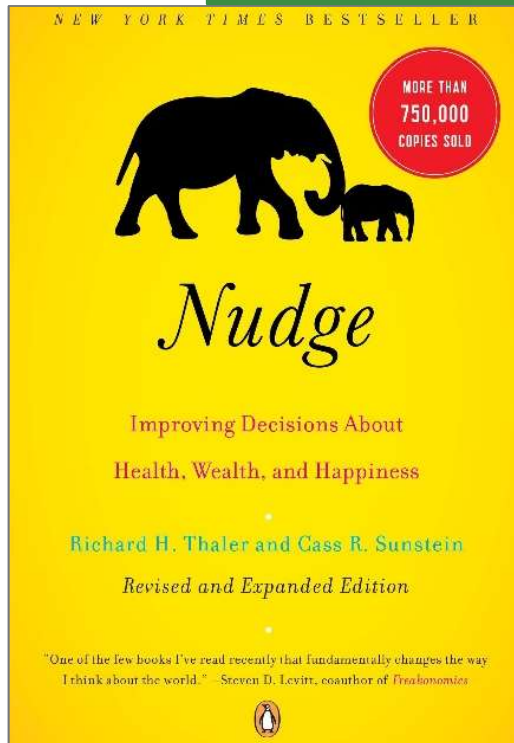


Still Nudging: Helping Students Make Optimal Choices



AGENDA

- Behavioral Finance & Nudge Theory
- How to Nudge
- Barriers, Limitations & Considerations
- Final Thoughts / Q & A

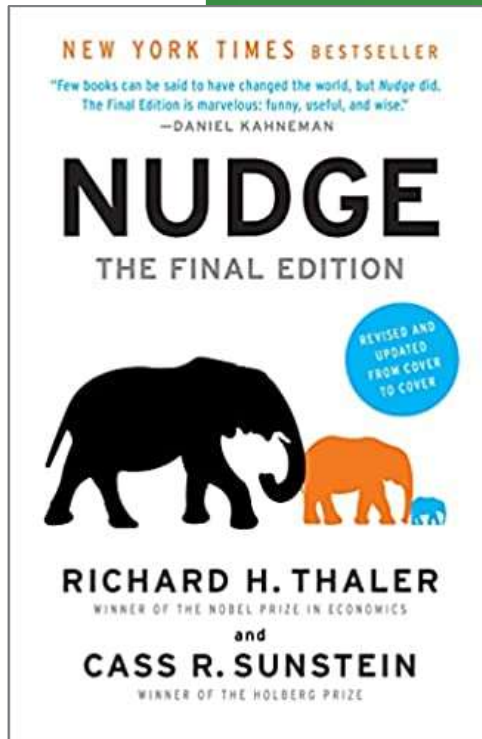


Nudge: Improving Decisions About Health, Wealth, and Happiness

2008, Richard Thaler & Cass Sunstein

Just a little book that did alright...

- Read by over 2 million worldwide
- Millions of copies sold
- Nobel Prize for Economics
- Over 400 governmental “nudge” units



New Insights and Ideas

- Nudge busters
- Limitations and warnings
- Social influence



Behavioral Finance & Nudge Theory

COMMON THREAD

- Ridiculously expensive suit that I wore once!
- I bought an iPod Shuffle when I already own an iPod Classic and an iPod Touch
- Exercise machine
- Overpriced antique wall sconces...they still sit in my storage room
- Front row concert tickets
- Name brand kids shoes
- New car – should have bought used!
- A new stove to match my new fridge when the old one was working just fine - still paying for it
- Keeping our first house after buying a new one, and carrying two mortgages
- My marriage

