Book Review: Behavioral Economics and Healthy Behaviors edited by Yaniv Hanoch, Andrew J. Barnes and Thomas Rice

In the collection **Behavioral Economics and Healthy Behaviors: Key Concepts and Current Research***, edited by* **Yaniv Hanoch***,* **Andrew J. Barnes** *and* **Thomas Rice***, contributors explore a number of health-related areas where behavioural economics can be used, from health behaviours to health care and policy. This volume does a good job of discussing the 'behavioural' aspects of behavioural economics and considering its potential applications, writes* **Joan Costa-Font***, though he would have welcomed more discussion of its limitations too.*

***Behavioral Economics and Healthy Behaviors: Key Concepts and Current Research*. Yaniv Hanoch, Andrew J. Barnes and Thomas Rice (eds). Routledge. 2017.**

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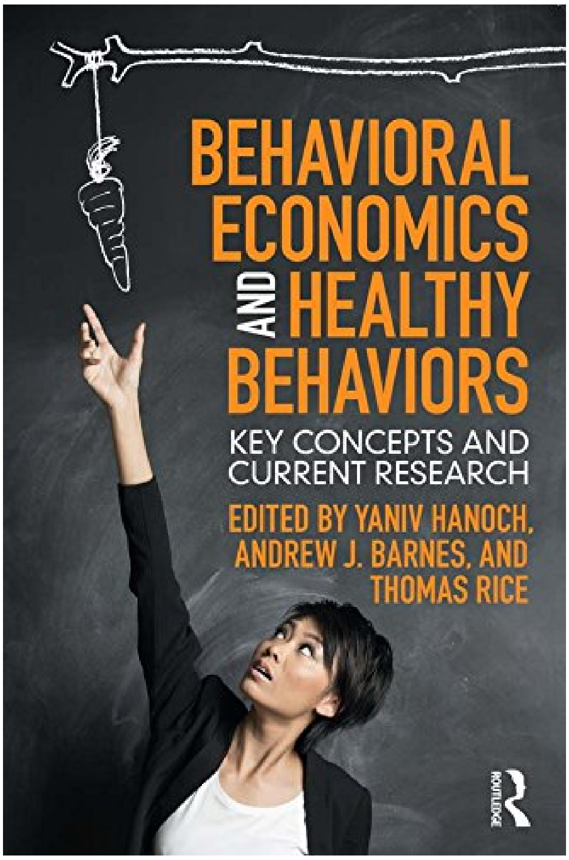

If there is an area where behavioural economics can have an impact on individual wellbeing, it is health. Traditional economic concepts – spanning from consumption and investment reasons for a 'demand for health', the assumption that health gains and losses are judged similarly over time or that individuals already foresee the costs of addictive behaviour ('rational addition') – fall short when empirical applications are not just an academic exercise but also have significant implications for policy. With chapters by leading academics worldwide, the collection *Behavioral Economics and Healthy Behaviors*, edited by Yaniv Hanoch, Andrew J. Barnes and Thomas Rice, addresses the behavioural economics of health, health care and health policy.

The book approaches behavioural economics as it is traditionally understood: that is, as adding insights from psychology to the longstanding questions that economics has addressed. It identifies a number of health-related areas where behavioural economics can be used, such as health behaviours in Section Two (including smoking, alcohol, physical activity and diet) and health care in Section Three (covering topics such as medication adherence, screening, HIV/AIDS and developing countries). The final part of the volume examines the role of behavioural economics when it comes to quality, insurance and government action. Areas that it would also be important to address in subsequent related books include issues relating to ageing and health care, child health and, most especially, the role of behavioural incentives with regards to health-care decision-makers.

