

BOOK REVIEW

Review of *Nudge: The Final Edition Paperback* – 19 Aug 2021

Richard H. Thaler, Cass R. Sunstein. Allen Lane, Penguin Books
Random House, (2021)

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Has the world changed since *Nudge*? Has *Nudge* changed the world?

I heard behavioral economics was dead.¹ If that is so, then *Nudge* is having an enviable resurrection – or we are all in heaven. The irrevocably final version of *Nudge*, published slightly more than a decade after the original (erstwhile subtitled *Improving decisions about health, wealth and happiness*) restores a masterpiece with wit, charm, intellect, reflection and relevance that we have come to expect from the synonymous duo of Richard Thaler and Cass Sunstein. It remains as informative, aspirational and instructional as the first, reflecting on both how society has changed and what the field of behavioral economics has learned since 2008. While it is unmistakably a second edition of familiar content, it is also undeniably as relevant as ever for necessary reading across the widest possible audience.

Setting the context for *Final edition: Why Nudge* (re)created behavioral economics

As is so often the case, Daniel Kahneman was right: *Nudge* changed the world. Among many examples, this very journal might not even exist if not for *Nudge*. But the book gave something even more fundamental to behavioral economics as a profession: a home. Many readers of *Behavioural Public Policy* may share the experience of bewildered responses when explaining our area of research involving combinations of words like psychology, policy, economics and behavior. Prior to 2008, this could get someone denied tenure, ridiculed at a conference or (in this author's case)

¹This is a request to open your search engine of choice and enter 'behavioral economics is dead' (keep the quotes) so that I do not have to cite a lot of blogs for this review.

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mocked by the bartender in a university department lounge for doing unimportant research.

Professionally, this is simply no longer the case, thanks directly to *Nudge*. To indicate that you work in “behavioral economics” now results in no requests for justification. No bewilderment at claiming psychology and economics were not, in fact, on opposite ends of social science. No (... err, well, fewer ...) dismissive retorts from those that see one discipline as fundamentally superior to the other. In fact, you are more likely to hear about what podcast someone has recently listened to on the topic, or asked if you have seen a particularly relevant movie or news article.

The popularity of *Nudge* did wonders for the profession of behavioral economics from education to retirement (those who have already read the book will understand this framing). Where it was once perhaps a few slides in a semester-long undergraduate course, it is now an entire graduate degree. Governments are investing in both the core science and broader policy applications. Businesses and institutions now boast behavioral scientists – if not entire behavioral teams. Financial advisors now explain concepts of choice architecture, bias, and decision-making to people planning their retirements.

While there have been plenty of great books written for a general audience in behavior, decision-making, and economics, *Nudge* had an impact unlike many others by essentially formalizing and adding cache to an entire profession. For those of us who remember the before-times, learning fundamentals about choice and rationality often involved extremely complex, dense writing followed by the sort of algorithms that sent shivers down the spines of graduate students. Thaler and Sunstein put an end to that divide with a simple, relatable anecdote about placing the image of a bug at the back of a urinal in airport restrooms.

Unfortunately, not all effects have been so positive, not that this is the fault of Thaler and Sunstein. As the popularity of behavioral economics has grown, so too have the number of individuals claiming expertise. So-called “behavioral consultants” or “people analytics experts”, who may have been inspired by the concept but lack the qualification and expertise, are increasingly common. These individuals, often with loose institutional affiliations, appear to know some of the more popular aspects of nudging, like making critical details salient in letters or adding in social norms to household bills. What they lack, however, is the fundamental theory, the quantitative depth, or the experimental techniques necessary to generate the information that *Nudge* made so accessible.

The absence of any ethical or institutional review seen in many claimed nudges has been disconcerting to say the least, and perhaps responsible at least in part for some recently underwhelming findings. Furthermore, they are often the ones responsible for overwrought claims about nudging, such as being easy or inexpensive in a way not commensurate with reality. Sure, sending an email is cheap – but the cost of everything up to the point of *knowing what, when, why and how* to send the email is very different, and those realities have to be managed knowledgeably. Hopefully, those concerns will abate as qualifications and expectations of prior training for such meaningful positions become more standardized.

But this raises points beyond the book itself: *How* are people making use of nudges, boosts, choice architecture? Rather than provide another comparison and

contrast between two editions, I will instead focus on what *Final edition* gives in its own right. *Nudge* cannot really change the world again in the same way, though it certainly does its part to make a more informed one. To explore this, let's move away from context and discuss what is in the book.