Welcome to Behavioral Finance

Econs vs. Humans



© 2010-2021 Koriin-hime

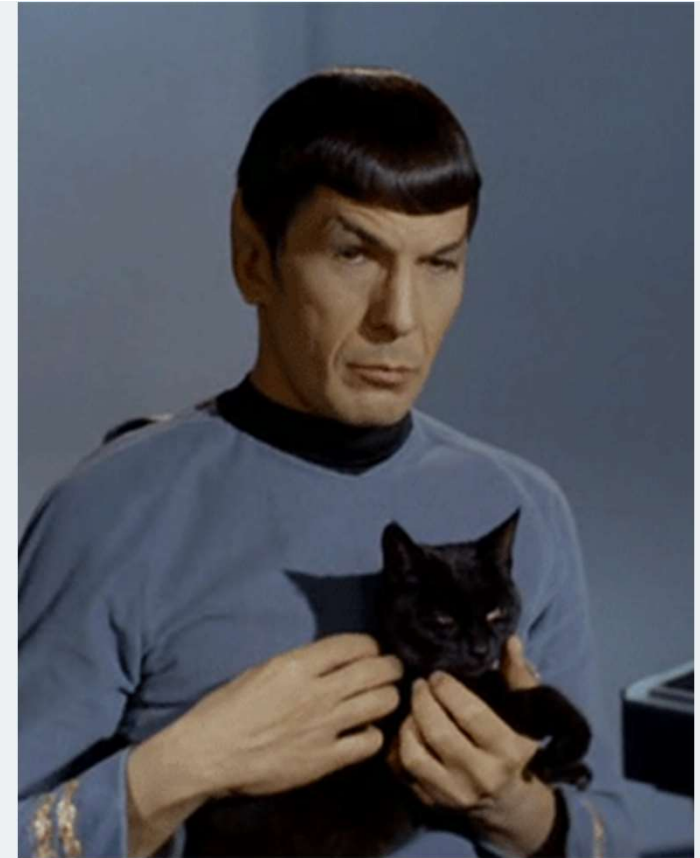


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Econs vs. Humans

Econs

- Rational decision makers
- Ruled by optimization
- Create the basis for classical “Economics”



© CBS

Econs vs. Humans

Humans

- Flawed decision makers
- Use mental shortcuts to make decisions (heuristics)
- Possible donut addiction



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Econs vs. Humans

“One of our major goals...is to see how the world might be made easier, or safer, for the Homers among us...”

-Thaler & Sunstein, 2021, page 45

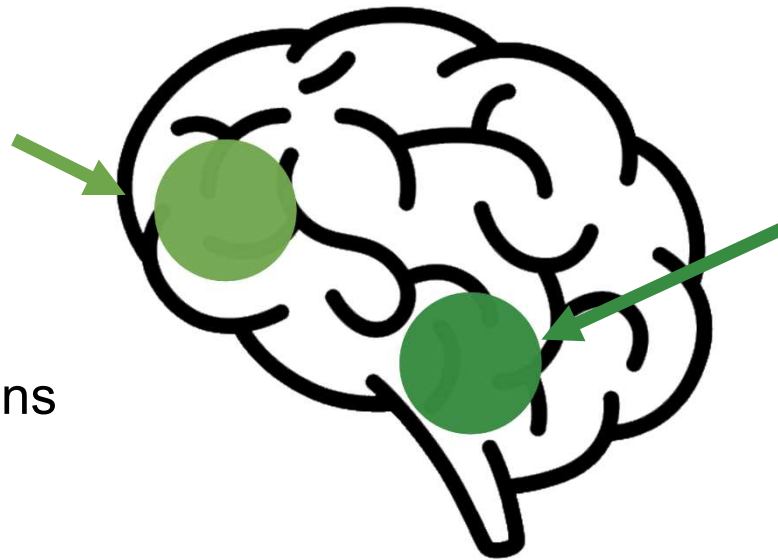


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Why? Because we're hard-wired Homers

Prefrontal Cortex

- Decision making
- Planning
- Social behavior
- Cognitive functions



Limbic

- Reptilian Brain
- Emotional response
 - Fight or flight!
- Creating and processing memories
- Basic appetites/desires

