

## ASSESSING THE POTENTIAL OF *NUDGE* AS A TOOL FOR PUBLIC POLICY

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**ABSTRACT.** *To solve societal problems, governments should open any means alternative tools of public policy. One of the public policy tools is nudge. Nudge relies on behavioral science to improve people's decisions through small changes in the environments within which people make choices. However, there is criticism about using nudges in public. This paper will try to picture the discussion and debates on the nudge. The literature study is conducted to describe and understand a condition and seek views on a focused topic. The paper shows how the nudge operates and which system works better. In addition, it shows the debates on nudges about transparency and legitimacy.*

**Keywords;** *nudge; public policy; behavior; choice.*

### INTRODUCTION

Governments are always in a constant battle against societal problems. These social problems are increasingly difficult to overcome because they constantly change rapidly. Not only the changes, but the problems are also harder to solve because there are many kinds of demands from various communities (Bennington & Hartley 2001 in Hartley 2005)

To battle the problems, governments worldwide weaponize themselves using the financial budget. For some problems, increasing the financial budget is proven to be effective. However, there is a limit to using a financial budget. There needs to be more than the government budget to cover all the programs.

From the perspective of New Public Management (NPM), the involvement of the private sector in providing public services is believed to improve the quality of services but with less cost. However, according to The Organization for Economic Cooperation and Development (OECD), the market mechanism system failed to meet people's expectations, satisfaction, trust, and participation (OECD, 2011).

On the level of government, local governments get more impact from community

discontent. It is because local governments' business process is more directly related to community involvement. To increase public trust and legitimacy, governments, specifically local governments, must increase people's satisfaction by producing policies and public services accepted by the community (Sobaci & Karkin, 2013).

To produce a good quality policy, an administrator must openly use every mechanism and policy tool to bring out the best outcomes. Research on the concept and implementation of a policy should have been done to understand the problems better so that the most efficient and effective policies could solve the problems.

Then what about the condition of the research ecosystem in Indonesia? Recently, the Acting Head of the Life Sciences Research Organization (IPH) of the National Innovation Research Agency (BRIN), Iman Hidayat, said that Indonesia's ranking in terms of research and innovation is ranked eight (8) out of eleven (11) in Southeast Asian countries (Putra, 2022). Indonesia ranks only better than Laos, which lacks natural resources, and Cambodia, which is still shrouded in political conflict (Kangsaputra, 2022). Furthermore, Iman said that several things do not support the Indonesian research ecosystem, such as limited research funding, lack

of facilitation of innovators, and unsupportive research infrastructure (Putra, 2022).

Unfortunately, the lack of research support in creating a policy is not substituted by an excellent public policy evaluation. Ed Bradon, Director of the UK's Behavioural Insight Team (BIT), says it is infrequent for a public policy to be measured for its success rate (Bradon, 2022). He stated that more than 80 percent of social programs or projects need to be revised.

In order to get a better public policy, governments and academics try to find methods so the problems can be solved effectively. In the last decade, one of the most discussed public policy tools among experts in psychology and public policy is the nudge. Bradon (2022) stated that nudges could be solved two complex problems. First, a nudge has the potential to change people's behavior predictably. The second is that nudges could get tasks done in large organizations, particularly governments.

Nudge is interpreted as a subtle impulse. The term nudge became famous after the publication of a book called *Nudge* by Richard H. Thaler and Cass R. Sunstein. A nudge is any aspect of the choice architecture that alters people's behavior predictably without forbidding any options or significantly changing their economic incentives" (Thaler & Sunstein, 2008, p. 6). Furthermore, David Halpern (2015) defines nudge as follows:

"A 'Nudge' is essentially a means of encouraging or guiding behavior but without mandating or instructing, and ideally without the need for heavy financial incentives or sanctions" (Halpern, 2015, p. 22).

The main idea of the Nudge concept is that the institution of society is legitimate to direct the best option of the candidates to be selected in a desirable "direction" so that individuals can choose a reasonable option by guaranteeing their freedom to choose. That is also why Sunstein and Halpern called nudge libertarian paternalism.

Many governments in the world apply the concept of nudging into action. For instance, Cass R. Sunstein applied this concept into practice when he became Administrator of the White House Office of Information and Regulatory Affairs or the most high-ranking official who controlled information and regulation in the era of U.S. President Barack Obama. Meanwhile, David Halpern is the head of the Behaviour Insight Team (BIT) team formed by the British Prime Minister, David Cameron.