What *Final edition* actually says

Note that the following sections have partial-spoilers, mostly in terms of indicating the views of the authors on various topics in the book. The best surprises from the book have not been mentioned, but some aspects of the authors' writing have been mentioned here.

Thaler and Sunstein are pragmatic theorists. Their entire premise is the science, technology, and desire for innovation exist for us to have a core ideology for ways to change society for the better. This core ideology is superior to piecemeal or scattershot tools to fix everything ad hoc. Their approach, in my view, presents along three pillars. The first is that our choices and behaviors exist because of an environment, which also can itself change the environment. The next is that adjustments to that environment have potential to change those choices and behaviors, even if other factors remain the same. Finally, and perhaps most ideologically critical, those changes do not need to be aggressive or invasive, but subtle and suggestive. However, they also recognize that at all times, every one of these aspects needs to be understood flexibly.

You will hear many people claim “but nudge theory lacks an actual *theory!*” I do not think those individuals have read this book. The idea that a critical change to the choice architecture can produce a substantive change in the choice surely qualifies as theory. It would be axiomatic if not for the number of times the rule is violated, which is precisely what theories on human behavior are for. This is where Thaler may be the first economist to truly understand social psychology: an absolute pattern does not have to be a universal truth to be both right and valuable. Not *every* person has to change behavior based on learning social norms for social norms to be a powerful tool – if the group average changes, that is fundamental. Exceptions can validate rules. That *Final edition* opens with the fundamental concepts of nudging, then uses the rest of the book to share examples and reflections only strengthens that approach to theory.

Some may disagree with my framing, but I would push anyone to look through the numerous examples they provide, from game theory experiments to health savings accounts. Perhaps some see the use of numerous anecdotes as the absence of a core theory; I see it as iteration. Furthermore, whether complementary or distinct, libertarian paternalism again establishes a guidepost: when appropriate, informed autonomy is more respectful than forced regulation. But again, Thaler and Sunstein recognize this needs to be flexible. You cannot nudge a car across a river with no bridge. The bridge still needs to be built, but you can design it in efficient, safe, and sustainable ways for it to be used.

To be sure, *Final edition* is a new and different book. Particularly in the second half, there is much reflection on criticisms and events of the interim 13 years. There is a tone of awareness of those critiques and changes to society throughout

the writing. This adds a more instructional (and dare I say paternal) feel, pushing the reader to work out possible solutions rather than only provide concepts, examples, and narrative. Though it adds to the quality and validity of their work, it may also be a slight overcorrection, not unlike when professors try to react to the one or two negative criticisms in a teaching evaluation rather than considering most students were very positive. Adjusting for those critiques is admirable, but I mainly came to hear the professor's ideas, not the audience's. That said, anyone curious how Thaler and Sunstein reflect on the many reactions to *Nudge* will not be disappointed.

What *Nudge* has to say about the biggest challenges facing society

One critique that Thaler and Sunstein are clearly aware of as they wrote *Final edition* is that nudges alone cannot solve all major problems in the world. My view is that this argument is a disingenuous straw man, as I am not aware of any qualified experts on the topic claim otherwise (certainly not the two authors). This is unfortunately not a new dilemma in responses to innovative thinking.

In March 2021, global supply chains were the lead story on newspapers around the world as a Panamanian ship, the *Ever Given*, ran aground in the Suez Canal. As journalists flocked to Egypt to report on the story, an image made the rounds of a small excavator, standing only a few meters high, attempting to dig out and free the 200,000-tonne, 33 meter-high ship. Not surprisingly, that image quickly became an internet meme depicting seemingly futile efforts to fight off mammoth challenges (e.g., \$15 minimum wage vs \$100,000 student loan debt; banning plastic straws vs climate change caused by industrial pollution). As humorous as those might have seemed at the time, the narrative ultimately missed the point: the efforts of that excavator (as part of a coalition) did end up freeing the ship and restoring traffic flow. In that same vein, nudges – along with other approaches – very clearly have a role in combatting the largest challenges we face. Thaler and Sunstein themselves approach several of these in *Final edition*.

While *Nudge* very clearly emphasized the individual (“*health, wealth and happiness*”), *Final edition* is focused on the bigger picture. Considerable space is given to climate change from several angles, making very clear that any remaining chance we have to right the ship will rely on individuals as well as courageous, competent leaders willing to fight for effective policies. Multiple approaches are explored, inter-linking the individual with the system (mainly industry and government). They leave little doubt that as much as behavior is central to impact, major change at the top has to happen soon.

