## Nudge Plus

Sanchayan Banerjee and Peter John have outlined a modified version of behavior change called Nudge Plus,[[1]](#footnote-1) which incorporates an element of reflection as part of the delivery of a nudge.[[2]](#footnote-2) Nudge Plus builds on recent work advocating for educative nudges and boosts. The argument is based on their seminal work on dual systems that present a more nuanced relationship between fast and slow thinking than what is typically assumed in the classic literature on behavioral public policy. Their argument calls for a combination of System 1 nudges and techniques that encourage deliberation and reasoning.

Researchers have proposed a new type of behavioral intervention called boosting that is similar to the Nudge Plus approach. Boosts are different from nudges. Nudges change behavior by changing the environment, often without people realizing it. Boosts help people take control of their own actions.

Each approach is underlined by different perspectives on how humans deal with bounded rationality. Bounded rationality is the idea that we don’t always behave in a way that aligns with our intentions because our decision-making is subject to biases and flaws.

The nudge approach generally assumes that bounded rationality is a constant, which is a fact of life. To change behavior, we must change the decision environment, also known as the *choice architecture*, in order to gently guide people in the desired direction. The theory of boosting suggests that bounded rationality is malleable and that people can learn how to overcome their cognitive pitfalls. To change behavior, we must focus on the decision-maker and increase their agency.

In practice, a nudge and a boost can look quite similar, as we describe below. However, it is important to note that theoretical distinctions are not always clear-cut, and there may be overlap between different approaches. One example of a critical view of nudging is the paternalism aspect of Thaler and Sunstein’s “libertarian paternalism.”[[3]](#footnote-3) Some worry that nudges eliminate the autonomy of decision-makers. However, the extent to which nudges are paternalistic, and the extent to which this problem is solvable are debatable. If the goal of an intervention is to change the cognitive process of an individual and not simply their behavior, nudges are not the best tool to use.

## Behavioral change vs. preference change

The previous discussion explored the idea that nudges should allow for some reflection on one's behavior to change their intrinsic motivation. This perspective suggests that nudges can ultimately influence individuals’ attitudes and preferences by altering their behavior through defaults or other mechanisms.[[4]](#footnote-4)

An alternative perspective is that changes in behavior may occur before intrinsic motivation shifts. This perspective implies that behavior can change and that preferences may follow suit over time. In her paper on law and preference change, Daphna Levinson Zamir[[5]](#footnote-5) suggests that people change their behavior when they feel they have a choice to do so. In such cases, cognitive dissonance often comes into play, potentially leading to behavioral change.

In our collaborative work with Yotam Kaplan, we presented a different perspective. We questioned the value of trying to alter people’s preferences when they have the ability to reinterpret their actions in a way that benefits themselves. Research in law and economics has suggested that the law can improve people’s behavior by changing their preferences in appropriate cases. For example, it could help reduce discriminatory hiring practices by providing employers with information that might change their preferences. If employers no longer preferred one class of employees to another, they would simply stop discriminating, supposedly, with no need for further legal intervention.

In that paper, we relied on research in behavioral ethics, which showed that wrongdoing often originates from semi-deliberative or non-deliberative cognitive processes. These findings suggest that the process of changing preferences through the law is more complex and nuanced than previously thought. For example, even if an employer’s explicit discriminatory stance was changed, discriminatory behavior might still occur if it originated from semi-conscious, habitual, or non-deliberative decision-making mechanisms. Therefore, changing behavior may require close engagement with people’s level of moral awareness. We discussed the implications for institutions and norms of these insights and evaluated their significance for the attempt to improve preferences through the different functions of the legal system.

## Pledges and trust-enhancing nudges

In a series of collaborative papers with Eyal Pe'er and colleagues,[[6]](#footnote-6) we researched the effectiveness of honesty nudges, particularly in contexts where the temptation to cheat is high. The challenge is to determine the appropriate level of trust to place in people’s self-reports. This often leads risk-averse regulators to impose stringent requirements when granting permits and licenses. While ex ante commitments to ethical behavior have been suggested as a way to combat dishonesty and non-compliance, some have raised concerns that these commitments might actually undermine trust.

Our research aims to investigate the effectiveness of ethical pledges. We will examine the impact of these ex ante commitments on ethical behavior. One of our studies consists of two separate studies we conducted to comprehensively analyze the relationship between pledges and ethical behavior over time.[[7]](#footnote-7) The first study involved two phases of data collection. The second study introduced a time delay between making a pledge and the opportunity to cheat.