In the United Kingdom, David Halpern's project at BIT is to get taxpayers to pay their obligations on time. Instead of making rules or letters of threat, fines, or penalties, Halpern and the team experimented by sending several versions of the letter to the taxpayers. The control group was given regular notice as usual. In contrast, some experimental groups were given additional words such as, for example, "The majority of the population pays their taxes on time." As a result, many experimental groups immediately paid their taxes and increased the country's income by millions of pounds (Halpern, 2015).

Another example of nudging is related to housing and the environment. David Halpern and BIT team must use nudging to encourage people to insulate their attics (Halpern, 2015). The environment departments ask for subsidy funds and discounts for houses without an insulator. The assumption is that the funds will be used to help people insulate their homes. Nevertheless, Halpern and the team argue otherwise. He saw that the real problem was the hassle of installing insulation in the attic that had been filled with things. He proved it by spreading out several leaflets. The first leaflet content is offering a discount. The other one offers attic-clearance service, but the resident should pay for the service. As expected, residents prefer the attic-clearance service three times more popular than those who choose installation discounts. It proves the behavior of human beings who want to avoid hassles compared to incentives or discounts.

Even though some nudges might have good promise in practice, nudge does not escape criticism. The main criticism came from political views, both from the right and left. Some media also play a role in making nudge seem like a failed product. However, among the criticism, nudges have attracted scholars to investigate more in an academic discussion.

This paper will try to picture the discussion on the nudge. First, the paper will discuss how nudges operate. Then this paper will discuss two main aspects of criticism of nudges that are often to be discussed. The first problems that often arise are accountability and transparency. The second is legitimacy. While this paper will discuss the two criticism, in the conclusion chapter, this paper will also assess the potential and suggestions for practicing nudging in Indonesia.

## METHODOLOGY

This study uses a qualitative approach. It is a suitable approach to describe and understand a condition and seek views on a focused topic (Hammarberg et al., 2016). The context of this paper is to seek and discuss the scholar's perspective on the nudge. The literature study is conducted to describe the topic. The materials were gathered mainly from books, journals, and media to answer the research question.

## RESULTS AND DISCUSSIONS

### How Does the Nudge Operates?

Nudging policies rely on behavioral science to improve people's decisions through small changes in the environments within which people make choices (Schmidt, 2017, p. 404). In that sense, nudge studies human behavior to change behavior more predictably.

To shape a choice architecture, nudgers need to understand psychology and the data set of human behavior. In other ways, organizing a good

choice architecture needs behavior science and data on human behavior.

Lin et al. (2017) discuss a theoretical framework of nudging. Then, they evaluate the evidence for nudges in the health domain to draw evidence base answers on the effectiveness of nudges. In addition, they also investigate how nudges work in the framework of the dual process theory of thinking. In the dual process theory of thought, Daniel Kahneman (2011) split the way we decide two ways. It is called intuitive (fast) and deliberate (slow) thinking. Intuitive thinking is defined by System 1, while deliberative thinking is defined by System 2.

Lin et al. (2017) stated that their study aims to target behavior through nudging. To do that, to understand where the nudge works better, whether in system one or system 2—use a data set of nudges in the health domain such as poor diet, physical inactivity, alcohol overconsumption, and tobacco use.

Poor diet or unhealthy diet has been a global problem. People's food consumption has been affected by the dramatically increased size and food portions (Lin et al., 2017). So to approach better food consumption, nudgers use smaller plate sizes. In 58 studies, over six thousand participants found that when offered more significant portions, packages, or pieces of tableware, people consistently consumed more food than when offered smaller versions (Hollands et al., 2015 in Lin et al., 2017). However, the effect of using small plates still needs to be improved. It is because there are many factors play in the process. For example, a distraction like watching movies tends to become overconsumption. Dining partners' eating habit also plays a role. In addition, when the participants ate on smaller plates, they did not become aware of the manipulation, so the eating habit could only sometimes be the same as when they took participation in experiments.

Many studies use visuals to encourage people to do physical activity in the physical activity area. For instance, they were using or drawing footprints on stairs to push people to use stairs over elevators. Nevertheless, the finding shows that the footprints method made the less physical option more popular (Avitsland, Solbraa, & Riiser, 2017 in Lin et al., 2017). People are more prefer using an elevator. In that sense, this method is proven ineffective.