Regular readers of Thaler and Sunstein will also not be surprised how much space is devoted to “sludge”, a term they credit to Cait Lambertson and Ben Castleman, which is their preferred word for essentially anything that uses nudging against the individual (such as making it harder to cancel an unwanted subscription than to enroll initially). Critically, they put this in wider contexts and talk about how this is not simply a matter of convenience, but has major ramifications. This has clearly been a major theme in democracy and governance as they relate to behavioral science, and no doubt where nudging has been a feature of those discussions.

Though the last aspect was not explored in detail, they certainly nod to the idea that those effects can be worse for individuals with the least resources and have

minimal impact on those with the resources to avoid sludges. We hear a lot about “nudging for good” in recent years, but I have noticed it can mean very different things. In some cases, it refers to encouraging policymakers to stop payday lenders and fast-food chains from setting up in poor neighborhoods. Others seem to imply that the “good” is simply the better outcome from more physical activity, financial saving, or better dieting. Without stating it explicitly, Thaler and Sunstein would seem to indicate that “good” implies what is done to benefit society moreso than what individuals may do on their own.

Where that good-for-society discussion really comes out is in their own reflections on how nudging has been incorporated into healthcare, specifically increasing names on organ donor registries. In my own teaching, this tends to be the most emotionally provocative discussion due to personal and professional experiences. Thaler and Sunstein lament the unwanted credit they have been given for “presumed consent” in donor registrations in several countries. Presumed consent, the idea that individuals are treated as though they have signed up for something so long as they have not actively acted otherwise, is the sort of opt-out not condoned by the authors. It would seem the mistreatment of Henrietta Lacks supports their position, among other arguments.

While they do not go so far as stating it is abusive (I wonder if that was their choice or their publisher’s ...), they have a similar tone in this section as they do when agreeing with concerns about potential, probable and ongoing misuse of nudging (beyond sludge). In diplomatic and academic terms, Thaler and Sunstein disavow applications of nudge that do not adhere to basic principles, largely on benefiting the decision-maker. However, as mentioned, they are pragmatists: abuses and criminal applications of behavioral interventions have long existed, continue to exist, and will exist in the future in ways we cannot yet even imagine. Pressure needs to go toward legislators on how our understanding of choice architecture can lead to protecting populations rather than simply complaining that some nudges may be bad.

If there is one criticism that is likely to remain for *Final edition*, it is how much of the content speaks to upper-middle income populations (though certainly not all of it). They do note how few people will shed a tear for taxes on billionaires or certain industries, but stop short of looking at the inverse, aside from some mentions of offering incentives to some disadvantaged groups. There are nods to economic inequality and generally uneven systems, but that might be one topic readers would have liked more reflection on.

Recommended audience

Whether the first or *Final edition*, *Nudge* is still (and should always be) the pre-eminent choice for the first reading into behavioral economics for students and professionals. Frankly, anyone and everyone is a decision-maker, and whether you even intend to make formal applications of the content or just want to understand yourself and the world around you a little better, this book has plenty for you. It is still a piece to get people excited about the ideas and even passionate about possibilities.

I certainly would not want to be responsible for causing either of them to break their pledge to *Final*, nor discourage anyone from reading, but I do wonder whether

younger readers or the college students of tomorrow will be particularly excited by stories of Gene Hackman or Bob Dylan lyrics. Given that half of the authors of *Nudge* starred in a movie scene with her, I was surprised not to see any mention of Selena Gomez (who coincidentally has recently perfected the resurrection of baby boomer celebrity careers). In contrast, in setting the stage for how social norms have changed since 2008 – and how rapidly those changes can occur when they do – noting how many countries suddenly recognized same-sex marriage after decades of actively prohibiting it. That will speak both to younger audiences as well as to provide important historical context for future reading.

If much is to be taken from their public presentation styles or social media accounts, you might assume that Sunstein spends a lot of time during his day telling Thaler, “We cannot possibly use that example in a book,” followed by Thaler asking, “What about this?” for an identical story but with a few choice words removed, forcing Sunstein to relent. This may be entirely in my head, but throughout the reading, you get the sense that two major forces make up the writing: one for the core idea and one for ensuring it has impact. It is that interplay that Thaler and Sunstein mastered in 2008 and built on in *Final edition*. The tone is engaging and teaches readers in ways that decades of scientific papers could not, but it has a purpose. Beyond just informing and engaging us, the entire book presents a way forward, an almost unprecedented merger of what to know and how to use it meaningfully.

So, as Kahenman correctly said, *Nudge* truly changed the world. But the world also changed in ways that require us to revisit our own thinking. In releasing *The Final edition*, Thaler and Sunstein keep the momentum going.