High-Maintenance Brain

Lazy brain

- Oxygen
- Glucose



The Lazy Brain & Threats

Threats

- Limbic brain takes over
- Prefrontal cortex excluded



THE
PROBLEM

We cannot make reasonable decisions

THE
SOLUTION

HEURISTICS



Humans & Their Heuristics

Anchoring

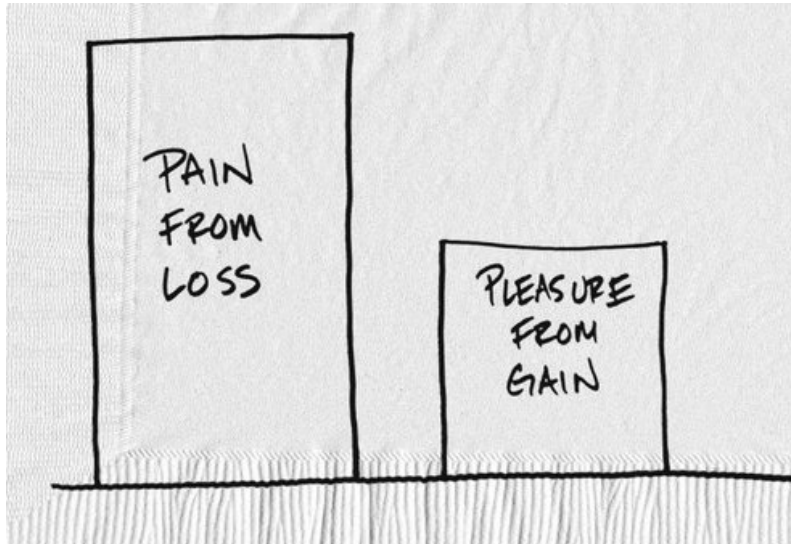


Framing

**Would you rather have a
10% chance of mortality, or a
90% chance of survival?**

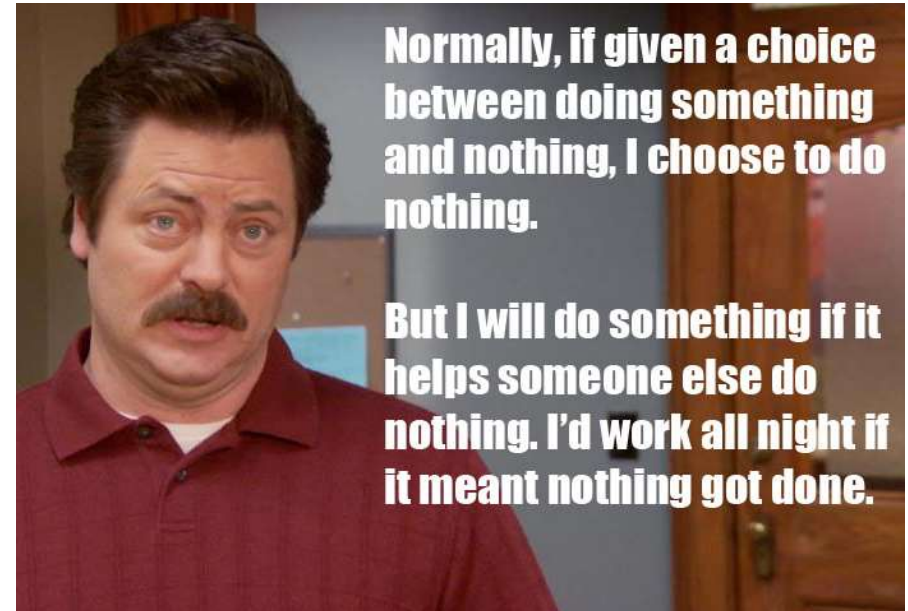
Humans & Their Heuristics

Loss Aversion



© Behavior Gap

Status Quo Bias or Inertia



© NBC

This is why we need nudges!

- Homer is usually in control
- Too many choices
- We're not experts



© 20th Century Fox

This is why we need nudges!

“Our goal, in short, is to help people make the choices that they would have made if they had paid full attention and possessed complete information, unlimited cognitive ability, and complete self-control.”

Thaler & Sunstein, 2021 page 7



© 20th Century Fox

So what exactly IS a nudge?

“A **nudge**, as we will use the term, is any aspect of the **choice architecture** that alters people’s behavior in a predictable way **without forbidding any options** or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid.”

-Thaler & Sunstein 2008, p. 6

WHO'S A CHOICE ARCHITECT? —.. ARE YOU?

Choice Architects

“If anything you do influences the way people choose, then you are a choice architect.”

Richard Thaler

© Matt Furman



Choice Architects

“...there is no such thing as a "neutral" design...small and apparently insignificant details can have major impacts on people's behaviors...assume that everything matters.”

Thaler & Sunstein, 2021 page 4

Choice Architecture in Action

- Functional spaces
- Cafeteria
- Urinals (yes, urinals!)
- Retirement planning
- Social distancing



Are nudges good or bad?

Credit Cards Good nudge

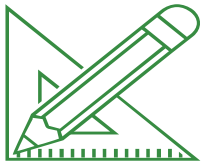
If you make no additional charges using this card and each month you pay. . .	You will pay off the balance shown on this statement in about. . .	And you will end up paying an estimated total of. . .
Only the minimum payment	11 years	\$4,745
\$103	3 years	\$3,712 (Savings = \$1,033)

Source: Federal Reserve Board:

http://www.federalreserve.gov/consumerinfo/wyntk_creditcardrules.htm

Credit card minimum payments Bad nudge





How to Nudge

So, how do I nudge?

iNcentives

Establish 'what's in it for me'

Understand Mappings

See how they see

Defaults

Take advantage of status quo/inertia

Give feedback

Let them know how they're doing

Expect error

Plan for Homer Simpson

Structure complex choices

Create bite-size pieces

Source: Nudge, Thaler & Sunstein

And new for 2021...