The results were promising. Pledges not only reduced dishonesty in one-time decisions but also in sequential ones. Their effectiveness was notable even over long periods of time and when individuals were exposed to multiple pledges. Moreover, introducing a time delay after pledging did not diminish its impact. This suggests that pledges primarily discourage dishonesty by reducing ambiguity, rather than merely serving as moral reminders.

It is important to ensure that pledges and sanctions are used together in a coordinated way. Their role is vital in ensuring regulatory practices complement pledges effectively. Since sanctions might not work well with pledges, it will be very hard to use them in real-life settings.

We found that pledges consistently and significantly reduced dishonesty. Furthermore, their effect was not diminished by fines.[[8]](#footnote-8) Pledges were also effective for people who are less inclined to follow rules and norms. Therefore, pledges can be a valuable tool for regulating dishonesty and reducing regulatory burdens. They can also foster trust between the government and the public, even in situations with high incentives and opportunities for cheating.

In another work in progress on pledges, conducted with Pe'er, Mazar, and Arieli,[[9]](#footnote-9) we present findings from four pre-registered experiments with a collective sample size exceeding 5,000 participants. Our research systematically examines the impact of pledges with varying levels of identification and involvement on participants’ self-reports about a cheating task. Our results demonstrate that pledges that require a transcribed pledge text and personal identification are more effective than those that only require individuals to acknowledge the text’s content. Notably, the effects of high-involvement pledges endured over time, even after a short delay between taking the pledge and the initiation of the cheating task. The study’s results provide valuable guidance to managers and policymakers on how to effectively mitigate dishonesty in self-reports.

Our research focuses on the effectiveness and durability of ex ante pledges in preventing dishonest behavior. Specifically, we address a challenging aspect of ethical nudges, namely, the longevity of their impact. The ability of ethical nudges to serve as a credible alternative to traditional command-and-control regulations hinges on their capacity to exhibit enduring effects, which forms a central focus of our study.

Prior research on pledges has primarily examined one-time decisions and has not thoroughly explored the long-term consequences of pledges, particularly concerning the existence of “ethical decay.” To fill this research gap, we conducted two experiments. In these experiments, participants were asked to complete a matrices task. They were either required to provide the exact solution for a reward or simply report that they had found a solution. There was a 10% chance that they would face an audit.

Our results indicated that participants in the self-report condition were more likely to report solving twice as many problems compared to those in the control group. However, when a pledge of honesty was introduced before the task, the gap in cheating behavior was reduced by half. Significantly, the effect of the pledge remained consistent over the course of ten problems, demonstrating its impact did not decay.

In a follow-up study, we delved deeper into the use of pledges and fines. Remarkably, we discovered that pledges consistently reduced cheating behavior over time, regardless of whether sanctions are present or not. This finding holds significant implications for managerial strategies and policymaking in promoting ethical conduct.

Our study contributes valuable insights into the effectiveness of ex ante pledges as a mechanism for fostering honesty and highlights their potential as a sustainable approach to addressing ethical challenges.

## Regulation and trust

In the last section, we will focus on trust. Does a lack of trust lead to a greater demand for regulation, or does regulation reduce trust?

Many studies have examined the relationship between regulation and trust, but most rely on correlations, which limits the ability to understand causality. However, much of the most recent research does provide some insight. Not only is the state’s ability to create trust uncertain, but many studies have argued that trust has eroded for several reasons beyond the state’s limitations. As a result, regulation has been introduced to compensate for this lack of trust and to, in effect, create a demand for trust. Essentially, it can be argued that there is an inverse relationship between the amount of trust in a society and the amount of regulation that is needed: the less trust that is present, the more regulation is called for. We also see that interpersonal trust is highly related to regulation and punishment. This observation is consistent with a theme that is developed throughout this book—that social norms and what we think others will do constitute the main driving force behind the public willingness to cooperate.

## Trust and punishment

The research of Daniel Balliet and Paul Van Lange helps demonstrate that the “no one policy fits all” approach to regulation is more likely to enhance voluntary compliance. After examining the efficacy of punishment across high and low-trust societies, they concluded that high trust is needed for punishment to be effective.[[10]](#footnote-10) After analyzing 83 studies on public good experiments across 18 societies, researchers found that punishment is more effective in promoting cooperation in societies with high trust than in societies with low trust. Thus, contrary to expectations that suggest punishment is more effective in societies with low trust, punishment is actually more effective in societies with high trust.

