Watching Behavior Before Writing the Rules

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As a general rule, the United States government is run by lawyers who occasionally take advice from economists. Others interested in helping the lawyers out need not apply.

Of course, there are some exceptions. The government employs scientists of many varieties in technical capacities, from estimating the environmental toxicity of a chemical to the structural soundness of a bridge. But when it comes to forming policies, these scientists and, especially, behavioral scientists are rarely at the table with the lawyers and the economists.

Economists teach us that monopolies are harmful, and this is no exception. Are they really the only social scientists with anything useful to contribute to the efficient running of a government? Imagine that along with the Council of Economic Advisers, a Council of Behavioral Scientist Advisers also provided counsel to the president. What might emerge from such a group?
Thanks to an initiative of the British government, we have some evidence about the benefits that might emerge. Shortly after his center-right coalition took office nearly two years ago, David Cameron, Britain’s Conservative prime minister, established a tiny branch of government called the Behavioral Insights Team. It is led by David Halpern, a social psychologist who has a deep understanding of the workings of government, having previously served in the Labor government of Tony Blair.

Dr. Halpern has a staff of eight civil servants, in addition to a few visiting doctoral students on short-term leave from their universities. The team also has a group of unpaid academic advisers, including me — showing that economists will elbow their way into any activity. As I have been involved with this effort from the beginning, and because I am an economist who also teaches behavioral science — I am not an unbiased source. But having recently returned from a week in London working with the Behavioral Insights Team, I am in a good position to report on some of its progress.

During these team visits — this was my fourth — I make the rounds from one branch of government to another, accompanied by someone from the team. We usually meet with a minister and some senior staff members. (Although the team has delved into many policy areas, it has not become involved in macroeconomic policy or foreign affairs.)

In these meetings, I have found myself proposing two guidelines so often that they have come to be known as team mantras:

• If you want to encourage some activity, make it easy.

• You can’t make evidence-based policy decisions without evidence.

The first mantra has guided many of our most successful interventions. The second has made one of the team’s explicit missions to conduct randomized controlled trials for the initiatives we suggest, whenever possible. Indeed, the team has recently released a white paper, called “Test, Learn, Adapt,” extolling the use of such trials in government policy-making.

One early success story involves an attempt to collect taxes from people who fail to pay on time. Most British citizens pay their taxes promptly because it is a simple tax system with few deductions, so that most taxes are collected via payroll withholding. (That’s “make it easy” in action.) But small-business owners and individuals with significant nonpayroll income are expected to save up the money to write a check to the government, and some of them fail to pay on time.
In such cases, the government’s first step is to send a letter asking for payment within six weeks, after which sterner, more expensive measures are taken. The tax collection authority wondered whether this letter might be improved. Indeed, it could.

The winning recipe comes from Robert B. Cialdini, an emeritus professor of psychology and marketing at Arizona State University, and author of the book “Influence: The Psychology of Persuasion.”

People are more likely to comply with a social norm if they know that most other people comply, Mr. Cialdini has found. (Seeing other dog owners carrying plastic bags encourages others to do so as well.) This insight suggests that adding a statement to the letter that a vast majority of taxpayers pay their taxes on time could encourage others to comply. Studies showed that it would be even better to cite local data, too.

Letters using various messages were sent to 140,000 taxpayers in a randomized trial. As the theory predicted, referring to the social norm of a particular area (perhaps, “9 out of 10 people in Exeter pay their taxes on time”) gave the best results: a 15-percentage-point increase in the number of people who paid before the six-week deadline, compared with results from the old-style letter, which was used as a control condition.

The tax authorities estimate that this initiative, if rolled out across the country, could generate £30 million of extra revenue annually. And note that sending an effective letter doesn’t cost any more than sending a bad one. Did I mention that the entire budget for the team is less than £1 million?

In some domains, team members have different intuitions about what will work best, so randomized trials can be used to determine which interventions are most successful — and also to decide who has to buy the first round of drinks at the pub.

One example was an effort to encourage homeowners to utilize a government program that offers subsidies for installing better insulation in their attics, locally known as lofts. An experiment tested the existing standard offer against either a group discount offer (you get this deal if enough of your neighbors also sign up) and an attic cleanup program provided at the supplier’s cost.

In the cleanup program, someone would come to a home to remove everything from the attic, allowing the insulation to be installed; help the homeowner sort through which stuff to keep, discard or donate to charity; and then put the good stuff back in the attic when the job
was over. This “make it easy” promotion turned out to be the big winner, and it is now being used more widely.

The government is sufficiently convinced of the value of these activities that it announced last week that behavioral science is to be included in the required curriculum for civil servants.

CLEARLY, initiatives like all of these will allow the team to pay for itself many times over. But the most lasting impact will probably be that policy makers will consider randomized trials as a way to discover what works.

Such experimentation is rare in government policy, where neither legislators nor bureaucrats are eager to acknowledge that they don’t already know the best way of doing things. Yes, here in the United States we sometimes let states try a variety of approaches to policies for health care and education, for example, but differences among states can make comparisons difficult. And people choose where they live — rather than being assigned to states at random as in a proper experimental design.

Other countries, including our own, should take note. In these difficult times, increasing tax revenue without raising rates is a trick worth learning.

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