Curation

“Sometimes the choice architect provides a function similar to that of a curator at a museum...the most enjoyable art exhibits are rich enough to offer a meaningful experience but also small enough to be enjoyed in less than two hours...less is more rings true here. Good choice architects often winnow the choice set down to a manageable size.”

Thaler and Sunstein, 2021 page 121



And new for 2021...

Make it fun

JCC STUDENTS - LOOKING FOR \$\$\$ TO HELP WITH COLLEGE?
Confused or stressed about student loans, debt, money shortages...the future of your money?

EMPOWER YOURSELF - AND ENTER TO WIN PRIZES - AT THE SAME TIME!


That's right, let Financial Avenue's money mascot - the KNOWL - be your trusty guide as you explore topics like paying for college, career planning, managing student loans, budgeting, and more.

With every Financial Avenue course you complete between now and the 1st day of classes, August 22, 2016, you will be entered to win prizes, including a gift certificate of up to \$200 at the JCC Book Store of your choice!


THE KNOWL IS HERE TO HELP.

HERE'S HOW TO EARN ENTRIES AND LEARN REALLY GOOD STUFF IN THE PROCESS:

1. Go to www.sunyjcc.edu/financialavenue.
2. Click the login button.
3. Sign in (if you're already registered) or Sign up now! to create an account.
4. Be sure to provide your JCC ID when you sign up so we can track your course completion.
5. Take any or all of the 10 courses listed. If you complete all 10 your entries will be doubled!

www.sunyjcc.edu/FinancialAvenue POWERED BY  Inceptia

JCC
JAMESTOWN
COMMUNITY
COLLEGE
S U N Y







Is the Price Right?

Test your financial literacy: ANSWER QUESTIONS, PLAY GAMES, WIN PRIZES

TUESDAY, APRIL 25TH 7:00 P.M.

STUDENT UNION





How else do
we nudge in
higher ed?

— ...

LOANS



Active Acceptance

Requiring students to manually accept loan amounts

PRICING



Block Tuition

Flat tuition rate for greater number of credit hours

DEBT LETTERS



Loan Check-up

Nudge students to assess borrowing

How do I know when to nudge?

- Nudges are most helpful when:
 - Decisions require **expertise**
 - Decisions are not **routine**
 - **Feedback** is not immediate
 - **Immediate payoff** with uncertain future costs
- Heuristics run amok!



Barriers, Limitations & Considerations

- As opposed to students who did not receive the texts, those who did were 7.1 percentage points more likely to enroll
- For those with undefined college plans upon high school graduation, receiving the texts increased their likeliness to enroll by 11.3 percentage points
- 85 percent of those who received the texts indicated they had been alerted to something they were unaware needed to be completed

Is nudging enough?

Source: NCAN, Freezing Summer Melt: Increasing College Access and Success Through Text Messaging, 2019

And yet...

“

The broad takeaway is that when we implemented a nudge at a large scale, there wasn't a large difference in college enrollment or persistence.

-Ben Castleman

Source: Daily Progress, How effective are nudge messages for students? Sept, 2019

What Nudges CAN Do

Nudges ≠ a silver bullet
BUT, they can be effective when used in these ways:

Habits are hard to change, so use texts to instead focus on binary tasks in a time-based situation.

- FAFSA completion

Nudges may work best when we change the default action instead of asking students to initiate.

- “You can often increase participation rates by 25 percent, and sometimes by a lot more than that, simply by shifting from an opt-in to an opt-out design.” –*Thaler & Sunstein, 2021 page 11*

Text nudges are more effective when the sender is familiar.