Traditional approaches based on a rational choice ('*homo economicus*') view of individuals as rational long-term planners who do not procrastinate, and unless they fail to have perfect information, also manage to make 'good choices', are challenged in the book. The rational choice view of the individual regards choice architecture as irrelevant; inefficient decisions are either the result of a pricing problem which is sorted out by taxing/ subsidising certain behaviours or the consequence of imperfect information, which calls for information campaigns and education. However, established evidence from the health sector shows that taxes and subsidies can exert direct and indirect effects on health, and that information provision does make a difference, but only under very specific conditions. It has long been known in the health care sector that policies based on the traditional view of economic incentives do not fully produce 'the expected behaviours' (e.g. the RAND experiment showed the limits of co-insurance in influencing health care behaviour). That is, choice architecture in the form of regulation, prevailing social norms or policy nudges matters, which is why behavioural economics matters too.

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Individuals do not make choices in a vacuum, hence the environment in which we are embedded shapes our decisions. For instance, as described in the book, environmental cues impact on the individual value of alcohol drinking, hence interventions to influence the value of abstinence are important. In contrast, financial incentives for physical activity do not manage to produce behavioural change, because in such a context, individuals associate exercise with an activity 'that should be financially compensated for' and engage in compensatory behaviours (e.g. extra-eating, also known as 'food licencing'), which in turn yields no effect on weight loss.

Behavioural economics describes individuals as following two different decision-making systems (consistent with the work of Daniel Kahneman): namely, an intuitive, emotional, inertial and 'automatic' system (system I), and a slow and logical one (system II), the latter being closer to the way traditional economics conceptualises individuals. As a result, the role of behavioural economics is rather to understand how individuals actually make decisions, rather than build an 'idealistic model' of how behaviour ought to be. Hence, through using behavioural economics, one can understand behaviours that otherwise appear as irrational under a rational choice paradigm. Indeed, and in contrast to the individual perfect foresight of rational choice theory, the individual agent of behavioural economics is weak and suffers from a number of cognitive biases (such as optimism when making decisions on smoking, present bias when making decisions on alcohol consumption and conformation bias when searching for new health information). As Chapter Seven shows, whether patients stick to their medications or not (medicine adherence) depends on whether individuals value future benefits from taking such medicines (known as 'delayed discounting'), and Chapter Nine illustrates how small rewards work, unlike the large monetary rewards on which traditional economic approaches to health policy are often based.

Overall, this volume does a very good job of highlighting what is 'behavioural' in behavioural economics and considering its potential applications, while also reviewing a number of key studies and evidence. However, some chapters in the book discuss behavioural economics as if it was a different discipline than economics, whilst others regard it as an extension of the mainstream. I would have thought the second approach is the one mostly upheld in health economics. Certainly, health economics has historically embarked on a mission of extending traditional rational choice approaches, which often need to be complemented by other perspectives, as argued in Chapter Ten. When institutions are weak, micro-incentives can make a huge different in people's behaviours. For instance, how decisions are framed, how people's attitudes are anchored in beliefs and especially pre-commitment devices play an important role in incentivising choices, indicating the effectiveness of reminders and the importance of the positive framing of sports and healthy lifestyles. Hence, one of the side effects of behavioural economics is that ideas matter, and that interests alone are not enough to give rise to behavioural change. The book also contains an excellent account of the approach behavioural economics should adopt in relation to policy-making, suggesting that the government should play the role of leader in a market to shape the behaviours of individuals and organisations, who take the position of followers.

Possibly one area of improvement lies in the need to discuss the limitations of behavioural economics too. We increasingly are being made aware of examples of 'nudges that fail' in a number of policy areas (for instance, the Welsh opt-out system has not managed to increase organ donation), which suggests that the 'nudge agenda' does not substitute for a better understanding of the content of decision-making, and the norms and institutions that influence how people make choices should be considered as part of the nudge design. This can in turn explain why 'behavioural incentives' are (more often than not) far from universally valid prescriptions, but are instead very much context-dependent. Pre-existing nudges in society deem policies for changing people's choice architecture ineffective. Hence, interventions to stimulate physical activity in some countries might not necessarily work in others. Ancestral memory and the evolution of social cues also need careful understanding. Similarly, we need to better understand the formation of people's health narratives and beliefs, which are not easy to reduce to a 'nudge'. Or, as Jill Luoto, the author of Chapter Ten, puts it: 'the enthusiasm of behavioural economics should be tempered against the realisation that its evidence is still just beginning to grow'.

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