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Making Government Logical

By CASS R. SUNSTEIN SEPT. 19, 2015

THERE wasn't a lot of fanfare, but last week may turn out to be among the most consequential of President Obama's second term. By executive order, Mr. Obama directed federal agencies to incorporate behavioral science — insights into how people actually make decisions — into their programs.

When government programs fail, it is often because public officials are clueless about how human beings think and act. Federal, state and local governments make it far too hard for small businesses, developers, farmers, veterans and poor people to get permits, licenses, training and economic assistance.

It's one thing to make financial aid available to students, so they can attend college. It's another thing to design forms that students can actually fill out.

Building on impressive new findings from the White House's Social and Behavioral Sciences Team, Mr. Obama ordered his government to use behavioral insights to simplify forms, cut wait times, eliminate administrative hurdles and reduce regulatory burdens. A new report from the team, which has been up and running for more than a year, shows that small reforms can make a big difference.

For example, the team helped to design a new email campaign to increase savings by service members, which nearly doubled enrollment in federal savings plans. It found that simple text messages to lower-income students, reminding them to complete required pre-matriculation tasks, increased college enrollment among those students by 5.7 percentage points.

An outreach letter to farmers, designed to promote awareness of a loan program, produced a 22 percent increase in the proportion of farmers who ultimately obtained loans.

A new signature box on an online form, requiring vendors to confirm the accuracy of self-reported sales, produced an additional $1.59 million in fees collected by the government in just one quarter, apparently because the box increased honest reporting.

Notwithstanding the success stories, official use of behavioral science raises two legitimate concerns.

The first is practical: How much good can it do? Improvements might be a matter of just a few percentage points — and perhaps a distraction from ambitious fiscal or regulatory reforms that could make a much bigger difference.

It's a fair point, but incremental improvements should not be disparaged, especially if they help hundreds of thousands of people. And if the goal is to produce large-scale change, behaviorally informed approaches might accomplish more than we expect.

For example, behavioral scientists have found that the default rule, establishing what happens if people do nothing, has surprisingly big effects.

If employers automatically enroll new employees in savings programs, they can produce significant increases in participation — in one study, an increase of more than 30 percentage points. And more controversially, if utility companies automatically enrolled people in green energy, there would inevitably be reductions in greenhouse gas emissions, even with the right to opt out.

These examples raise a second concern, about ethics: What about the risk of manipulation? Should the national government really be conducting psychological experiments on the American people?

It is true that behavioral science can be misused. A graphic warning, designed to produce fear, might discourage people from purchasing products that create little harm. People might be automatically enrolled in programs that do them no good.

The best safeguard against manipulation is accountability. Official uses of behavioral science should never be hidden, and they should always be undertaken within the limits of law and for legitimate ends, such as promoting retirement security, lowering barriers to college, increasing employment and saving taxpayers money.

If the law requires people to obtain licenses or permits, to pay taxes, or to apply for benefits or training, the government must select some method of communication. Public officials need to experiment if they want to know the effects of different methods.

Behavioral research shows that efforts at simplification, or slight variations in wording, can make all the difference.

Since 2010, Britain has had its own Behavioral Insights Team, which experimented with a brief addition to a letter to late-paying taxpayers: “The great majority of people in your local area pay their tax on time.” The change, which is being introduced nationally, produced a 15 percent increase in on-time payments and is projected to bring in millions of dollars worth of revenue.

When government programs aren’t working, those on the left tend to support more funding, while those on the right want to scrap them altogether. It is better to ask whether the problem is complexity and poor design. We can solve those problems — sometimes without spending a penny.

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