We're only human

Richard Thaler will be in Taipei tomorrow to give a lecture on his international bestseller 'Nudge'

BY **NOAH BUCHAN**
STAFF REPORTER

LECTURE NOTES:

WHAT: Richard Thaler: Nudge: Improving Decisions about Health, Wealth and Happiness
WHERE: 36F, Taipei 101
WHEN: Tomorrow from 7pm to 9pm
ADMISSION: Free. Those attending must pre-register online at www.readingtimes.com.tw (Chinese) or by calling Page One Bookstore at (02) 8101-8282 X6999 or X6699
DETAILS: The lecture will be conducted in English
ON THE NET: nudges.org

Are you saving enough for retirement? Do you know how to your reduce your carbon footprint? Have you ever wondered how to stop men from urinating on the bathroom floor?

Behavioral economist Richard H. Thaler presents solutions to these problems in his new book *Nudge: Improving Decisions About Health, Wealth and Happiness*, a self-help guide to show people how to make more informed, and therefore better, financial and life decisions.

The 63-year-old Thaler, a professor at the University of Chicago, will give a free lecture about his book tomorrow at Taipei 101.

Thaler's area of expertise merges psychology and economics, hence the term behavioral economics. Co-written by Cass Sunstein, the current head of the Obama Administration's Office of Information and Regulatory Affairs, *Nudge* uses examples drawn from popular culture — cartoon icon Homer Simpson and cult leader James Jones both make appearances — in a book that is largely free of the economic jargon that would put the average reader to sleep.

The book's central premise is that through sensible "choice architecture" decision-makers can "nudge" people in the right direction without impinging on their freedom of choice. Thaler spoke about his book last week by e-mail.

Taipei Times: What is a nudge?
Richard Thaler: A nudge is any small feature of the environment that attracts our attention and alters our behavior.

A good example is default options. A default option is what happens if you do nothing. For example, when watching TV the default option is for the next show on the same channel to come on when one show ends. Since we don't have to do anything to keep watching the same channel we often continue watching even if we don't really like the next show.

TT: Did you invent "nudging?"
RT: We invented the "term" nudging but people have been nudging for thousands of years. Religions nudge as do people trying to sell us a product.

TT: What are choice architects and how do these people influence our lives or make our lives better/worse?
RT: A choice architect is anyone who has influence over the environment in which we make a choice. Consider a restaurant. The chef may decide what he will cook but someone is in charge of writing the choices on a menu. This person has decisions to make about how to group options (are soups in a special category?), how to describe the options, and in what order to arrange them. These small details can have powerful influences on what people decide to eat.

(Thaler's most famous anecdote of choice architecture is the men's bathrooms at Schiphol Airport in Amsterdam. Images of small black flies were etched into each urinal, a measure that, according to Aad Kieboom, an economist consulting on building expansion at the airport who came up with the idea, reduced spillage by 80 percent. "It improves the aim," Kieboom was quoted as saying in the *Wall Street Journal*. "If a man sees a fly, he aims at it.")

TT: Please explain the "yeah, whatever" heuristic and how it relates to default options.
RT: When in doubt, we often just take the easiest course of action. This is why default options are so important. They create a strong "status quo bias" meaning that whatever has been chosen in the past continues to be chosen even if a better option now exists. This can be a powerful impediment to progress.

TT: Why do we make poor decisions?
RT: Humans *try* to make good decisions but are limited in several ways. First of all we are busy. There are only 24 hours in a day. We cannot afford to carefully weigh every decision — what to wear today, which articles to read in the newspaper — because if so we would never finish breakfast!

Second, although we are the smartest animals, our brains are still limited in their information processing capabilities. We are not computers! We are absentminded and get easily distracted. Finally, we suffer from self-control problems. We sometimes eat or drink too much, or have trouble getting up in the morning. In short, we are human!

TT: What are the differences between rational or traditional economics and your field behavioral economics?
RT: Behavioral economists study how real people, humans, interact in markets. Traditional economics studied how highly rational, unemotional, exceptionally smart people behave. We [Thaler and Sunstein] call these imaginary creatures "econs." Since real people are not econs, we need models that incorporate a more realistic description of behavior in order to make better predictions.

TT: So why has traditional economic theory held sway for so long?
RT: Traditional economics was not always so wedded to rational models. Early writers such as John Maynard Keynes had an approach closer to what we now call behavioral economics. But after World War II economics started to become much more mathematical, and it turned out that the easiest mathematical models to create were those that characterized rational choice.

Behavioral economics has been going on for over 30 years. *Nudge* is simply helping that progress reach a more general audience and use the ideas for important public policy issues.

