

Discussion of

## How Change Happens

By Cass R. Sunstein

This is a complex and difficult book, dealing with a wide range on ideas and thoughts about how we think and why we think the way we do. First, some definitions:

System 1 and System 2, popularized by Kahneman and Tversky, are two ways of mentally responding to an event or question. System 1, our reflexive response, is correct in most cases, but sometimes goes amiss. They answer the question “a ball and bat together cost \$1.10. The bat costs a dollar more than the ball. How much does the ball cost?” Most people reflexively say “a dime.” Only the minority who invoke the analytical part of the brain, system 2, come up with the right answer, a nickel.

Behavioral economists have also identified a range of matters where most people fail to be the economist’s paradigm, the rational utility maximizer. These include a number of flaws, including, among many others:

- Availability bias. You think incidents that easily come to mind are more frequent than they actually are.
- Loss aversion. People react more strongly to a potential loss than to an equal gain of equal probability.
- Framing bias. People react differently, depending on how a question is framed.
- Overoptimism. People frequently overestimate the probability of favorable outcomes and underestimate unfavorable ones.

Finally, two new (at least for me):

- Deontology. A tendency to use moral reasoning in place of utilitarian reasoning. This leads to a preference for punishing transgressions based on ideas of retribution, rather than utilitarian deterrence.
- Partyism. This term, which Sunstein says he invented, refers to a type of polarization seemingly current in America of adhering to a “party line” in all cases. When a belief is challenged by the presence of contrary facts on a disputed point, the person ignores the evidence and adheres even more strongly to the party line. More on this later.

At the outset, Sunstein alludes to a few cases of rapid change. In the case of the Soviet bloc, people individually understood that the system had failed, but no one was willing to articulate this out loud. Eventually, few brave voices spoke openly, leading to a cascading public willingness to acknowledge that the system was broken. In the case of gay and lesbian rights, many individuals silently agreed, but the prevailing social milieu prevented them from speaking out in favor. Once a few “change entrepreneurs” were able to convince a growing cascade of people that the social consensus was wrong, the opposition quickly crumbled to a minority.

Nevertheless, this book is in no way a how-to guide for producing such cascades of social change. It is rather a multifaceted investigation into how people collectively develop views on important social and legal matters. Given below is a sampling of the topics treated, and the insights gained.

The law of group polarization. Groups studying an issue sometimes gradually come to a common consensus reflecting the pre-meeting median viewpoint. Frequently, however, polarization around extreme views that most members would not have embraced before the discussions began. This seems particularly to be the case where unanimity is required, and where one or two articulate members already held that view.

Nudges. This is the area for which Sunstein is most famous, having written extensively and successfully participated in efforts to improve social welfare by changes in approaches used by firms to encourage employees to make better health care choices, encourage better provision for old age, and other social goods like organ donations.

Sunstein makes an exhaustive (and exhausting) analysis of the ethical and other issues related to forcing people to choose. For example, is it right to make someone who does not want to have to make a choice actually do so? Sunstein offers good advice to “choice architects” about how to choose options, using testing before general distribution.

Sunstein makes the point that nudges are a mild way to promote (generally) socially better outcomes. He notes that mandates and bans are much more coercive approaches to achieve goals that governments identify as desirable. In cases where nudges are too weak to achieve an important social purpose, mandates (like social security) or bans (like on toxic chemicals) are needed. He also notes that nudges are pervasive throughout our society. Your new cell phone will have a large set of default settings, which the choice architects in the cell-phone manufacturer thinks are most likely to be favored by most users. People who dislike the default settings are free to change to other settings if they wish.

Preferring A to B and B to A. Sunstein devotes a chapter to inconsistent preference, depending on whether two things are evaluated individually or evaluated jointly. Preferences can shift when the frame shifts from to separate evaluations to a joint one. The chapter has a long discussion of the benefits of each of the two approaches to evaluation that, frankly, was beyond me.

Transparency. Sunstein argues strongly for full transparency of government *outputs*. Government’s outputs – policies, decisions, studies, its massive data collections-- should all be disseminated publicly, usually on a government website. Inputs to government decisions, however, should be shielded from public view. Much mischief is possible from calculated leaks of government decision-making, and little public purpose is served.

The precautionary principle. The strong version of the precautionary principle is that innovations should not be accepted until they are proven safe. This has been the position of the European Union about genetically modified products, most notably corn. People in Africa are denied better nutrition because of the EU actions. Sunstein favors a more measured analysis of risks from innovations, pairing potential benefits from the innovation with the risks that might be associated with it. The United States’ rules for new drugs take too long, and deprive sick people of medicines that can cure them

Partyism. The chapter on this topic is the most disturbing in the book. This social evil occurs when a society becomes so politically polarized that members of each party see members of the other party not as just wrong, but as unworthy of consideration. The most extreme, and frightening, situation is when in experiments, people are confronted with facts that undercut their view. Not only do they reject the evidence, they cling even more strongly to their original position. One wonders if a democratic society is capable of overcoming such extreme partyism.

In sum, this is a dense and closely-reasoned book covering much ground, some of which is not discussed in this discussion, meant more for specialists in group decision-making than for us normal people.

James W. Fox

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