

Why policy makers should nudge more

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Chicago Booth Review:

When policy makers around the world want to influence their constituents' behavior, they have a few options. They can offer a carrot, such as a tax incentive, stipend, or other reward. They can use the legislative stick by passing a mandate or a ban.

But research suggests they should turn more often to a third tool, a “nudge,” which in many cases is the most cost-effective option.

Nudging is the word used in behavioral science for structuring policies and programs in ways that encourage, but don't compel, particular choices. For instance, requiring people to opt out of rather than into a program, such as a retirement savings plan, might nudge them toward participating. So might reducing the paperwork necessary to enroll.

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