

# Book Review

## Cass Sunstein: Human agency and behavioral economics. Nudging fast and slow.

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### Book details

Human agency and behavioral economics. Nudging fast and slow.  
*Cass Sunstein*

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Americans do not like mandates very much. However, social security, a mandate, has strong support. On the one hand, mandates such as Social Security require savings and hence reduce freedom of choice. On the other hand, our “present bias” leads to a neglect of the future while social security reduces that neglect. So, we may not like mandates, but sometimes they are necessary because of our cognitive biases.

One of the most frequently used words in the book is “but”. Americans don’t like mandates, but. Americans prefer educative nudges to non-educative nudges, but. Educative nudges have low costs and high benefits, but. Paternalism may result in people being denied the power to choose, but. As in his 2016 book, *The Ethics of Influence. Government in an Age of Behavioral Science*, Sunstein asks more questions than he answers. But, he is not dealing with the speed of light. He is dealing with humans whose behavior is, subject to change without notice. Hence the word, “but”.

In his 2016 book, *The Ethics...*, Chapter 6 is titled “Do People Like Nudges? Empirical Findings”. There he has a discussion of Americans’ attitudes towards various nudges. His current book expands that chapter by offering a more detailed breakdown of the data, and also discussing attitudes towards nudges in Europe. His current book is not about government per-se, but about human agency –our control over our own lives– and how nudges affect human agency. Nudges are designed, says Sunstein, to protect agency (and control).

The subtitle of the present book, *Nudging Fast and Slow*, is an obvious reference to Daniel Kahneman’s book, *Thinking Fast and Slow*. Sunstein discusses two types of nudges, non-educative nudges –give a person a fish– which works off of

System 1, and educative nudges –teach a person to fish– which works off of System 2. System 1, non-educative, nudges involve automatic thinking such as choosing by a default. System 2, educative, nudges use deliberate reasoning such as providing information. The differences and choice between System 1 and System 2 and their effect on agency, freedom and welfare is, says Sunstein, what behavioral economics, “broadly taken”, is about. And how to choose between System 1 and System 2 nudges is the main goal of the book. The first part of the book is about what people actually think (about nudges, mandates, and bans). The second part of the book is about the “underlying normative issues”, such as the desirability and ethics of paternalism.

The behavioral concepts he discusses in the book include over-optimism, limited cognitive abilities, availability bias, present bias, impatience, boosts, choice architecture, defaults, behavioral public choice, Hayek and the knowledge problem, nudge, and System 1 and System 2. The Index is very “thin” so you have to read the book to find all of these concepts, and others you may interested you. The book is only 116 pages, text, notes, and Index included. It is a worthwhile read.

Nudging is often criticized because it is associated with paternalism. Paternalism is defined by the Stanford Encyclopedia of Philosophy as “the interference of a state or an individual with another person, against their will, and defended or motivated by a claim that the person interfered with will be better off or protected from harm”. They define libertarian paternalism as the New Paternalism, new as of the publication of *Nudge* by Thaler and Sunstein. The philosophy behind this New Paternalism is that “since people were such bad decision makers we should nudge them in the direction

of their own desired goals by orchestrating their choices so that they are more likely to do what achieves their ends". Sunstein says that libertarian paternalism aims to assist people to choose for themselves, so long as they can opt out of choosing. Non-libertarian paternalism does not include an opt out option.

In my review of *The Ethics of Influence. Government in the Age of Behavioral Science* I asserted that nudges are "everywhere dense". In this book, paternalism as practiced by a wide variety of paternalists including parents, coaches, managers, politicians and others can also be conceptualized as being everywhere dense. It exists when they make decisions for you and when the paternalists practice the "active choosing" variety. Being opposed to nudging because it means interference in someone's life is, therefore, an incomplete response to paternalism.

Sunstein used a sample of 563 Americans from Survey Sampling Int'l. He finds that nudges are supported if they do not interfere with people's values and interests, if they do not represent an illicit goal, if the choice architect is believed to not have illicit goals, or if people feel that they are being manipulated. Thus, it should not be surprising that subliminal advertising is very unpopular. Mandates and bans are not as popular as nudges since mandates and bans interfere with our values and interests. Very popular nudges by people of all political beliefs including fighting childhood obesity, and combating distracted driving. Both childhood obesity and distracted driving have strong negative externalities. A third popular nudge is federal education to reducing discrimination against people due to their sexual preferences. Unpopular defaults includes when your voter registration form lists you as a Democrat unless you opt out, and the census listing you as Christian unless you opt out. A husband taking his wife's last name upon marriage is a very unpopular default.