- Establish a point person or mascot

Source: “Chronicle, Nudging” Looked Like it Could Help Solve Key Problems in Higher Ed. Now That’s Not So Clear. Sept, 2019

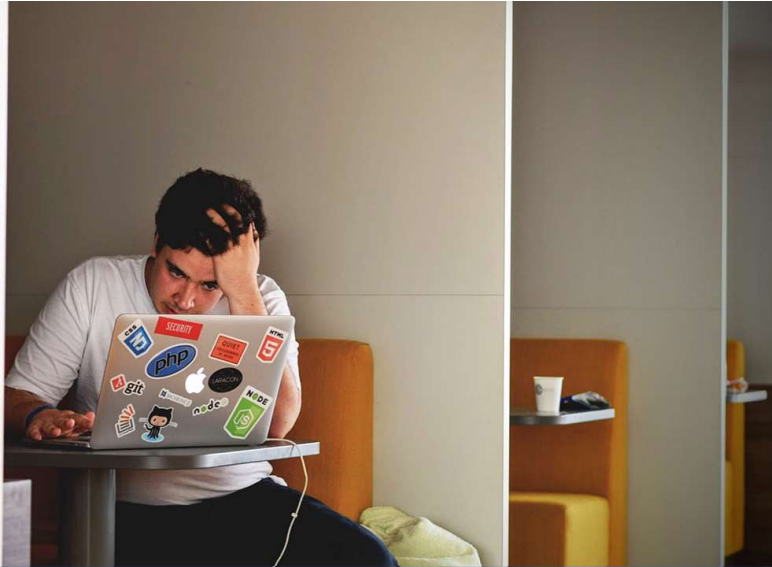


Social Influence

If choice architects want to shift behavior and to do so with a nudge, they might be able to achieve this by simply informing people about what others are thinking and doing. Sometimes the thoughts and practices of others are surprising, and hence people are much affected by learning what they are.

– Thaler and Sunstein, 2021 page 11

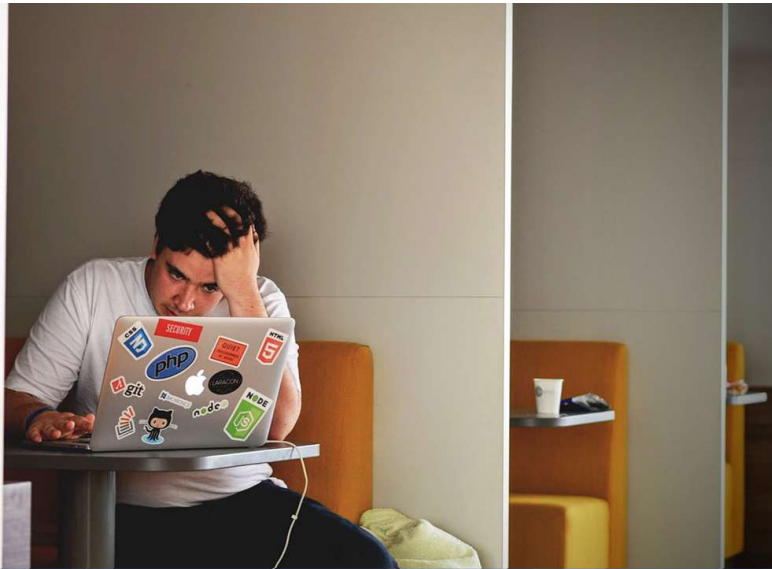
Major Barrier: **Sludge**



“...any aspect of choice architecture consisting of friction that makes it harder for people to obtain an outcome that will make them better off.”

Often we can do more to facilitate good behavior by removing some small obstacle than by trying to shove people in a certain direction.
– Thaler & Sunstein, 2021 page 107

Major Barrier: **Sludge**



Intentional Sludge

- Canceling gym membership
- Returning cable equipment
- Online sign-up, phone call to cancel

Often we can do more to facilitate good behavior by removing some small obstacle than by trying to shove people in a certain direction.

– Thaler & Sunstein, 2021 page 107

SLUDGE EXAMPLES IN HIGHER ED

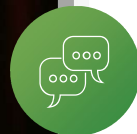
— ...



FAFSA



Verification



Student Visa



Student Loans

Combating Sludge

— ...

**Guaranteed
aid for
subsidized
meals**

Michigan

**Admits all
students in
top 6% of HS
class**

Texas

**All HS grads
are admitted
to local,
two-year
college**

California

Ethics of Nudging

— ...

Remember this?



...there is no such thing as a "neutral" design...small and apparently insignificant details can have major impacts on people's behaviors...assume that everything matters."

Thaler & Sunstein, 2021 page 4

Ethics of Nudging

— ...



...we endorse what the philosopher John Rawls called the publicity principle. In its simplest form, the publicity principle suggests that no choice architect in the public or private sector should adopt a policy that she would not be able or willing to defend publicly.

