IGC
International Growth Centre

Authors

Oliver Harman
Cities Economist
Cities that Work

Victoria Delbridge
Head of Cities that Work
Initiative
Cities that Work

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Behavioural economics of lockdown compliance: In search of lost time and well-behaved neighbours

There are some crucial insights that behavioural economics and surrounding psychological evidence can bring to bear on public policies of a lockdown. Such insights are particularly pertinent to leveraging humans' 'predictable irrationality' in its design. Applying this evidence suggests that, where lockdowns are implemented, it might be better for policymakers to impose more stringent and lengthy restrictions from the outset, and then dialling down, rather than shorter restrictions and extending, even if the ultimate length of time in lockdown is the same. For compliance, over-estimate and reduce rather than under-estimate and repeat.

Current estimates vary between one third and half of the world's population that are under some form of lockdown. Some are yet to lockdown, while others are beginning to ease restrictions. Where they are implemented, getting the duration and stringency correct, as well as how this is communicated and monitored, is critical to human health and wealth. However, it is complicated to calculate the 'right' amount of time for the 'right' degree of lockdown. This calculation is made more difficult considering the radical uncertainty in decision-making associated with COVID-19, as well as the varying impacts and ability to conform across different socio-economic contexts. There is, unfortunately, only so much we can learn from others.

However, while country specifics may be different, there is one similarity the world over: we are all humans with the same fears, desires, hopes and expectations. Breaking the transmission chain through social distancing is critical with COVID-19 and compliance requires human buy-in. The behaviour surrounding expectations therefore has some crucial insights for a public policy response. When it comes to lockdowns, policymakers face difficult trade-offs between the health and economic responses, with both potentially leading to a loss of life. We must do it well or not at all, as lockdown without compliance will result in economic harm with limited slowing of the pandemic's spread.

In search of lost time

Daniel Kahneman and Amos Tversky's Nobel prize-winning work on '**loss-aversion**' shows us that humans respond to expected gains and losses differently. In short, 'losses loom larger than gains', even when the expected return is the same.

Applying this logic to lockdown policy: the pain of an extra two weeks lost to lockdown is physiologically much more potent than the pleasure from a gain in two weeks of freedom, even if the total time in lockdown is ultimately the same. Therefore, starting with short lockdowns with frequent extensions may lead to citizens searching for this time in other ways, or as another Nobel prize-winning economist, Richard Thaler, describes it, **'misbehaving'**. This misbehaving might see citizens taking more risks or **behaving dishonestly** to avoid a painful loss.

Loss aversion, together with humans' tendency for **'hyperbolic discounting'**, applies not only to the lockdown length but also to the severity of the restrictions. **Hyperbolic discounting** shows that, over short time horizons, we value smaller rewards now, rather than larger rewards later. This discounting implies that starting strict, and incrementally unlocking small freedoms, will have a far more significant impact on overall happiness than either starting light and increasing severity, or dropping all restrictions at once.

Studies in Italy provide evidence for this search for lost time. Those citizens under self-isolation restrictions are **more likely to reduce** their self-isolation effort if given an extension to lockdown, especially if it is not in line with their expectations. Negative surprises, if extensions are more prolonged than anticipated, lead to a reduction in citizens' compliance, just at a time when efforts in willingness to do so need it to increase. This 'social isolation fatigue' tells us not to take compliance for granted, but instead, consider it as time-limited. This limitation is another lesson from predictably irrational humans for public policy. It is the **'goal gradient'** effect, where the moving of goalposts as to when lifting certain measures may lead to frustration, particularly if people start to **believe the goal is unattainable.**

The benefits of well-behaved neighbours

The last few weeks have seen the world collectively undertake radical behaviour change when compared to the previous norms and conventions of daily life. For example, COVID-19 forced alterations to our emissions and pollution that environmental and climate change advocates would not fathom in the months prior. However, the behavioural response has been much more robust in some areas than in others, and the social norms and **conventions** of that community in no small way link this. Social acceptance, fairness and reciprocity drive us as humans. If those around us are observing social distancing, and it is frowned upon to break lockdown rules, we will comply. However, if seen as an unworthy practice by our peers, we will not comply, often even if it goes beyond our better judgement.

Adoption of one social norm over another depends largely on strong leadership weaving a narrative that communities can unite behind. Not only will that foster a positive social norm, but citizens will do the enforcement work as well. Research shows that if one person strays from the pack, causing an imbalance to our inherent desire for fairness, humans are **willing to punish** them, even if that punishment is costly to themselves. In some cases, this social pressure is more effective

than formal punishment. It is particularly crucial in developing contexts with limited means to conduct state monitoring and enforcing compliance. In <u>Brazil's favelas</u>, for example, the notorious drug gangs have been able to wield their social power to enforce the lockdown, rather than the state.

Potential for public policy

From a health perspective, COVID-19 will require some form of social distancing in our cities and rural areas for an extended period. However, the way in which the stringency of restrictions and their incremental duration are communicated, matters. In Hubai, China, the public policy of lockdown started <u>without a defined end date</u>, with the capital city Wuhan taking almost <u>three months to ease restrictions</u>. This open-endedness contrasts to many other countries such as Canada, France, India, <u>Ghana</u>, <u>Botswana</u>, <u>South Africa</u>, and the UK with defined lines in the sand for lifting or re-assessment. Many of these shorter lockdowns will see multiple extensions. By how long, we do not know, as we have limited evidence to leverage. However, by taking note from the behavioural economics of lockdown, evidence shows that repeated extensions of three weeks (such <u>as is happening in the UK</u>) have the potential to reduce compliance. This reduction would inhibit the very thing such extensions intend to deliver.

Where lockdowns are implemented, rather than moving the goalposts little and often, policymakers may benefit from a longer-term view: beginning with more stringent restrictions that ease incrementally over time, adjusting to balancing the health and economic outcomes. In this way, although the ultimate time under lockdown is no different, citizens do not search for lost time but are rather gifted with its gain. Strong leadership with a consistent narrative can also unite communities to adopt one social norm over another, resulting in citizens working to encourage compliance themselves and reducing the need for formal enforcement. While careful <u>consideration of evidence</u> must drive the 'right' course of action for lockdown, behavioural economics can drive how to deliver this message to citizens.

Authors note: *This blog is not intended to comment on the applicability of lockdowns, but rather key considerations to encourage compliance where they are implemented.*

Disclaimer: *The views expressed in this post are those of the authors based on their experience and on prior research and do not necessarily reflect the views of the IGC.*