

If you're broke, a nudge won't fix things

BY EDUARDO PORTER

Why don't Americans save more for old age? Even when their employers promise to match their savings, workers often fail to salt away their earnings for the future, inexplicably leaving money on the table.

Psychology has offered an answer: procrastination. And it has suggested a cure: rather than giving workers the choice to sign up for a 401(k), sign them up automatically and give them the choice to opt out.

The switch has led to a sharp increase in workers' participation in retirement savings plans. It is perhaps the most successful contribution of so-called behavioral economics to public policy.

Yet, though lauded by policymakers as a powerful new tool in the policy kit, the approach poses a risk, too. It fosters a belief that tweaks based on an understanding of people's psychology could lead to a vastly improved society at little or no cost to taxpayers.

"The insights from behavioral economics are beautiful from a research perspective," said Eldar Shafir, a professor of psychology at Princeton who is an expert on decisionmaking and a leading proponent of the behavioral approach to economics. "But its popularity no doubt comes from a combination of lack of funds and political helplessness."

Given Washington's political paralysis, it's no surprise that "nudges" like these are all the rage in the Obama administration, which has brought in some leading behavioral experts. In 2009, the White House hired Cass R.

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Stunstein — a legal scholar who wrote the book *Nudge* with Richard H. Thaler, a behavioral economist.

In September, the administration's Social and Behavioral Sciences Team issued its first report extolling the many benefits of applying behavioral insights to policy.

Sending text messages to low-income high school graduates about prematriculation requirements for college increased enrollment rates. Well-written emails increased the participation of military service members in the federal employees savings plan. They also bolstered enrollment in health insurance plans under Obamacare.

But here is the reality check: We haven't yet nudged ourselves out of a retirement trap. Traditional defined benefit pensions have all but disappeared in the private sector, but only 40 percent of American families in the bottom half of the income distribution have any form of retirement savings plan. And even among those who have one, their savings total, on average, is just \$40,000.

Automatic enrollment in retirement accounts counts as the most successful nudge yet tested on a large scale. It also underscores the limitations of the strategy. America's shortcomings are serious. The United States has the deep-

est poverty rates among rich countries. It is at the bottom of the pile in terms of infant mortality, obesity and diabetes, and has the highest teenage pregnancy rate among rich members of the Organization for Economic Cooperation and Development, the club of advanced industrial nations. The death rate from drug overdoses among young white adults is now about as high as the death rate from AIDS was at its peak in the mid 1990s.

It's great to know that there are promising ways to improve society by developing a smarter email or changing the default choice on an application form. But if the question is whether policymakers can cheaply nudge Americans out of destitution onto a path to prosperity, the answer must be no.

Policy experimentation is always welcome, but behavioral interventions run into hurdles. A recent study by George Loewenstein, a behavioral economist and noted critic of "nudges" from Carnegie Mellon University, with Căzilia Loibl of Ohio State University and two other colleagues, suggests that fancy cognitive tricks may fail to overcome the main obstacle faced by the poor: a lack of money.

They tried several behavioral techniques to persuade poor Americans

to take advantage of individual development accounts, savings accounts topped off by the federal government at a rate of \$2 for every \$1 saved. That's quite a deal.

But nothing worked. "People are not saving because they have such low incomes," Loewenstein concluded.

This is not to bash behavioral economics. It offers invaluable insights into how real humans depart from the robotic assumptions of most economists, who posit that any rational individual will jump through every hoop to gain a benefit if it exceeds its cost.

If we want to diminish poverty, it is crucial to understand the actions of the poor better.

Experiments by Shafir at Princeton and others have documented how poverty itself leads people to make self-destructive decisions, perhaps by forcing them to focus attention on satisfying immediate needs to the exclusion of other considerations.

"The poor lack two things: money and cognitive freedom," Shafir told me.

That understanding might act as a corrective for the belief that poor people are mostly to blame for their poverty. And it poses a challenge for those who argue that the government's role should mostly be to curb dependence

on public support while exhorting the poor to get their act together, marry, get a job.

It could shift the onus onto those with power over poor Americans — employers, government — not just to design their application forms, their business hours, their policies in a way that takes into account the restrictions poverty imposes, but also to shift real resources to where they would make the biggest difference. This is hardly a cheap lunch, however.

Take retirement savings. The government has encouraged employers to nudge their employees into opening savings accounts. But what if the problem is bigger? What if workers simply cannot assess how much they need to save today to navigate turbulent financial markets and still have a decent nest egg 20, 30 years down the road?

In such a case the better response — drawing from the insights unveiled by behavioral economics — might be to replace all the tax subsidies and other incentives for so-called defined contribution pensions with something that works more effectively for more Americans.

"The single biggest contribution of behavioral economics to public policy is taking this flawed approach to retirement savings and making it a little bit more viable," Loewenstein told me. "The downside is that if we make it just sufficiently viable, people won't recognize how bankrupt the concept is."

Society could be nudged in the wrong way.

