



**Nudging for Recovery:**  
Behavioral Economics and the implementation of the  
National Recovery and Resilience Plan

GREEK & EUROPEAN ECONOMY OBSERVATORY

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# Nudging for Recovery: Behavioral Economics and the implementation of the National Recovery and Resilience Plan

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### Summary

- Greece's National Recovery and Resilience Plan (NRRP) aims to eradicate long-term vulnerabilities in the country's economy, mainly in terms of digital infrastructure, public administration, and sustainability.
- The Recovery and Resilience Fund is a fundamental opportunity for Greece to close the gap that separates it from the European median in a number of indicators, such as the labor market participation rate, the cost of borrowing for businesses, the average firm size, as well as women's participation rate in the labor market, to name a few.
- Recent years have witnessed an unexpected rise in government interest in using behavioral instruments to inform policy has emerged. At present, governments all over the world have invested significant amounts of political capital and resources in forming "nudge units", in an attempt to assist public policy with insights from the behavioral sciences. As of 2021, over 150 "nudge units" are operating in governments worldwide.
- This working paper focuses on three domains where behavioral insights can foster the implementation of the NRRP: taxation, labor market policies, and climate change.
- It is time for Greece to endorse behaviorally-informed policy-making by creating its own Behavioral Insights Group.

## Introduction

Greece is no rookie when it comes to recovery. Since achieving independence, its history has been full of cycles of triumph and disaster often followed by widening political divisions. Unfortunately, just as the national economy was starting to look up after years of austerity and stagnation, the COVID-19 pandemic reshuffled all priorities. The European Union responded to the pandemic by setting up the Recovery and Resilience Facility, which was designed to finance a return to normality and to accelerate transitions that were already in the making. Core transitions-in-progress include the Union's commitment to Green Growth, to the European Single Market, and the digital transformation of the public sector.

## Behavioral Economics and National Priorities

Greece's National Recovery and Resilience Plan (NRRP) aims to eradicate long-term vulnerabilities in the country's economy, mainly in terms of digital infrastructure, public administration, and sustainability. It should be noted that the allocation of funds is not left to the discretion of individual member-states, and must fulfill certain criteria. Thus, 57% of funding must be allocated to green and digital growth (37% and 20% respectively)<sup>1</sup>, with Greece slightly outperforming these rates.

The Recovery and Resilience Fund (RRF) is a fundamental opportunity for Greece to close the gap that separates it from the European median in a number of indicators, such as the labor market participation rate (NRRP 2021; 22), the cost of borrowing for businesses (NRRP 2021; 8), the average size of firms (NRRP 2021; 21), which is closely correlated with productivity, women participation rate in the labor market (NRRP 2021; 23), human capital performance (NRRP 2021; 37), to name a few.

The NRRP is well-structured, and mainly focuses on green growth, digital transformation, labor market and educational reforms, as well as institutional reforms and investments. However, what is missing from the 206 page plan is something that could be of assistance in achieving its stated goals: following the example of other governments worldwide and applying recent advances in behavioral economics.

Recent years have witnessed an unexpected rise in government interest in using behavioral instruments to inform policy. One often-cited but nevertheless vivid illustration is David Cameron's "Next Age of Government" 2010 Ted talk, in which he highlights how the enormous increase in global public debt is forcing governments to try and "make things better without spending more money"<sup>2</sup>. The then leader of the Opposition stressed how new insights about human nature, the result of advances in behavioral economics, allows governments to be more efficient and transparent, while also increasing people's well-being.

As is not often the case in politics, this was not just another speech full of undelivered promises. Shortly after forming a coalition government with the Liberal Democrats, a "Behavioural Insights Team" was put in place with David Halpern as its head and Richard Thaler in an advisory role. Cass Sunstein went on to head the White House's Office of Information and Regulatory Affairs under Barack Obama, where he led efforts to revolutionize regulatory policy, with behavioral economics (and nudge more specifically)

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<sup>1</sup> [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_21\\_481](https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_481)

<sup>2</sup> [https://www.ted.com/talks/david\\_cameron\\_the\\_next\\_age\\_of\\_government/transcript#t-793636](https://www.ted.com/talks/david_cameron_the_next_age_of_government/transcript#t-793636)