Taking a slightly different approach, we collaborated with Libby Maman and David Levi Faur to find that people are more inclined to trust market actors when self-regulation is in place and they trust the regulators. However, under a regulatory regime with sanctions, the level of trust in the regulator is irrelevant. Although our study did not focus on the regulators, it was centered on the people who are supposed to be protected by market regulations. The study demonstrates the interdependency between regulatory style and the level of trust. Both lines of research emphasize the critical role of trust in shaping the effects of regulatory factors, such as sanctions. This is even more the case with softer approaches, such as self-regulation.

## Three different types of trust and their relationship with voluntary compliance

In the book, we focus on a line of research examining the ability of governments to trust the public. However, it is important to understand the relationship between the different types of trust and to examine the extent to which the government’s choice of regulatory tools depends on the level of trust within a given country. Research has indicated that trust in state institutions has a causal impact on social trust. That is, greater trust is fostered among people in the same society when the public trusts their government and its institutions. There is only limited evidence supporting a reverse relationship.[[11]](#footnote-11)

A study conducted in Denmark found that an increase in trust in the country was one of the factors that caused an increase in the public’s trust in institutions.[[12]](#footnote-12) It also found that institutions, rather than culture, matter more for social trust.[[13]](#footnote-13) According to the study, trust can serve as a key mechanism in ensuring the accountability of the state to the citizen, and, as a result, improve their mutual cooperation.[[14]](#footnote-14)

In another study, six leading theories regarding the determinants of social trust were tested against survey data from seven societies in 1999–2001. Three of the six theories of trust performed rather poorly and three performed better.[[15]](#footnote-15)

Of the more successful theories, it appears that first and foremost, social trust tends to be high among members of the public who believe that there are few severe social conflicts and who have a relatively high sense of public safety. Second, informal social networks tend to be associated with trust. Thirdly, those who are successful in life exhibit higher levels of trust resulting from their personal experiences. Theories that focus on individuals are more effective in societies where trust is high, while theories that focus on society are more effective in societies where trust is low. The reason for this may be that Hungary and Slovenia, two societies included in the study that traditionally had low levels of trust, have recently undergone revolutionary changes. As a result, societal events may have had a greater impact on individual circumstances.

Sønderskov and Dinesen have studied the relationship between social and interpersonal trust and the level of trust in institutions in the context of research on the typology of trust mechanism.[[16]](#footnote-16) Using a panel data approach to examine the relationship between social trust and institutional trust, their study spanned over spans 18 years of data. They found that trust in people does not necessarily predict trust in the state. However, trust in the state tends to predict an individual’s ability to trust other people. As they wrote, “the results provide strong evidence of trust in state institutions exercising a causal impact on social trust, whereas the evidence for a reverse relationship is limited.”

This suggests that government policymakers could play an important role in increasing interpersonal trust by improving institutional design. Similarly, scholars such as Hofstede have suggested that the culture of trust in certain countries can be traced back to ancient history.[[17]](#footnote-17) In this context, our argument that by engaging in regulatory practices, states can shift the level of trust in their own countries leads to an important regulatory dilemma. Countries must not only adapt the regulatory intervention to the culture of the state but also shape it to influence members of society. The study just referred to focused on the high levels of trust in Nordic countries. Long-term data analysis at both individual and collective levels suggests important elements of the culture, including high levels of education, better state institutions, and increased trust in them, along with generational replacement, are factors contributing to the increased trust observed in Denmark, for example.

Sønderskov and Dinesen’s study, delving into a theoretically based model of causal relationship between the level of trust in each country and the demand regulation, is an example of the most common type of research, exploring the relationship between trust and regulation.[[18]](#footnote-18) Other research has suggested that trust eroded and was replaced by regulation in the second half of the 20th century, indicating that lack of trust invites regulation rather than preventing it.[[19]](#footnote-19) Another argument is that governments shift away from cooperative regulatory styles because of the lack of trust between the relevant stakeholders.[[20]](#footnote-20) This view is reflected in a 20‐year case study of the mines inspectorate conducted by Neil Gunningham and Darren Sinclair. Addressing the issue of whether the lack of trust between regulators and the regulated can lead to changes in regulatory styles, they demonstrated the centrality of trust in regulatory effectiveness, how it can be lost, and how it can best be regained.[[21]](#footnote-21) A study conducted by Niklas Harring across multiple countries suggests that a reward-based regulatory approach is more popular when citizens have greater trust in their government’s ability to execute it.[[22]](#footnote-22) Moreover, Marc Hetherington has demonstrated how a lack of trust could lead to dissatisfaction rather than the other way around. This creates a political environment in which it is more difficult for leaders to succeed. [[23]](#footnote-23) Peter Huang has argued that imposing duties on securities professionals can cause them to behave in accordance with regulatory goals without the need to use penalties.[[24]](#footnote-24) He argues that it is vital to analyze the emotional, moral, and psychological consequences of broker-dealers’ fiduciary duties. Along these lines, Bettina Lange and Andy Gouldson have argued that trust-based regulation is important not only because it fosters trust between regulators and the regulated but also because it encourages the regulated to engage in various collective efforts to achieve the goals, particularly in the context of environmental protection.[[25]](#footnote-25) Several other studies have also demonstrated the benefits of trust in the interaction between inspectors and regulatees.[[26]](#footnote-26)

