

Nudge, not sludge

For some, the world is becoming increasingly complicated in that there are ever greater responsibilities, from selecting health insurance to figuring out how much to save for retirement. Ten years ago, my friend (and Harvard law professor) Cass Sunstein and I published a book called *Nudge: Improving Decisions About Health, Wealth, and Happiness* that offered a simple idea. By improving the environment in which people choose—what we call the “choice architecture”—they can make wiser choices without restricting any options. The Global Positioning System (GPS) technology on smartphones is an example. You decide where you want to go, the app offers possible routes, and you are free to decline the advice if you decide to take a detour. Sunstein and I stressed that the goal of a conscientious choice architect is to help people make better choices “as judged by themselves.” But what about activities that are essentially nudging for evil? This “sludge” just mucks things up and makes wise decision-making and pro-social activity more difficult.

Helpful nudges abound—good signage, text reminders of appointments, and thoughtfully chosen default options are all nudges. For example, by automatically enrolling people into retirement savings plans from which they can easily opt out, people who always meant to join a plan but never got around to it will have more comfortable retirements.

Yet, the same techniques for nudging can be used for less benevolent purposes. Take the enterprise of marketing goods and services. Firms may encourage buyers in order to maximize profits rather than to improve the buyers’ welfare (think of financier Bernie Madoff who defrauded thousands of investors). A common example is when firms offer a rebate to customers who buy a product, but then require them to mail in a form, a copy of the receipt, the SKU bar code on the packaging, and so forth. These companies are only of-

fering the illusion of a rebate to the many people like me who never get around to claiming it. Because of such thick sludge, redemption rates for rebates tend to be low, yet the lure of the rebate still can stimulate sales—call it “buy bait.”

Public sector sludge also comes in many forms. For example, in the United States, there is a program called the earned income tax credit that is intended to encourage work and transfer income to the working poor. The Internal Revenue Service has all the information necessary to make adjustments for credit claims by any eligible taxpayer who files a tax return. But instead, the rules require people to fill out a form that many eligible taxpayers fail to complete, thus depriving themselves of the subsidy that Congress intended they receive.

Similarly, one of the most important rights of citizens is the ability to vote. Increased voter participation can be nudged by automatically registering anyone who applies for a driver’s license. But voter participation can also be decreased through sludge, as the state of Ohio has recently done, by purging from its list of

eligible voters those who have not voted recently and who have not responded to a postcard prompt. Defenders of such sludge claim that it serves as a protection against voter fraud, despite the fact that people who intentionally vote illegally are rare.

So, sludge can take two forms. It can discourage behavior that is in a person’s best interest such as claiming a rebate or tax credit, and it can encourage self-defeating behavior such as investing in a deal that is too good to be true.

Let’s continue to encourage everyone to nudge for good, but let’s also urge those in both the public and private sectors to engage in sludge cleanup campaigns. Less sludge will make the world a better place.

—Richard H. Thaler



“...the goal...is to help people make better choices ‘as judged by themselves.’”



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