*“In the case of behavioral interventions, effective policy making rests on two primary pillars: i) a modern state that abandons all suppositions of people operating as economically rational calculators and ii) the idea that assumptions about human actions should be replaced by randomized control trials that validate the perceived accuracy of the predictions made.”*

playing a crucial role in his endeavors.<sup>3</sup> This was just the beginning of the behavioral sciences’ engagement with public policy’ at present, governments all over the world have invested significant amounts of political capital and resources in forming “nudge units”, in an attempt to inform public policy with insights from the behavioral sciences. As of 2021, over 150 “nudge units” are operating in governments worldwide (Sunstein, Reisch, and Rauber 2017).

Behind the iron curtain of policy making, solid foundations are needed to strengthen the validity of the proposals put forward. In the case of behavioral interventions, effective policy making rests on two primary pillars: i) a modern state that abandons all suppositions of people operating as economically rational calculators that maximize utility in any given situation and possess perfect information, and treats them as regular human beings who are easily prone to bias and miscalculation, and ii) the idea that assumptions about human actions should be replaced by randomized control trials that validate the perceived accuracy of the predictions made.

In fact, ii) dates back to Lucas’ critique of macroeconomic policy, i.e. that traditional discussions about policy fail to incorporate how government interventions impact on individual decision-making, even though Lucas’ theory of rational expectations has been deconstructed by behavioral economics.

Regarding (i), nudge theory treats the stereotypical bureaucratic state as its archenemy; simplifying processes is key to success in the modern world, where people are constantly busy and overwhelmed with information they have to process on a daily basis. Removing bureaucratic barriers is complemented by a desire to make important messages more salient and attractive, while the context in which choices are made is treated delicately.

Although there are multiple applications of this approach to policy, this paper will focus on three of the most relevant to RRF priorities: taxation, labor market policies, and the environment.

*“...nudge theory treats the stereotypical bureaucratic state as its archenemy; simplifying processes is key to success in the modern world.”*

## Taxation

The tax conundrum in Greece is well-known: illegal transactions are an inseparable part of everyday life. The principal actors are well known, as are their tactics. But limited political will, combined with an inherent distrust of the state have been offsetting all efforts undertaken thus far.

With one of the largest tax<sup>4</sup> and VAT gaps in the Eurozone (Pissarides et al; 101), new ways of approaching the problem are needed, starting with an attempt to shed light on the parameters that have fed into it. These include the complexity of the tax system, low levels of trust in public authorities coupled with perceptions of corruption, as well as high tax rates on income, property and business profits. Questionable practices occur primarily in the domain of self-employment, which remains dominant in the workforce. Approximately a third of the population declare themselves to be self-employed<sup>5</sup>. This rate is the highest in the EU, and is one of the main reasons tax evasion is as prevalent as it is, with 64% of the self-employed declaring annual incomes below 12,000 euros, which is the tax-free limit for individuals. The average amount reported was 4,300 euros

<sup>3</sup> <https://www.nytimes.com/2010/05/16/magazine/16Sunstein-t.html>

<sup>4</sup> <https://www.cnn.gr/oikonomia/story/203087/xamili-i-forologiki-symmorfosi-stin-ellada-den-eisprattetai-to-20-ton-foron>

<sup>5</sup> <https://m.naftemporiki.gr/story/1273938>

*“With one of the largest tax and VAT gaps in the Eurozone new ways of approaching the problem are needed.”*

(diaNEOsis 2016; 17–23). It is now common knowledge that, throughout the world, the self-employed practice tax evasion more than the rest of the workforce, which is to say that the principal problem in Greece is the structure of the economy, which allows for such disparities (Matsaganis 2017).

In addition, the extensive use of cash makes it easier for undocumented transactions to take place, especially in sectors where the use of POS is not explicitly required by law and not accepting credit cards remains both an option and an excuse. Another persistent and costly issue is not paying taxes on time, which is true of one fifth of the nation’s taxpayers, resulting in an estimated yearly loss of 4–4.5 billion euros<sup>6</sup>.