To limit the consumption of alcohol, the researcher tries to use tall but narrower glass to confront short wide glass. The idea is to make people think that they drink more due to the tall shape glass. However, throughout the systematic studies, it was found that there needed to be more evidence to estimate the impact on consumption reduction (Hollands et al., 2015; in Lin et al., 2017).

Tobacco consumption has also become a concern for human health. To invoke system 1, nudgers focused on making shorter cigarettes. However, there was no overall decrease in tobacco consumption compared to standard-sized cigarettes (Hollands et al., 2015 in Lin et al., 2017).

All the examples above showed an ineffective, limited effect and lack of evidence. The examples have one similarity all the nudges work through System 1. When the intervention through System 2 is applied to the same problem, research shows more promising results.

To make people aware of unhealthy food, using nudges through System 2, nudgers present information on calorie counts on food menus so that people can make better food choices. However, the evidence suggests that information on calorie counts had a limited impact on the choice of healthy foods (Loewenstein et al., 2012 in Lin et al., 2017).

While the information on calorie counts had limited impact, the traffic light labeling on food gained an effective result. The idea is to use

simple visual cues to signal the healthiness of foods—for example, red for high-fat food, amber for moderate, and green for healthy food. The result is that 35% of customers actively look at traffic light labels, and 92% of those customers find these labels easy to understand (House of Lords, 2011 in Lin et al., 2017, p. 5). Additionally, sales of food items with mostly green traffic lights increased by 46.1% over the 12 weeks, while those with primarily red traffic lights decreased by 24% (House of Lords, 2011 in Lin et al., 2017, p.5).

Using motivational posters had a better effect than using footprint cues to make people stay physically active. Although motivational posters had mixed results among the studies, there is a chance to get a good result if the location of the posters, length of the intervention, and more specific messages were used. A specific message, such as “7 minutes of stair climbing protects your heart,” was more effective than a general message, “Stay healthy, use the stairs” (Puig-Ribera & Eves, 2010 in Lin et al., 2017, p.6).

Health warning on cigarettes pack was proven more effective than making cigarettes shorter. Even though the study on tobacco consumption still needs further investigation, the campaign on health warnings on cigarette packs showed a promising start. Health warnings on branded packs showed mixed results. However, health warning on plain packs was shown to be more effective. It has been demonstrated that plain packaging encourages quitting for up to two weeks (Moodie & Mackintosh, 2013 in Lin et al., 2017, p.7). As the first WHO member to standardize packaging, Australia has also seen a statistically significant drop in smoking prevalence (Australian Government, Department of Health, 2016, in Lin et al., 2017, p.7).

From the evidence that Lin et al. (2017) brought, it is clear that nudge works better in System 2 rather than System 1. System 1 nudges appear ineffective and tend to last only a short time because they need to get the person making

the decisions to reevaluate the reasons behind them to change their decision-making behavior in a meaningful way (Lin et al., 2017, p.8). However, System 2 nudges succeed in providing explicit information linked to the pursuit of a clearly defined goal, which is linked to a particular choice behavior (Lin et al., 2017, p.8).

In addition, the evidence indicates that some Type 2 nudges can result in lasting behavioral change over a more extended period through repeated intervention. That is why the length of nudge intervention needs to be considered.

All in all, the intervention using a nudge to solve societal problems is to make a goal of helping oneself by making a better lifestyle choice in a coherent and sustainable approach. That is Lin et al. (2017, p.10) suggest that System 2 nudges are more effective for theoretical, empirical, and ethical reasons.

### **Accountability and Transparency**

The first debate on nudges is whether nudgers should nudge secretly or make it transparent. There is concern about the relationship between the government and their citizen when practicing nudging. When the government is nudging citizens, it has the power to control how they decide on something. The government official can force their will or view on the citizens.

Critics say that nudges are more complicated to recognize and subtler than traditional interventions such as taxes (Schmidt, 2017, p. 404). People can be persuaded to make choices that go against their stated preferences. Hausman & Welch (2010) stated that the government's action to form people's choices is subject to abuse (p. 135). In the end, exploiting people's fears and hatred poses the most significant risks of abuse (Hausman & Welch, 2010, p. 135). For instance, if there is a conflict of interest in which the ruler who holds power in

government is part of it, nudging can be distorted to direct people to choose what that ruler desire.

