

Mind, Society, and Behavior

MAIN MESSAGES

Every policy makes assumptions about human behavior. Public policy typically subsidizes and publicizes activities worth encouraging and taxes those to be discouraged. Underlying this approach is the notion that human behavior arises from “rational” choice: individuals carefully weigh their choices, consider all readily available information, and make decisions on their own. Policies arising from this perspective focus on changing the benefits and costs of individual actions, and have proven very effective in many domains.

In recent decades, however, research on decision making has cast doubt on the extent to which people make choices in these ways. Novel policies based on a more accurate understanding of how people actually think and behave have shown great promise, especially for addressing some of the most difficult development challenges, such as increasing productivity, breaking the cycle of poverty from one generation to the next, and acting on climate change.

Three principles of human decision making

To understand and apply recent findings on human decision making, this year’s *World Development Report* presents a framework that relies on three principles:

1. *Thinking automatically.* Much of our thinking is automatic and based on what comes to mind effortlessly. Deliberative thinking, in which we weigh the value of all available choices, is less common. We use mental shortcuts much of the time. Thus minor changes in the immediate

context in which decisions are made can have disproportionate effects on behavior.

2. *Thinking socially.* Human beings are deeply social. We like to cooperate—as long as others are doing their share. Institutions and interventions can be designed to support cooperative behavior. Social networks and social norms can serve as the basis of new kinds of policies and interventions.
3. *Thinking with mental models.* When people think, they generally do not invent concepts. Instead, they use mental models drawn from their societies and their shared histories. Societies provide people with multiple and often conflicting mental models; which one is invoked depends on contextual cues. Policies and interventions to activate favorable mental models can make people better off.

Psychological and social perspectives on policy

These three principles have major implications for development policies and interventions. Interventions need to take into account the specific psychological and social influences that guide decision making and behavior in a particular setting. That means that the process of designing and implementing effective interventions needs to become a more iterative process of discovery, learning, and adaptation. What matters is not only which policy to implement, but also how it is implemented.

In addition, experts, policy makers, and development professionals must recognize that they, too, are subject to social and cultural influences, and



think automatically. They tend to select and filter evidence in ways that confirm their prior views. Their social contexts can lead them to misunderstand how people living in poverty make decisions and behave. They need to become aware of their own biases, and development organizations should implement procedures to mitigate the adverse effects of these biases.

Seen under a psychological and social lens, poverty is more than a deprivation in material resources. The stresses and strains of poverty impose “taxes” on cognitive resources. Policy makers should try to move crucial decisions out of time periods when mental resources are especially scarce. They can, for example, shift school enrollment decisions to periods when poor farmers’ seasonal income is higher. They can also target assistance to important decisions that require a lot of cognitive resources, such as applying to a higher education program. These ideas apply to any initiative in which program take-up is a challenge.

Poverty early in life also affects psychological resources. High stress and insufficient socioemotional and cognitive stimulation in the earliest years can impair cognitive development. Programs that provide very early childhood stimulation can have a large impact on adult success.

Adopting a psychological and social perspective enlarges policy makers’ toolkits. For example, simplifying decisions can help people make choices that better serve their interests. Enrolling in government programs is often too difficult, and household finance decisions require considerable cognitive resources. It is easier for consumers to determine which loans and savings products are best when they are presented with succinct summaries of savings rates and loan costs. Financial literacy programs are more effective when they teach rules of thumb instead of a standard financial education module.

Using reminders is another new tool to help individuals execute their plans. Weekly text message reminders can help patients take their medicine regularly. Reminders about late fees on loans improve

timely repayment. But reminders need to be appropriately tailored; those that cite specific reasons for saving can be twice as effective as generic messages.

Commitment devices can help people act on their intentions by locking them into a course of action, such as eating more healthy foods, working harder, or saving more. In many cases, around one-third of individuals who are offered commitment devices (often in the form of fees or financial penalties for failing to meet their own goals) accept them.

Social incentives can be as effective as economic ones. Informing people how much energy they consume compared to their neighbors reduces average consumption. Publicly praising people who conserve water and reproaching those who do not can help a city avert a water supply crisis because people tend to conserve more when they have assurance that others will also conserve. Social awards, gifts, nonmonetary prizes, and recognition can lead people to work harder. Many programs are more effective when they are channeled through peers and networks, rather than through the individual alone.

Entertaining educational narratives can drive key development choices. Television and radio shows that incorporate social messages can reduce teenage pregnancy, improve savings rates, and increase women’s autonomy. Aspirational messages can increase parents’ investments in their children’s education and school performance.

An invitation

Engineers, private firms, and marketers of all stripes have long paid attention to how people actually make decisions, to the role that context and social preferences play in our decision making, and to the use of mental shortcuts and mental models to filter and interpret information. The development community is beginning to do the same. This report aims to inspire and guide the researchers and practitioners who can help discover the possibilities and limits of a new set of approaches.