The NRRP dedicates an entire section to reforms and investments that seek to resolve the formerly outlined issues. The need to simplify and fully codify Greek tax law, whose complexity is often cited as one of the principal factors discouraging investment in Greece, is fully addressed (NRRP 2021; 110), as is the need to provide stronger incentives both for consumers to use credit cards for everyday transactions, and for firms to connect their cash registers and POS devices with the tax authorities.

*“Questionable practices occur primarily in the domain of self-employment, which remains dominant in the workforce.”*

### Policy Recommendations

Behavioral Insights (BI) are no gold mine, but we can be confident that they will increase government revenue when applied correctly. Identifying who to target is the first step; in this case, the targets would be late payers and systematic tax evaders.

Late payment of taxes has many facets, with inertia definitely being one of them. In this regard, social comparisons that highlight deviation from how others behave is effective. In fact, in the United Kingdom, large-scale trials have shown that the wording of letters sent can have enormous consequences, leading to a 5% increase in timely payments. (BIT EAST, 2014; 5). The message sent out was: *“Nine out of ten people in the UK pay their tax on time. You are currently in the very small minority of people who have not paid us yet.”* The numbers that were used were accurate, which is vital for proper and honest communication between government and citizens; in Greece, it would have to be acknowledged that the number of late payers is higher, with 8/10 people paying their tax on time. With a similar success rate, this would amount to an additional 1 billion euros per annum.

*“...the extensive use of cash makes it easier for undocumented transactions to take place, especially in sectors where the use of POS is not explicitly required by law.”*

Regarding tax evasion, the NRRP promises, but does not elaborate on, the use of artificial intelligence software to detect possible evaders. Policies such as rewarding the collecting of receipts have met with moderate results, mainly because not asking for a receipt remains a win-win situation. Fostering voluntary compliance is no easy task, but can be aided by focusing on the penalties one might face if caught, as well as employing social norms like those discussed above, and by highlighting the potential loss of public goods if compliance is not high enough (*loss framing*). In a large-scale trial conducted for the tax authorities of the Dominican Republic, simple reminders to pay taxes, accompanied with a statement of the potential penalties (fines/prison sentences) for tax evaders, increased the income voluntarily disclosed by 13% for the self-employed and 45% for firms, generating 100 million USD in additional revenue (Holz et al 2020). This success is rooted in the increased salience of the penalties, which is achieved using a simple message expressed over two small paragraphs.

Optimism Bias, which is another term for inadequate statistical reasoning (a bitter reality

<sup>6</sup><https://www.cnn.gr/oikonomia/story/203087/xamili-i-forologiki-symmorfosi-stin-ellada-den-eisprattetai-to-20-ton-foron>

*“Optimism Bias, which is another term for inadequate statistical reasoning (a bitter reality rendered more visible than ever during the pandemic) leads people to overestimate the probability of positive future outcomes and underestimate negative ones.”*

rendered more visible than ever during the pandemic) leads people to overestimate the probability of positive future outcomes and underestimate negative ones. In conjunction with the availability heuristic, they can at least partially explain the country’s high tax evasion. When one thinks of the punishment for such activities, not many--if any--examples spring to mind. Therefore, seeking to influence the public’s perception of the efficiency with which the authorities identify tax evasion can increase tax compliance. Media coverage that raises the salience and intensity of the arrests made will also help.

The availability heuristic--explored in *Thinking Fast and Slow* (2011) by Daniel Kahneman to examine how public policy is disproportionately preoccupied with threats that have a very small probability of occurring, such as terrorist bombings in the West, and how this affects the allocation of resources, with huge amounts spent on combatting them while strokes, diabetes, road accidents etc., which cause huge numbers of deaths, are neglected--relies on the instant recall of the relevant examples when a decision has to be made, can be utilized in this respect.

However, it should be noted that there are behavioral problems that need to be addressed on the governmental side, too. Austerity pay cuts have not spared tax inspectors, whose salaries equate to 50% of Greece’s GDP per capita, compared with an average rate of 134% in other developed countries. This highlights the importance of having well-paid tax authorities, both to increase incentives and motivation, and to lower the currently high levels of corruption.

