

Russell Ackoff Doctoral Student Fellowship for Research on Human Decision Processes and Risk Management: 2014 Application

Good Policies that are Too Effective to be Good

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Requested Support:
\$ 3,900.00

Description of Research Project

The public resistance to coerciveness hinders various political attempts to improve the social welfare. Even the policies that are designed to maintain freedom of choice can be perceived as coercive (Sunstein & Thaler 2003; Thaler and Sunstein 2008; Brooks 2013). How can the government and marketers encourage the public to support effective policies that will improve the social welfare? To answer this question, research is needed to identify the values and norms that underlie the public conception of coerciveness. This project will clarify the nature of this heuristics and explore the ways in which companies and the government can improve the public perception of effective policies.

Across three studies, I find that people perceive effective policies as coercive, even when the policies benefit individuals themselves. People perceive effective policies as coercive across various types of policies and programs: defaults that improve the welfare of the public and individuals (e.g., presumed organ donation and automatic enrollment into medical insurance), incentives that increase donation rates (e.g., incentives that increase donation rates), and coupons that increase participation in customer feedback program. People perceive effective policies as especially coercive when their behaviors become predictable (i.e. 100% compliance to the policy).

People seem to use a heuristic equating predictability and coercion. Policies that are coercive tend to be effective, so there is a general correlation between coercion and predictability of behavior. However, the correlation does not (or should not) imply that predictability is equivalent to coerciveness. I have ruled out various alternative reasons why effective policies can be rated as coercive. Existing literature suggests that people resist policies that covertly influence people (i.e., policies that are not transparent ; Rawls 2005; Felsen, Castelo, & Reiner, 2013). The transparency account cannot account for the relationship between effectiveness and coerciveness in the contexts of incentives, both monetary and non-monetary, because incentives affect decisions by motivating individuals.

One may think that people resist influence attempts that are likely to succeed because people dislike the intention of policy makers. However, people perceive effective policies as coercive even when the policy maker does not have the intention to influence people (e.g., when a small amount of money, paid as a token of appreciation, accidentally serves as a monetary incentive). One may also argue that people resist effectiveness because they are concerned about policy outcomes. The relationship between effectiveness and coerciveness, however, is not moderated or mediated by people's concern about the policy outcomes (e.g., policy crowding out intrinsic motivations, cost effectiveness, and others). Moreover, the resistance to effective policies does not seem to stem from the concerns about individuals being affected by nudges (e.g., risk of

harming the individuals, wasting their money or time, and causing decisions that they will later regret).

The support of the Ackoff Fellowship will enable me to achieve three main goals: a) rule out additional alternative hypotheses, b) explore boundary conditions, and c) understand psychological process that determines people's resistance to predictability. I am in the process of identifying individual disposition variables that would shed light on the the reasons why people resist predictability. I have preliminary evidence that people who feel mistrusted by influence attempts are more likely to distinguish nudges based on their effectiveness. The desire of control (Burger & Cooper 1979) did not capture individual differences in perception of coerciveness. With a deeper understanding of the underlying psychological processes and boundary conditions, the findings will help policy makers design policies that effectively improve welfare and yet remain acceptable in the eyes of the public.

The financial support of \$3,900 that I am seeking will be used for two purposes within this research project: to fund data collection and to share the results of my research at two conferences. Data will continue to be collected in a series of experiments primarily in the Wharton Behavioral Lab (WBL), Dr. Jonathan Baron's panel of subjects, and Amazon MTurk. The WBL and Dr. Baron's panels typically cost \$5 per participant, and MTurk panel costs around \$2 per participant. Because this project has both substantive and theoretical contributions, I would like to demonstrate the effects using various types of participant pools across a wide range of ages and backgrounds.

This research will be of interest to marketers, psychologists, and economists. I hope to present my results at two relevant conferences: the Association for Consumer Research (ACR) North American conference in Baltimore, and the Society for Judgment and Decision Making conference in Long Beach, California. The budget outlined below reflects estimated costs of hotel stay (at conference room rates, considering sharing a room with a roommate). The Marketing Department allocates some funding for research and travel, but I use more than half of the cost on various expenses (i.e. other pilot surveys, books, and survey equipment). Other expenses, unless covered by the Russell Ackoff Doctoral Student Fellowship, will thus be paid out-of-pocket.

Please do not hesitate to call or email me with any questions. I greatly appreciate any support the Ackoff Fellowship can provide. Thank you for your consideration.

Budget of Anticipated Expenses

Item Description	Cost per Unit	Number of Units	Total Cost
Payment for Subjects:			
Dr. Baron's Panel	\$5.00	200 participants	\$1,000
Data collection in WBL	\$5.00	200 participants	\$1,000
Mturk	\$2.00	300 participants	\$600
Payment for Conferences:			
Association for Consumer Research Conference :			
Conference Registration	\$225.00	1	\$225.00
Conference Travel	\$400.00	1	\$400.00
Conference Hotels	\$100.00	3	\$300.00
Society for Judgment and Decision Making Conference :			
Conference Registration	\$175.00	1	\$175.00
Conference Travel	\$400.00	1	\$400.00
Conference Hotels	\$100.00	3	\$300.00
			\$4,400
Total Costs			(- \$500 out of the \$1000 Department funding)
			= \$3,900

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2013 Funded Project: Attitudes towards Paternalistic Policies

I am thankful for the Wharton Risk Center and the Ackoff Fellowship Grant for supporting my research and conference travel costs. Dr. Barbara Mellers, Dr. Jonathan Baron, and I made significant progress with identifying factors that determine attitudes towards nudges. We presented our findings at the department talk, the Society for Judgment and Decision making Conference. We are also presenting it at the Behavioral Decision Making in Management Conference. We are in the process of preparing manuscript for journal submission. I will acknowledge the support from the Ackoff Fellowship and Wharton Risk Center when the paper is ultimately published.