developed by Richard Thaler and Cass Sunstein has turned out to be a very important one. An indication of its importance is that a study published in 2014 "reports that 136 countries around the world have incorporated behavioral sciences in some aspects of public policy" (Thaler, 2015, p. 344). Many of these policy initiatives have utilized nudges or nudge-like governmental interventions. This paper develops the nudge concept further building on the impressive foundation created by Thaler and Sunstein.

The purpose of nudges is to improve people's well-being. Such improvement requires efforts that are founded on wisdom and intelligent reflection, and therefore, lead to truly beneficial outcomes. Two kinds of nudges, educative and noneducative nudges, create the human capital that is an essential part of an economy's capacity. Nudges contribute to a nation's soft infrastructure that complements its hard infrastructure. Most nations suffer to some extent

from severe socio-economic dysfunctions that often derive from behavioral market failures and involve deeply embedded negative patterns. Advanced industrialized nations, for example, are particularly afflicted by high rates of obesity related to negative eating and lifestyle patterns associated with the advance of “civilization.” There is reason to believe that “higher level nudges” (along with more conventional policies) can play a key role in resolving and mitigating obesity as well as making an important contribution to overcoming other severe social problems and societal difficulties. Using a combination of lower and higher level nudges is arguably a very promising way to improve people’s well-being, but using them is not a trivial undertaking. Using nudges well requires wisdom about what really contributes to people’s well-being. It seems that to successfully manage a modern economy may require more than intelligence and knowledge; it may require us to become wiser and softer in our thinking. Utilizing lower and higher level nudges in various ways to improve people’s well-being would seem to be part of the process of gaining the requisite wisdom.

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