Sunstein also used a sample of 2,800 Americans about nudges for savings, smoking, clean energy, and water conservation. Four different conditions were used. Under Condition 1 participants are not given any information about the nudges. Educative or System 2 nudges were favored for all four issues. Under condition 2 participants were told that non-educative or System 1 nudges were more effective. Preference for System 1 nudges increased by 10-12% points. Under Condition 3 participants were told that System 1 were more effective and they are given some quantitative information about System 1 nudges. The preference for System 1 nudges increased but not by 10-12% points. Under Condition 4 participants were told that System 2 nudges were more significant. Preference for System 2 nudges did not change vis-à-vis Condition 1. The reason he gives for this result he says is "speculative" (a "synonym" for "but"). System 2 nudges are educative nudges. People who prefer System 2 nudges already know that they are more effective, and hence being told that they are more effective has no effect on them. In case you are wondering, political affiliation is not related to a preference for System 1 and 2 nudges for the specific issues studied.

How do we choose betweenm System 1 and System 2 nudges? If we are primarily concerned with welfare a la Mill and Bentham, then we are "welfarists". Welfarists have no inherent preference for either type of nudge. The primary concern is what are the benefits and costs of each type of nudge, and which produces the highest net benefits (TB-TC). Sunstein discusses five points about the welfare approach. On the one hand, each of these points are so obvious as to seem unnecessary. For example, point number 3 states that, "If there is a great deal of diversity in the relevant population, and if non-educative nudges cannot accommodate that diversity, educative nudges may well be best". Well, of course! On the other hand, the issues discussed in the five points are important. In addition to diversity, the issues include time and cognitive capacity constraints, the motives of the choice architects, the limits to information, attention constraints, impatience, and unanticipated side effects of a nudges. The issues are important when choosing System 1 or System 2 nudges, even if the issues are expressed in a way which makes them seem innocuous. What is not innocuous is his statements about "behavioral public choice", the idea that public officials/politicians/bureaucrats have the same biases as the people they are trying to help overcome those same biases. Government would be expected to place an emphasis on System 2, educative, nudges because many people working in government estimate costs and benefits of different alternative policies. But, System 1 nudges are also used by the public sector.

If our primary concern is agency and autonomy –being the "authors of the narratives" of our life– then educated nudges have a lot of appeal because people learn how to be the author of their life. *But*, having a GPS device in your car doesn't take away from your authorship. In fact, it can help avoid traffic and get to work on time. People with limited time and attention, which is all of us, may not want to choose, thus making agency and autonomy served with System 1 nudges. Once again, Sunstein finds it necessary to use the word *but*, because nudging is a very complicated issue.

Sunstein uses the saying that the cab driver asks the person sitting in the back, "What Route Would You Like Me to Take?". The person in the back seat has to decide *but*, for whatever reason, doesn't want to. However, deciding is good for people. Hence, paternalists sometimes nudge people to choose for themselves rather than give that power to others.

Afterall, we don't want to give power over our lives to Bill, George, Barack, or Donald, or Nancy, Susan, Dianne, or Elizabeth, or their "army" of Ph.D.s, J.D.s, M.B.A.s, MSMs, or MPPs.

Chapter 5, the last chapter of the book is devoted to this issue. Beginning on the bottom of page 99 he says that "the core of my argument. . . is very simple. Those who favor active choosing are often acting paternalistically, at least if they are promoting or requiring active choices in circumstances in which people would prefer not to choose. Because those circumstances are pervasive, those who require choices are,

in the relevant sense, acting as paternalists” (pp. 99-100). Paternalists who promote active choosing may intrude on our lives, but they do not want to choose for us.

When people do not want to choose Sunstein asks whether an active choosing approach is paternalistic. People don't want to choose but paternalists promote active choosing because choosing is good for us! We may not be good decision makers but paternalists want to help us be better choosers. Is this paternalism?

Sunstein says that “it seems clear that the unifying theme of paternalistic approaches is that a private or public institution does not believe that people's choices will promote their welfare, and it is taking steps to influence or alter people's choices for their own good” (p. 100). That includes offering educative-nudges that teach people how to be better decision-makers.

Professor Sunstein, a.k.a., Cass the “Libertarian”, doesn't place all of his trust in politicians. Can we trust paternalists? Clearly, not always. When their biases affect the regulations they put into law, then Professor Sunstein thinks that they have gone too far. [And while we are on the subject, here is Cass the Lawyer: “Let us bracket the hardest questions and note that while diverse definitions have been given. . .”].

Throughout the book Professor Sunstein's arguments come down on the side of promoting individual freedom. I have read about him that while he speaks about freedom, he actually supports large government including many government regulations. I don't see that. To me he doesn't fit neatly into any political or economic philosophy. He speaks very well of Frederick Hayek and public choice theory, and he enjoyed working in the Obama Administration on serious problems such as global warming. Cass the Libertarian is insignificant as compared to this –that Professor Sunstein is a *Revolutionary for Human Freedom*.