Thaler & Sunstein, 2021 page 327



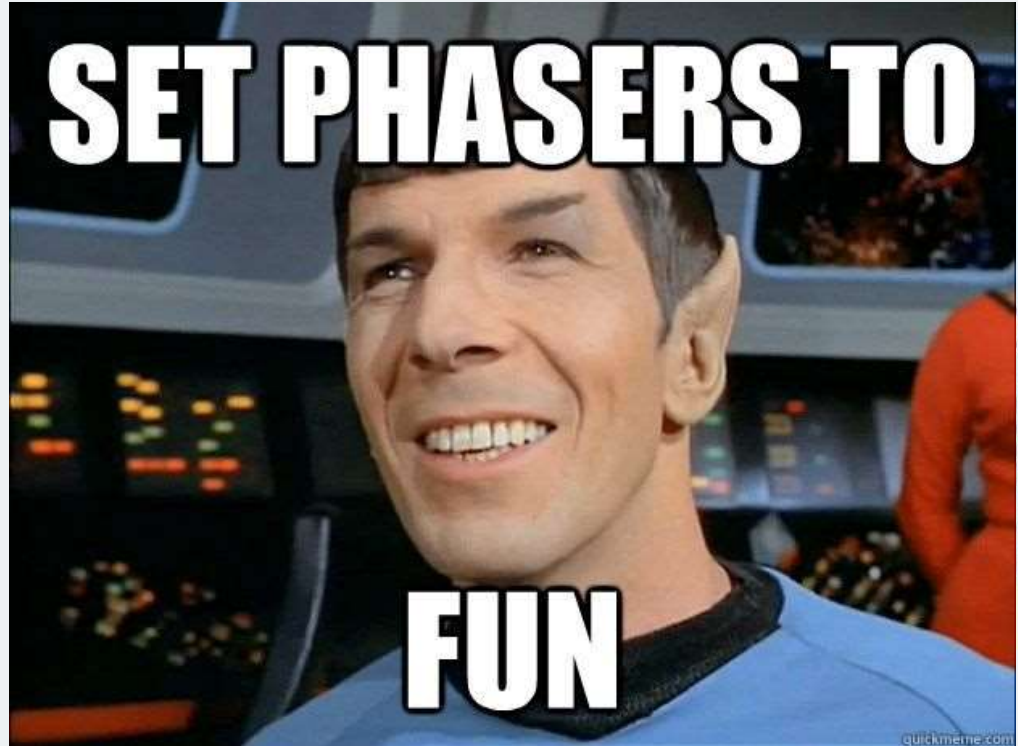
Final Thoughts

What have we learned?

- We are ALL choice architects
- We must not use our powers for evil
- Nudge theory is a perfect fit for working with college students because most:
 - Decisions require **expertise**
 - Decisions are not **routine**
 - Situations do not provide immediate **feedback**
 - **Immediate payoff** items have uncertain future costs

What can we do better?

- Remove sludge
- Consider social influence
- Become a good curator
- Make it fun, if you can



© CBS

Nudge Theory Planning Guide



Nudge Theory is the practice of using helpful "nudges" to make complicated decisions less complicated. By using nudges in an ethical manner, we can use our expertise to help guide others to make optimal choices, while still allowing them the freedom to arrive at their own decisions.

This guide provides you with a framework, tips, and resources to effectively incorporate nudges into your own educational programs or student communications.

Remember Nudge Theory Principles



Nudges are most helpful when:



Know Your Heuristics

Heuristic Name	Definition	How to Combat
Using known		Give the audience factual comparisons and references that are relevant to them. Publicize statistics and facts about things.

Utilize the Decision Map Checklist

PROPERTIES OF THE DECISION
1. Is the decision important to the individual or does it receive little attention?
2. What moments or events motivate an individual to act on the decision?
3. Is this an active or an automatic, passive choice?
4. How many options are available? What is the default option if an individual decides to do nothing?
5. Is feedback available and is it received immediately?
6. What are the incentives? Which ones are most prominent, which ones are not?
7. What are the associated costs (financial, social, psychological)?
INFORMATION SOURCES
1. What knowledge or expertise is needed to make a decision?
2. How is information or knowledge communicated to the individual?

NUDGE PLANNING RESOURCES

<http://bit.ly/InceptiaNudgePlan>



NUDGE PLANNING RESOURCES

“A Practitioner’s Guide to Nudging” <http://bit.ly/1gf3K8f>

“Nudge Theory Toolkit” <http://bit.ly/1PBJHSM>

ideas42 Ideas42.org

Common Cents Lab <http://bit.ly/2n0CndW>



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How do you plan to use nudges?



Thank you!



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