TT: What are the goals of *Nudge*?
RT: Our goals were first to show how behavioral economics can be applied to important social and economic problems, and to put forward a new framework for thinking about public policy, a framework we call "libertarian paternalism."

Although this phrase sounds like an oxymoron, it is not. Our approach is libertarian because we try to create policies that do not restrict options. It is paternalistic because we try to help people make better choices, *as judged by themselves*.

TT: Although you mention that the book is geared towards liberals and conservatives in the US, the left seems more sympathetic to the ideas found in the book than the right. How do you address the concerns of the conservatives?
RT: I agree that so far there has been more support for our ideas from the left in the US, but in the UK our ideas have been adopted by David Cameron, the leader of the

Behavioral economist Richard Thaler wants to help people make better decisions, one "nudge" at a time.
PHOTOS: BLOOMBERG, NY TIMES NEWS SERVICE AND COURTESY OF CHICAGO BOOTH
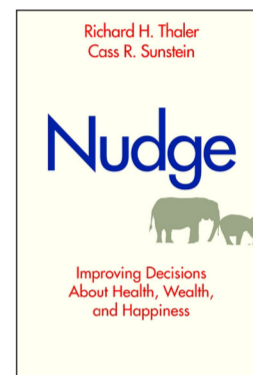
Conservative Party. I still believe that our policies can be equally attractive to the left and the right.

(Some political commentators, however, suggest that the Tories have more in common with America's Democratic Party than the Republican Party.)

TT: After the global financial crisis, what is the next crisis that our world has to address?
RT: Well, one big problem we all face is climate change and here nudges can play a very important role. There are many small nudges that can add up to big changes. For example, just telling people how much energy they are using compared to their neighbors can reduce energy usage by 4 percent, and this is free!

TT: How would you characterize the difference between how former US president George W. Bush nudged and how President Barack Obama has nudged or will nudge.
RT: This is too long of a question, but I will say that Obama is a big believer in transparency, which is an important component of nudging.

TT: You've been on the lecture circuit for roughly the past two years promoting the ideas in *Nudge*. How does that differ from your university work as a hard-core economist?
RT: It has been fun to get out of the Ivory tower and meet people all around the world. I am looking forward to my forthcoming trip to Asia.

This interview has been condensed and edited.

Snow Leopard: Apple's sleek upgrade

BY **DAVID POGUE**
NY TIMES NEWS SERVICE, NEW YORK

Buying software is not like buying a vase or a comb or a lawnmower where you pay, you take it home, and the transaction is complete.

No, buying software is more like joining a club with annual dues. Every year, there's a new version, and if you don't upgrade, you feel like a behind-the-curve loser.

There's time bomb ticking in that business model, however. To keep you upgrading, the software company has to pile on more features each time. Sooner or later, you wind up with a huge, sloshing, incoherent mess of a program; a pile of spaghetti code that doesn't run well and makes nobody happy.

You're in even worse shape if that bloatware is your operating system — the software you run all day. Just ask anyone with Windows Vista.

This year, though, Apple and Microsoft both realized that the pile-on-features model is unsustainable. Both are releasing new versions of their operating systems that are unapologetically billed as cleaned-up, slimmed-down versions of what came before.

Microsoft's, called Windows 7, comes out in October. Apple's, called Mac OS X 10.6 Snow Leopard, arrives on Friday, a month earlier than announced. (Apple to Microsoft: "Surprise!")

Apple's release strategy is highly unorthodox: "Leopard, aka Mac OS X 10.5, was already a great OS-virus-free, nag-free and not copy protected. So instead of adding features for their on sake, let's just make what we've got smaller, faster and more refined."

What? No new features? That's not how the industry works! Doesn't Apple know anything?

And then there's the price of Snow Leopard: US$30.

Have they lost their minds? Operating-system upgrades always cost a hundred-something dollars! (US$30 is the price if you already have Leopard. If not, the price is US$170 for a Mac Box Set that also includes two suites of Apple software: iLife (iPhoto, iMovie, iDVD, iWeb and the GarageBand music studio), and iWork (the Numbers spreadsheet, Pages word processor and Keynote presentation software).

In any case, Snow Leopard truly is an optimized version of Leopard. It starts up faster (72 seconds on a MacBook Air, versus 100 seconds in Leopard). It opens programs faster (Web browser, 3 seconds; calendar, 5 seconds; iTunes, 7 seconds), and the second time you open the same program, the time is halved.

"Optimized" doesn't just mean faster; it also means smaller. Incredibly, Snow Leopard is only half the size of its predecessor; following the speedy installation (15 minutes), you wind up with 7 gigabytes more free space on your hard drive. That, ladies and gents, is a first.