In another study using data from the World Values Survey/European Values Study for approximately 130,000 individuals in forty OECD- and EU countries to determine the causal relationship between social and institutional trust,[[27]](#footnote-27) evidence was found that social trust depends upon institutional trust. Moreover, this study’s experimental evidence, presented using a sophisticated behavioral game theory involving a buyer and seller who must trust each other in a setting with and without regulation, demonstrates that regulation is not just negatively correlated with trust. This supports the argument of many other studies that have claimed the existence of causal effects on the level of trust. [[28]](#footnote-28)

Among other studies, that of John Braithwaite and Toni Makkai focusing on nursing homes is notable for having argued that being treated as trustworthy will increase the likelihood of voluntary compliance among individuals[[29]](#footnote-29) Margaret Levi and colleagues have argued that two interrelated factors influence the likelihood of voluntary compliance.[[30]](#footnote-30) The first factor is the individual’s perception of the government’s legitimacy. The second factor is the individual’s conception of the government’s trustworthiness, which significantly affects their view of the legitimacy of the regulation.

Similarly, Frederique Six demonstrates how trust in the regulator and control may complement each other in their effect on regulating compliance.[[31]](#footnote-31) Along those lines, in collaboration with David Levi Faur and Libi Maman, we examined various regulatory regimes that could be used to enhance trust. It is important to note that in our studies, the public expressed a preference for the government to engage in some form of active oversight, rather than relying solely on firms to cooperate voluntarily. In that study, we began by distinguishing between regulatory designs, which are usually conceptualized as a dichotomous choice between state and self-regulation. The theory of regulatory capitalism proposes regulatory controls, which often conflate state regulation with private forms of regulation.[[32]](#footnote-32) Many different mechanisms can be used to enhance self-regulation. Enhanced self-regulation occurs when organizations rely on intermediaries and stakeholders to monitor and sanction the behavior of the regulated, improve policy implementation and compliance, and reduce agency drift.[[33]](#footnote-33)

However, the scholarship has yet to investigate the role that regulatory design has on public trust. Trust is crucial to vital market relationships and transactions.[[34]](#footnote-34) Thus, our study sought to analyze the extent to which public trust is affected by various forms of regulation, examining an advanced framework of enhanced self-regulation. In that study, we used two web-based experimental surveys on a representative sample of Israeli society (Study 1: N=597; Study 2: N =598) to investigate public trust in a fictitious fintech company operating under different regulatory designs.

The findings of the first study revealed several key insights into the relationship between market trust and different types of regulation. First, we observed that knowledge about any form of regulation positively impacts trust in the market. Secondly, our examination of state regulations with varying levels of monitoring revealed that higher levels of monitoring are associated with increased trust in the market. Low levels of monitoring in state regulation rely on the regulatees’ commitments and do not foster the same level of trust. Finally, we observed a significant interaction effect between trust in the regulator and the level of monitoring state regulation. This was particularly true for situations with low monitoring. This suggests that state regulators can effectively maintain public trust in regulated firms by utilizing self-regulatory tools when the public has a high level of trust in the regulator. The study highlights the importance of considering the interaction between different regulatory approaches and their impact on market trust.

In the second study, we sought to further test the possibility that enhanced self-regulation can provide a similar level of trust to state regulation. We examined six different potential enhancements of self-regulation and tested the effect on trust using a combination between- and within-subject analysis, with state regulation used as a control group. Our results show that all forms of self-regulation are less trusted by the public than a state regulatory regime. However, within self-regulatory designs, we find that a self-regulatory constellation includes the possibility of sanctioning that increases trust.

The results of the second study reinforced those of the first, showing that public trust in regulated firms increases when state regulation exists, while self-regulation (even if enhanced) leads to lower levels of public trust. The interaction effects we found suggest that governments play an important role in ensuring public trust in the market. This is true not only with governments as regulators, but also when combining self-regulatory instruments such as pledges. Our paper demonstrated that more government regulation leads to more trust. Additionally, trust in self-regulation and perhaps deregulation depends on the public’s trust in the government.

