



PART 1

Read the text below and answer questions 1–13.

THE 'NUDGE' THEORY IN PUBLIC POLICY

A

The term “nudge” entered mainstream policy discussion after behavioural economists Richard Thaler and Cass Sunstein argued that many everyday decisions are shaped less by careful calculation than by heuristics, limited attention, and predictable biases. They used the phrase choice architecture to describe the environments in which choices are made: forms, websites, default settings, queues, labels, and the small frictions that either facilitate or discourage action. Nudge theory proposes that, because no choice environment is neutral, governments can redesign these environments so that beneficial options become easier, more salient, or more likely to occur—without banning alternatives or imposing heavy penalties. Thaler and Sunstein called this approach “libertarian paternalism”: libertarian because individuals retain the freedom to choose otherwise, and paternalistic because the design explicitly aims to steer people toward outcomes policymakers regard as welfare-enhancing.

B

Defaults are usually presented as the most powerful and measurable nudge. The mechanism relies on status quo bias: once a default is in place, many people remain with it simply because switching requires time, attention, and a willingness to confront paperwork or uncertainty. Organ donation systems are often used to illustrate the point. In opt-in regimes, individuals must actively register consent, whereas in opt-out regimes, consent is presumed unless a person declines. Research comparing jurisdictions has found that participation rates can differ dramatically depending on how the default is set, even when citizens express similar moral views about donation. Importantly, the effect does not require persuasion in the conventional sense. Defaults exploit inertia and procrastination—common features of human behaviour—so that “doing nothing” produces a socially desired outcome, while still leaving an easy opt out for those who object.

C

A second family of nudges operates through framing and salience—how information is presented and what becomes cognitively available at the moment of choice. In public settings such as school or workplace cafeterias, simply placing healthier food at eye level can increase selection without restricting what is offered. In energy policy, households may receive labels that translate abstract consumption units into more interpretable



signals, such as the estimated cost over a year or a comparison with similar homes. These designs aim to reduce cognitive load by converting complex choices into simpler cues that match how people naturally process information. Yet critics note that framing is not inherently benign: the same techniques can be used to push consumers toward higher-margin products or to present political choices in a way that feels neutral while subtly privileging one outcome.

D

Social-norm nudges build on another regularity: people often look to others' behaviour as a guide to what is appropriate, especially when rules are uncertain. Tax compliance campaigns provide a common example. Letters that say "nine out of ten people in your area pay on time" can increase payment rates by implying that compliance is typical and expected, turning a private decision into a social comparison. Similar messages have been tested in contexts such as recycling, attendance, and energy use. However, the same logic can backfire if the message inadvertently normalises undesirable behaviour—by signalling that many people fail to comply. Effective social-norm interventions therefore depend on accurate baselines, careful wording, and an understanding of which reference group the audience finds credible.

E

Because nudges work by exploiting predictable tendencies, they raise ethical questions about manipulation, transparency, and accountability. Defenders argue that governments already influence choices through existing forms and defaults, so redesigning them openly for public benefit is more honest than pretending neutrality. Critics reply that even "soft" steering can be paternalistic if citizens are unaware of how their behaviour is being shaped or if the chosen target reflects political interests rather than individuals' own goals. A key tension concerns disclosure: making a nudge explicit may protect autonomy and legitimacy, but it can also reduce effectiveness if the intervention depends on being effortless or automatic. For this reason, many proposed guidelines insist that nudges should be publicly justified, aligned with citizens' stated interests, and easy to opt out of—so that the steering does not become a covert substitute for democratic debate.

F

The empirical case for nudging is often built on randomised controlled trials conducted in real-world settings, which allow policymakers to estimate causal effects at relatively low cost. Some trials report striking improvements from small changes, such as simplified letters that increase uptake of benefits or reminders that reduce missed appointments. Yet the evidence also shows strong context dependency. A message that boosts compliance in one country may fail in another if trust in government is low or if people interpret the tone



as threatening. Moreover, nudges may be less effective when material constraints dominate behaviour: if individuals lack time, money, or stable housing, small informational tweaks may have limited impact. Even when a nudge works initially, effects can fade as people habituate, as the novelty of the prompt disappears, or as circumstances change. These patterns suggest that nudges are not universal levers but interventions whose impact depends on institutional and social conditions.

G

For these reasons, many practitioners now frame nudging as one tool within a broader policy toolkit rather than a replacement for regulation or investment. Behavioural teams increasingly collaborate with economists and public-service managers to combine nudges with structural reforms—changing incentives, improving service delivery, or regulating harmful practices—especially when problems are rooted in inequality or market failures. The long-term value of nudges therefore depends on governance: how goals are selected, how evidence is interpreted, and whether behavioural design is used to empower citizens (for example, reducing needless bureaucracy) or to manage them through subtle control. In its strongest form, nudge theory encourages policymakers to treat administrative details as consequential and testable. In its weakest form, it becomes a convenient excuse to avoid more difficult changes. The practical challenge is to identify when small frictions produce large, avoidable losses—and when only deeper reforms will deliver durable improvement.

Questions 1–4

Select the correct answer.

1 What is the main purpose of nudge theory, according to the passage?

- A** To preserve freedom of choice by making government recommendations less noticeable
- B** To influence behaviour by changing how choices are structured or presented
- C** To replace structural reforms with financial penalties for undesirable behaviour
- D** To require individuals to calculate every possible consequence before deciding

2 Why can default options increase participation?

- A** Switching away from them requires attention and effort, so inertia and procrastination keep many people with the existing choice.
- B** Presumed consent changes people's moral opinions about the policy concerned.
- C** Default arrangements remove uncertainty from every stage of a public decision.
- D** Non-default alternatives normally become legally restricted once a default is introduced.



3 Why does the passage mention that nudges can also be used in commercial contexts?

A To demonstrate that behavioural techniques work more reliably in markets than in public policy

B To suggest that commercial organisations are more transparent about the outcomes they favour

C To illustrate that choice design can promote interests other than the welfare of those being influenced

D To show that framing ceases to influence decisions when financial interests are involved

4 What does the passage suggest about the evidence base for nudges?

A Randomised trials show that identical interventions work across different institutional settings.

B Low-cost testing removes the need to consider material constraints on behaviour.

C Initial improvements generally persist after people become accustomed to an intervention.

D Effects depend on social and institutional conditions and may weaken over time.

Questions 5–9

Choose **TRUE** if the statement agrees with the information given in the text, choose **FALSE** if the statement contradicts the information, or choose **NOT GIVEN** if there is no information on this.

5 The passage suggests that nudges can influence behaviour without banning actions or removing options.

6 The passage suggests that making a nudge explicit may reduce its effectiveness.

7 The passage provides a legal definition of how transparent a government nudge must be.

8 The passage indicates that some nudges are tested using randomised controlled trials in real-world settings.

9 The passage states that nudge effects always remain stable over time and do not weaken.

Questions 10–13

Complete the summary below. Choose **NO MORE THAN TWO WORDS** from the text for each answer.

How nudges influence behaviour



Nudge theory seeks to influence behaviour through changes in **10** without removing options. Defaults can increase participation because, as the text says, they exploit **11** and procrastination. However, effects may be context-dependent and can **12** over time. Ethical frameworks propose that nudges should be easy to **13** of and publicly justified.

Answer Key

1. B
2. A
3. C
4. D
5. TRUE
6. TRUE
7. NOT GIVEN
8. TRUE
9. FALSE
10. choice architecture
11. inertia
12. fade
13. opt out