Unfortunately, Snow Leopard runs only on Macs with Intel chips — that is, Macs sold since 2006. If you have an older Mac, you're stuck with Leopard forever.

(Techie note: Popular conception has it that the space savings comes from removing all the code required by those earlier chips. But that's not true, according to Apple. Yes, that code is gone, but new 64-bit code, described below, easily replaces it. No, Apple says that the savings comes from "tightening up the screws," compressing chunks of the system software, and eliminating a huge stash of printer drivers. Now the system downloads printer drivers as needed, on demand.)

As it turns out, Apple programmers could not leave well enough alone. They disobeyed the original "no new features" mantra. As they pored through all the bits of Mac OS X, they kept stopping and fixing little things that had always bugged them, or coming up with neat little ways to make things better. So:

The Mac now adjusts its own clock when you travel, just like a cell phone. The menu bar can now show the date, not just the day of the week. The menu of nearby wireless hot spots now shows the signal strength for each. When you're running Windows on your Mac, you can now open the files on the Macintosh "side" without having to restart. Icons can now be 512 pixels (several centimeters) square, turning any desktop window into a light table for photos.

There's now a Put Back command in the Trash, just as in Windows' Recycle Bin. You can page through a PDF document or watch a movie right on a file's icon. When you click a folder icon on the Dock, you can scroll through the pop-up window of its contents, turning a worthless feature into a useful one.

Buggy plug-ins (Flash and so on) no longer crash the Safari Web browser; you just get an empty rectangle where they would have appeared.

There's an impressive slew of tools for blind Mac users, including one that turns a Mac laptop's trackpad into a touchable map of the screen; the Mac speaks each onscreen element as you touch it.

There are some bigger-ticket items, too. Movies open up into a gorgeous, frameless playback window-with built-in trim handles and a "Send to YouTube" command built right in. You can now record your screen activity as a movie — fantastic for tutorials. The old Services feature has been reborn as powerful commands that appear only when relevant — and you can modify, make up or assign keystrokes to them.

Once a system administrator provides setup details, your company's Microsoft Exchange address book, e-mail and calendar can show up in the Mac's own address book, e-mail and calendar programs, right alongside your own personal information. That's irony for you: The Mac now has Exchange compatibility built in, but Windows itself does not.

There are hundreds more little tweaks. In all, Apple says that more than 90 percent of Leopard's 1,000 software chunks were revised or polished. Many are listed at bit.ly/U1DzS, but I kept finding more undocumented surprises until the deadline for this column. Just little stuff. Like: When you rename an icon on an alphabetically sorted desktop, it visibly slides into its new alphabetic position so you can see where it went.

Despite all of this, the haters online deride Snow Leopard as a "service pack" — nothing more than a bug-fix-/security-patch update like the ones Microsoft periodically releases for Windows.

That's a pretty uninformed wisecrack. Especially because the biggest changes in Snow Leopard are under the hood, completely invisible, but responsible for some big speed and stability advances.

A big one: Mac OS X and most of its included programs (the desktop, Web browser, calendar and so on) are 64-bit software, a geeky term that, for now, pretty much means "faster." Other new underlying technologies, called OpenCL and Grand Central Dispatch, are features that software companies can exploit for even greater speed in their new or rewritten programs.

That Snow Leopard's looks haven't changed at all, in other words, betrays the enormous changes under its pretty skin. Unfortunately, that fact also explains the number of non-Apple programs that "break" after the installation.

I experienced frustrating glitches in various programs, including Microsoft Word, Flip4Mac, Photoshop CS3, CyberDuck and TextExpander, an abbreviation-expander. (Interestingly, Snow Leopard offers its own typing-expander feature, but it works primarily in Apple programs, like TextEdit, Mail, Safari and iChat.) The compatibility list at lists other programs that may have trouble.

Most of these hiccups will go away when software companies update their wares (although Adobe says, "Just upgrade to Photoshop CS4"). Let's hope that Apple hurries up with its inevitable 10.6.0.1 update, too, to address the occasional Safari crash and cosmetic glitch I experienced, too.

Otherwise, if you're already running Leopard, paying the US$30 for Snow Leopard is a no-brainer. You'll feel the leap forward in speed polish, and you'll keep experiencing those "oh, that's nice" moments for weeks to come.

If you're running something earlier, the decision isn't as clear cut; you'll have to pay US$170 and get Snow Leopard with Apple's creative-software suites — whether you want them or not.

Either way, the big story here isn't really Snow Leopard. It's the radical concept of a software update that's smaller, faster and better — instead of bigger, slower and more bloated. May the rest of the industry take the hint.

A laptop screen displays the Snow Leopard operating system, which lets users view movies in a frameless playback window.
PHOTO: NY TIMES NEWS SERVICE