

## **A Quick Look at the Fly in the Urinal and a Nobel Award.**

*Y.R.K.Reddy\**

I had no doubt that Richard Thaler would be the winner from the final list for this year's Nobel Prize in Economics. His idea of Nudge was at the right time and right place in public policy and in economic thought. Public policy has been dealing in recent years with evidence-based designs and more importantly, implementation issues amidst growing challenges of sustainable development. Economics, which for long looked-down upon other social sciences, has started gaining new ground by integrating behavioural sciences (not without criticism) and focussing more on empiricism.

Nudge sparked off creation of Nudge units and their variants, beginning in 2009 in the US and the UK, in most countries. It has now become trendy in public policy to have such a unit in the Centres of Government, important ministries and regulatory bodies – new structures of centralisation and decentralisation are also being debated amidst their proliferation. The work done by these units has been impressive overall, with excellent examples in energy conservation, vaccinations, rail-safety, toilet usage etc.

But then, many in the corporate world would chuckle knowing that nudging consumers has been the soul of marketing for decades – for they continue to research on and exploit the vulnerabilities in consumer behaviours and decision-making processes. The newness in Thaler's nudge is in a political context (of "libertarian paternalism" as he calls it) and in public policy context (at the implementation / ground level). The dramatic examples he cited, apart from the pioneering work related to mental accounting and endowment effect, have added compulsive attention. Amongst them the urinal (in Schipol airport) and the default option (relating to organ donation and pension plan ) stand-out.

The fly picture in the urinal at Schipol has attained symbolic stature for nudging people to better behaviour. The presumption is that men would like to pee on things they don't like (there is a reason why a fly was chosen and not a lizard or a cockroach); will be nudged to focus than waver ( the placement and size of the fly picture is important ); that it reduces the costs of cleaning significantly ( the idea was reportedly from maintenance man Jos Van Bedoff who changed red spots in army barracks to flies ). Though flies are turning up in many airports now, evidence has been rather muted that it actually makes a significant

impact. Recent evidence shows that the fly is not such a novel idea but was tried as far back as 1880s and later in the 1970s too with little evidence of its effectiveness. ( as reported by Christopher Ingraham, Oct 9, The Washington Post Wonkblog )

The default option while sounding good for organ donations and similar choices has also been used by predatory corporations, banks and scamsters making unsuspecting customers liable for purchases and commitments. While good nudges are welcome in public policy contexts, the scare is that there are no effective mechanisms to prevent nudges that benefit private sectional interests or political agenda. Or let's say, that there are "good nudges" and "bad nudges" and no mechanisms to distinguish the two and prevent Mr. Villain.

Despite about half-a-dozen Nobels so far to this field, behavioral economics is indeed at early stages of understanding the range, nature and dynamics of heuristics, biases and their impact on decisions and the society. The typologies and frameworks vary – and many academicians seem to be hunting for examples that could fit their chosen descriptions.

In the corporate world, people have just about begun to try and sanitise decisions from biases while not refraining from using the knowledge of human fallibility and guided preferences for their own benefit. In the public policy sphere, the knowledge can be used not merely for managing spillage in the urinals, making people donate organs or use toilets but also to wrest some rights from gullible public for political advantage. Not surprisingly, the OECD, while compiling over 100 case studies from the work of Nudge units in recent months, has indeed recognised the possibility of abuse or unethical use by public bodies and calls for guiding standards.

So, is it time for a nudge unit to nudge towards ethical nudging??

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*\*Founder, Yaga Consulting & Advisor in corporate governance and strategy whose work spans 40 countries including for IFC / The World Bank Group, AfDB, ICGN, OECD and Commonwealth Secretariat, is also a public commentator. yrk@yagaconsulting.com.*

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