Furthermore, Hausman & Welch (2010) claim that even though nudging should be transparent, the process of shaping choices is only sometimes ideal. Nudgers, or in this context, the government, is making some choices more visible while making the other choice invisible. This contrasting aspect of nudges can influence their effectiveness of nudges. Nudgers face the dilemma of either nudging secretly or transparently, which might stop working (Bovens, 2009, p. 217; Grune-Yanoff, 2012, 638).

Schmidt (2017) rebuttals the claim. Schmidt stated that neither Bovens nor Grune-Yanoff offers concrete empirical evidence to support their claim. On the contrary, he then took examples of research by Loewenstein (2015) and Wansink (2007) that informing people about the default of nudges does not lower the effectiveness (Schmidt, 2017, p. 409). In that sense, transparency will likely not make nudges lose effectiveness. Sometimes it also will not affect its effectiveness at all (Schmidt, 2017, p. 409).

### **Legitimacy**

One of the main criticism about nudge as a theory is that it violates the principles of individual freedom (Kosters & Heijden, 2015). In the nudge concept, the architecture of choice is the main idea of the concept. However, critics say that the architect is not the individual whose life is affected by the nudge. The government chooses by claiming that the choice is suitable for citizens. The choice is based on a subjective assessment. In these circumstances, it may be affected by personal bias and motivations.

The government actors tend to be agents who "know it all the best" for the citizens. So the probability of abusing power relations is relatively high. When shaping a choice, personal bias and motivation could make the choices not the best output for the citizens.

Another problem is that sometimes, nudging limiting the number of choices is proven effective. Limiting options is preferable to maximize the choice chosen. However, this raises unanswered questions for Nudge. Studies have shown that choice architecture works differently for governed actors from different socioeconomic backgrounds. Actors with less money make worse decisions than actors with more money. The difference in effect from different socioeconomic backgrounds brings to question whether nudging is an all-encompassing governance intervention.

Despite the criticism of nudging, the question is, "Is nudging feasible to a practice and become a policy?" Schmidt (2017) claimed that nudge could be transformed into policy if democratic control is in citizens' control. In addition, Schmidt (2017) stated three reasons why a nudge can be materialized in a democratic country.

Firstly, nudging policies are particularly well-suited to be developed and implemented at various levels due to their simplicity and low cost. Nudges may be controlled more locally if implemented at lower institutional levels or only in particular areas, which may increase the effectiveness of democratic control. Nudges can also be used in specific regions, industries, or even local institutions.

Secondly, while some nudges will be the same for everyone, others may be tailored to each person's preferences and requirements. Individuals can actively choose how or whether they are nudged with personalized nudges.

Thirdly, two additional characteristics of nudging make them suitable for discussion and debate. An informed citizenry, reasonable public discourse, a free press, and a free and functioning academic and scientific sector are necessary for a citizenry to hold contestatory power. Furthermore, adequate information, analysis, and public discussion of those policies are necessary for contestatory power to be exercised concerning

particular policies. In addition, proponents of nudging frequently advocate an evidence-based approach to public policy. It indicates that the effectiveness of nudge interventions is subject to rigorous evaluation before and after nudges are implemented, typically more so than with other public policies. Therefore, the deliberative and congestive conditions for nudging policies are favorable since nudging is widely discussed and relevant evidence is systematically collected and available.

## CONCLUSION

One of the principles of nudge is that nudge is born to help encourage people to help themselves by giving them the freedom of choices that are good for the long term. However, like another type of government intervention, a nudge needs an excellent democratic ecosystem where discussions and debates are maintained to shape a better policy.

Public officials should pay close attention to public opinions regarding whether or not they would consent to implement nudges and gather evidence to evaluate their efficacy if there are strong objections to them (Lin et al., 2017). Furthermore, public officials must promote the citizens' welfare in the long term (Lin et al., 2017, p.10).

According to the OECD's map of countries that have implemented nudge or Behaviour Insight, Indonesia still needs a nudge team, and no nudge record data is formally institutionalized and implemented (OECD, 2017). It has not been heard of a team in government that dedicates itself as a nudge team or works on a behavior insight branch in the process of formulating its policies.

If the public officials in Indonesia want to apply a nudge as a tool for creating public policy, some notes must be considered.

First, due to criticism of nudges, like any government intervention, a public official should

listen and evaluate if the public is resistant to nudges appear. The closer and easier the nudge for people to apply, the more chances for nudge intervention to succeed. Second, do the nudge through System 2 with a more prolonged time intervention. That way, the nudging can sustainably change people's behavior.

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