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» APPLE continued from 1P

the first place," he said. "And if we are always monitored, always watched, always recorded, we're going to be much more reluctant to experiment with controversial, eccentric, weird, 'deviant' ideas — and most of the ideas that we care about deeply were once highly controversial."

Richards might sound alarmist, especially to those who believe the FBI's argument that its request for Apple to hack into one phone is limited to this special circumstance.

"The particular legal issue is actually quite narrow," James B. Comey Jr., the director of the FBI, wrote in a blog post last week. "We simply want the chance, with a search warrant, to try to guess the terrorist's passcode without the phone essentially self-destructing and without it taking a decade to guess correctly. That's it."

But civil liberties activists say they'd have an easier time believing Comey's assurances if there weren't a long history of the government relying on legal cases based on old technology to decide how to handle newer technologies. Courts in the 1960s and 1970s created rules for the wiretapping of analog phone calls; those rulings were later applied as the basis for mass surveillance of the Internet.

"By and large you get very little constitutional protection for data housed by third parties, and that's mostly a result of a Supreme Court case from the 1960s — before email, before search engines, before social networks," said Chris Soghoian, the principal technologist at the American Civil Liberties Union.

Soghoian pointed out the government had already tried to turn connected devices into surveillance machines. In a mob case more than a decade ago, the FBI asked a company that made an in-dash roadside assistance device — something like OnStar, which uses a cellular phone to connect to an operator in case of an emergency — to secretly record the private conversations of people inside a car. A court ruled against the FBI's request, but only on the very narrow ground that bugging the car would have interfered with the proper functioning of the in-dash device.

"The court left open the door to surveillance as long as the primary function of the device was intact," Soghoian said. "So as long as Amazon Echo can tell you what temperature it is or can still play music, that case seems to suggest that the government might be able to force Amazon to spy on you."

Soghoian was referring to Amazon's handy digital assistant, a device that is constantly listening to your household conversations to try to offer you friendly help. The Echo listens for a keyword — "Alexa!" — which prompts it to start streaming your voice to Amazon's servers to decipher your request. Amazon, which declined to comment on how the Apple case might affect Echo users' privacy, has said it is not constantly recording people's voices, and that it keeps voice recordings only to help the system learn to better understand you.

But the Apple case threatens to undermine those promises. If a court can get Apple to hack into an iPhone, why couldn't it also force Amazon to change the Echo's security model so the Echo can record everything you say? Soghoian believes the Apple case could set that precedent.

Apple vs. the FBI: Who agrees with whom?

SIDES WITH APPLE



Tim Cook
CEO, Apple



Mark Cuban
Dallas Mavericks owner, tech investor



Jack Dorsey
CEO/co-founder, Twitter and Square



Jan Koum
CEO/co-founder, WhatsApp



Sundar Pichai
CEO, Google



Mark Zuckerberg
CEO/founder, Facebook

Source: Washington Post

SIDES WITH FBI



Donald Trump
GOP presidential candidate



William Bratton
NYPD commissioner

DEBATE IS NEEDED



Bill Gates
Founder/board member, Microsoft

51 percent say: Unlock that iPhone

As the standoff between the Justice Department and Apple continues over an iPhone used by one of the terrorists in the San Bernardino, Calif., attacks, 51 percent say Apple should unlock the iPhone to assist the ongoing FBI investigation. Fewer Americans — 38 percent — say Apple should not unlock the phone to ensure the security of its other users' information; 11 percent do not offer an opinion on the question.

The latest national survey by Pew Research Center, conducted Feb. 18-21 among 1,002 adults, finds that almost identical shares of Republicans (56 percent) and Democrats (55 percent) say that Apple should unlock the iPhone to aid the FBI's ongoing investigation. By contrast, independents are divided: 45 percent say Apple should unlock the iPhone, while about as many (42 percent) say the company should not unlock the phone to ensure the security of their and other users' information.

Pew Research Center

"What we really need for the Internet of Things to not turn into the Internet of Surveillance is a clear ruling that says that the companies we're inviting into our homes and bedrooms cannot be conscripted to turn their products into roving bugs for the FBI," he said.

Some readers may argue for a simpler solution to this problem: Opt out of the technologies that could be made to spy on you. Don't buy the Amazon Echo. Don't put cameras in your house. Don't use a thermostat that connects to the Internet and can monitor when you're home and when you're not.

There's some merit to these arguments, but technology has a way of worming its way into our lives without many of us making a conscious choice to let it in. Smartphones and personal computers were once an indulgence; then, as more people began to use them, they became inescapable.

The "Internet of Things" will follow a similar path. Employers and insurance companies may require you to wear health-tracking devices. It may

become impossible to find cars without cameras and sensors. Every fridge will come with cameras inside whether you like it or not.

"From a historical perspective, we're entering into a very new era," said Jennifer Granick, director of civil liberties at the Stanford Center for Internet and Society. Not long ago, we were living in a world in which surveillance was difficult. "In the past, you and I would have a conversation in person. No record would be made; nobody would have access to it. I wrote things on paper; I burned them in my fireplace. They were gone forever."

