A Brief Introduction to Behavioral Economics

A field that…

- Integrates behavioral sciences (psychology, sociology) into analysis of human decision-making.

- Assumes decision-making behavior can be irrational, too, not only logical (distinct from classical economics).

- Asserts decision-making is influenced by context, and even by the way information is presented. Behavioral economists attempt to understand why.

Why is it useful?

1. Gaining insights about human behavior;

2. Using those insights to develop change strategies; and

3. Implementing those strategies to change feelings and behaviors among actors in a system.

MINDSPACE Framework

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Messenger - We are heavily influenced by who communicates information to us.
Incentives - Our response to incentives is shaped by predictable mental shortcuts such as reference points, aversion to losses, and overweighting of small probabilities.
Norms - We are strongly influenced by what others do.
Defaults - We "go with the flow" of pre-set options.
Salience - Our attention is drawn to what is novel and also to what seems relevant to us.
Priming - We are often influenced by subconscious cues.
Affect - Our emotional associations can powerfully shape our actions.
Commitments - We seek to be consistent with our public promises, and to reciprocate acts.
Ego - We act in ways that make us feel better about ourselves.

EAST Framework

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Make it <u>E</u>asy - Harness the power of defaults, reduce the 'hassle factor', simplify messages.
Make it <u>A</u>ttractive - Draw people toward preferred behaviors, design rewards and sanctions to maximize effect.
Make it <u>S</u>ocial - Show people the norm, use the power of networks to encourage and support, encourage people to make a commitment.
Make it <u>T</u>imely - Prompt people when they are most likely to be receptive, consider immediate costs and benefits, help people plan their response.

The Behavior Change Project

- 12 case studies
- Multi-disciplinary, cross-sector work
- Examination of the work through a behavioral economics lens
- Distillation of what's most effective for nudging human behavior change, with an eye toward transferable lessons for cities

"Big Ideas" from the Behavior Change Project Case Studies

1. **Relationships, and the messengers who leverage them, are integral** to advancing change that will scale impact at a systems level.

2. The complexity of shifting culture requires **managing many change strategies in parallel**.

3. Shifting behavior requires a team to **understand and engage its target audience intimately**.