The rise of self-regulation suggests that there is potential for voluntary compliance for those who are willing to adopt greater transparency and accountability.

Adapting the type of regulatory supervision is one of the most complex challenges. The regulator needs to protect the public while also helping businesses thrive. The concept of responsive regulation allows for a more customized and targeted approach. A pyramid approach is based on the idea that you should start with softer means. Ideally, the majority of people will cooperate with these approaches. When attempting to find the best regulatory tool, we usually focus on three aspects: the extent to which the regulated knows and understands the actions expected of them; the extent to which they are capable of cooperating with the rules; and the extent of their willingness to do so. In line with this thinking, the Dutch Ministry of Justice has developed a framework to examine 11 factors affecting the likelihood of compliance. Colin Parker’s study found that spontaneous compliance can occur without enforcement and can be broken down into three main dimensions: two control dimensions focusing on how enforcement might affect compliance and a third punitive approach dimension in which the effect of sanctions on compliance is expected to work.[[35]](#footnote-35) In another study, Ian Bartle and Peter Vass have concluded that a “new regulatory paradigm” can be advanced that involves a form of regulatory “subsidiarity,” In regulatory subsidiarity form, regulatory outcomes can be delegated to regulated organizations and self-regulatory bodies, while increasing public regulatory oversight based on systems of accountability and transparency.[[36]](#footnote-36)

Many scholars have argued that states play a central role in enhancing trust toward market actors in cases when regulators are perceived as third-party providers.[[37]](#footnote-37) Bart Nooteboom has argued that regulatory intervention is needed to help boost the ability of the public to trust market actors.[[38]](#footnote-38) Other scholars have demonstrated that the public’s trust in regulators is important in increasing trust.[[39]](#footnote-39) According toSztompkahad, trust in regulators depends upon factors such as transparency, accountability, protection of private autonomy, and regulatees’ rights.[[40]](#footnote-40) Other scholars have argued that it is important for regulators to be seen as not being too close to the industry in order to maintain public trust.[[41]](#footnote-41)

Overall, when endeavoring to understand the factors that predict public trust in institutions, some have argued that such trust is dependent on the personal experience with the institutions and on the public’s perception of the institutions as being objective and representative.[[42]](#footnote-42) Other scholars have focused on demographic[[43]](#footnote-43) and family-related factors as being the main predictors of institutional trust. [[44]](#footnote-44)

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## Rules vs. standards and voluntary compliance

Another important regulatory issue that is of high importance is related to the optimal level of discretion. Is it good to give people discretion? Does it increase voluntary compliance? When giving people regulatory instruction, should vague terminology be used in order to give people greater flexibility? In a paper with Henry Smith and Constantine Boussalis, we experimentally examined the effect of vagueness and good faith on how participants react to instructions.[[45]](#footnote-45) To test these hypotheses, we used a 2x2x2 experimental design. Participants were instructed to edit a document with either general or detailed instructions. The instructions either included a reference to good faith or did not have such a reference. Participants could engage in different levels and types of editing, enabling us to measure compliance and performance separately. When participants needed information and guidance, such as when editing, we found that being specific improved performance compared to the vague standard condition. In our work, we discussed the characteristics of the regulatory frameworks to which our findings are especially relevant. In a similar vein, Laetitia Mulder, Jennifer Jordan, and Floor Rink have argued that specific rules have a stronger effect on ethical decisions than general rules. They base this argument on a series of five studies. Specifically-framed rules elicited ethical decisions more strongly than generally-framed rules.[[46]](#footnote-46) In three related studies, Ann Tenbrunsel and David Messick examined how surveillance and sanctioning systems affect cooperative behavior in dilemma situations. The first two studies demonstrated that a weak sanctioning system results in less cooperation than a no-sanctioning system.[[47]](#footnote-47) Results from the second study suggest that sanctions affect the type of decision people perceive they are making. Sanctions can lead them to perceive their decision as being driven by financial rather than ethical considerations. The results from these studies have been used to develop a theoretical model that postulates that sanctions and cooperation have a relationship due to a signaling effect and a processing effect. The signaling effect occurs when sanctions influence the type of decision that is perceived to be made. The processing effect occurs when decision processing, including whether or not the strength of the sanction is considered, depends on the decision frame evoked. The third study in this series provides support for the processing-effect hypothesis.

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45. Experimental analysis of the effect of standards on

compliance and performance

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46. The effect of specific and general rules on ethical decisions

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