But in the absence of technical and legal protections, technology is upturning those protections.

"Now we have a surveillance-enabled world," Granick said. "It's cheap, and it's easy. The question that society has to ask is, Is that what we really want?"

Farhad Manjoo covers technology for the *New York Times*.

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» DEMOCRAT continued from 1P

Partly in the club

Running for Congress as an independent in 1989, Sanders penned an op-ed in the *New York Times* calling the two parties "tweedle-dee" and "tweedle-dum." After he won a seat in the House of Representatives, he continued to hold the Democratic Party at a rhetorical arm's length even as he moved closer to them.

After calling it "ideologically bankrupt," Sanders lobbied for admission into the Democratic caucus for practical reasons (getting coveted committee assignments, mustering votes for bills), according to news reports from his first year in Congress. But party leaders wouldn't let him join as he refused to become a Democrat.

So in 1991, Sanders along with four liberal Democrats founded the Congressional Progressive Caucus, and he became its chairman. During his second year in office, Sanders continued to agitate and criticize Democrats, lumping them in with Republicans and calling both parties' tax proposals "grossly inadequate."

At some point, Sanders began to win the goodwill of Democratic leadership, all the while refusing to join the party.

A month before he was re-elected to a third term in 1994, House Democrats blessed his claim for a leadership role on one of his committees. Sanders had no Democratic challenger that year, and a spokesman for his Republican opponent called Sanders "an adjunct to the Democratic Party," according to the *Washington Post*.

The party backed Sanders' 1996 reelection bid over one of their own. Burlington lawyer and Democrat Jack Long, after being informed that the party was committed to Sanders, told the *Washington Post* that he felt like he was "caught in a Kafka play." Sanders wouldn't have another Democratic opponent until 2004.

By 1997, Sanders was still not a member of the House Democratic Caucus nor a Democrat. But he voted with the party more often than the average Democrat (95 percent of the time opposed to 80 percent). Keeping good to their promise, Democratic leadership gave Sanders a subcommittee chairmanship over a freshman Democrat.

When he ran for the Senate a decade later in 2006, still as an independent, the party worked to stop Democratic candidates from running against him, and he was endorsed by numerous state and national Democrats.

You are what you say you are

In his 2016 presidential bid, Sanders seems to oscillate between labeling himself as a Democrat and being an independent. But that's neither inaccurate nor particularly unusual, experts said.

Unlike elsewhere in the world, joining the two major parties isn't contingent upon membership fees or an application process. Party leaders also don't have the power to say someone isn't a Democrat or a Republican.

So political affiliation in the United States is a matter of self-

identification, in both the governing system and the party organizations, experts said. That allows Sanders and other elected officials to be flexible.

For example, Pennsylvania Sen. Arlen Specter switched from Republican to Democrat in office in 2009, while Connecticut Sen. Joe Lieberman became an "Independent Democrat" after losing the Democratic primary, pointed out Daniel Holt, an assistant historian in the Senate Historical Office.

"There is nothing official to mark their party membership," Holt said.

"So it certainly does happen that candidates switch into and out of independent status, and I suppose they're called by whatever party they're running as at the time," said Marjorie Hershey, a professor of political science at Indiana University who specializes in political parties.

Sanders listed the Democratic Party as his party affiliation in his statement of candidacy. At the start of his campaign, he still seemed uncomfortable self-identifying as a Democrat.

When asked if he would officially join the party on April 30, 2015, when he announced his candidacy, Sanders said, "No, I am an independent who is going to be working with the —" cutting himself off mid-sentence.

In November, Sanders announced that he was full-fledged Democrat and declared as a Democrat in New Hampshire. But, as we previously noted, he's still calling himself an independent in some cases, so it's unclear how committed Sanders is to any label. The Sanders campaign did not get back to us.

Experts said it probably doesn't matter to his candidacy.

"The freedom of association part of the First Amendment protects political parties. If they want to nominate a nonmember, they can do that," said Richard Winger, an expert on ballot access.

Winger pointed out several instances of a party nominating a nonmember: 1872 when the Democratic Party chose Republican Horace Greeley; in 1864 when the Republican Party chose Democrat Andrew Johnson; and in 1952 when the Republican Party picked independent Dwight Eisenhower (who promptly changed his party registration).

Robert Wigton, a political science professor at Eckerd College who wrote *The Parties in Court*, said he'd call Sanders an independent for now, given how little the senator has said on the topic. But as he gets closer to the nomination, he'll make the switch and "probably try to shed that 'socialist label' if he gets close to a general election ballot."

One thing is clear: Sanders isn't enthusiastic about being part of the Democratic club, or any club for that matter.

"He was never really a party guy," Guma, the author of the book on Sanders' legacy in Vermont, told the *Daily Beast*. "His career was to be a voice and a candidate."

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