Harnessing the power of defaults, the mandatory acceptance of credit cards in all sectors of the economy emerges as a policy priority. When not accepting electronic payments remains an option, tax evasion will continue to be prevalent. Businesses which do not currently have to accept credit cards include taxis, technical services, and kiosks. The government has tried to combat evasion in these areas by offering tax rebates for collecting receipts from these sectors, though with only modest success. Traditional measures cannot achieve their maximum potential when they are not in harmony with Behavioral Insights. For example, BIs tell us that a policy should minimize the effort required from individuals; having to ask for receipts, finding a place to store them, and the submitting them is far from ideal, quite apart from the fact these incentives were not effectively communicated, and clearly did not reach a large section of the population. Instead, in addition to mandating the acceptance of credit cards, one could imagine the creation of a 3-digit phone line and a website for the anonymous reporting of tax evasion.

*“Harnessing the power of defaults, the mandatory acceptance of credit cards in all sectors of the economy emerges as a policy priority.”*

Last but not least, Greece suffers from low trust in the authorities, as well as from persisting perceptions of corruption and the public misuse of citizen’s money. People often have a hard time understanding where their taxes are spent, given the notoriously low level of public goods in the country. Unfortunately, this is a far more complicated matter than increasing tax returns, and BIs can only help by noting that a wide-ranging information campaign focused on the allocation of government earnings could do more good than harm. Advertising recent tax-funded projects in each municipality would be a nice place to start.

## The Labor Market

It is no secret that the Achilles’ heel of the Greek economy may well be its unemployment rates. Now settling at around 15%, there is plenty of room for improvement. The current situation not only drains the treasury, it also detracts from

adequate levels of demand in the country. The NRRP lists labor market reforms as a high priority, though mostly by financing what has already been proposed by the Pissarides Committee.

*“The NRRP lists labor market reforms as a high priority, though mostly by financing what has already been proposed by the Pissarides Committee.”*

Apart from reskilling and upskilling, which are dealt with extensively in the plan, ambitious proposals for incorporating women into the workforce have also been put forward, in order to address the chronic problem of low female participation rates.

However, the fact that € 641 million are to be made available for new active and passive labor market policies is more important, given the scope of this paper. The former, which receive the majority of the funding, focus on subsidizing employment schemes for those with no prior experience, as well as for regions with high rates of seasonal employment. Regarding passive policies, the emphasis here is on reforming unemployment benefits, ensuring more active and efficient job searching on the part of the unemployed while also reducing barriers to enrollment in reskilling/upskilling schemes.

These policies will no doubt be effective, with the program as a whole predicted to increase employment by 4% (NRRP 2021; 137). Nevertheless, they constitute traditional measures and do not incorporate any of the recent findings in the behavioral sciences, which have proven quite successful in numerous labor markets worldwide. Better understanding leads to better policies.

*“...€ 641 million are to be made available for new active and passive labor market policies.”*

For example, Prospect Theory (Kahneman and Tversky 1979) sheds light on the complex psychological situation people find themselves in after losing employment, with the subsequent loss of income. Thus, unskilled or low-skilled workers laid off as a result of shifts in modes of production may find it hard to realise that finding employment which pays as much as the job they have lost is not within the boundaries of reality. They will therefore view lower-paid alternative opportunities as a loss, which Prospect Theory is valued twice as much as gains of the same magnitude. Therefore, debiasing wage expectations is very important and should be a policy priority. Changing the context from one in which the individual sees a job opportunity as a loss in relation to past earnings to one in which it is framed as a gain, is therefore very important.

Framing effects, in which people’s decisions are affected by the environment in which choices are presented, usually through negative or positive connotations, can also have an important impact on how job seekers view their situation and the role of job search sites. How information is presented when a choice has to be made can often influence the decision decisively (Tversky and Kahneman 1981). As argued in Nudge (2008), there is no neutral decision setting, and unemployment services are no exemption. In the UK for example, unemployment benefits were rebaptized as “Jobseeker’s Allowance”, striking a more positive note and also suggesting—to some extent—that the purpose of the allowance was to allow the recipient to actively seek employment, and not simply to covering part of a loss in income.

*“Prospect Theory sheds light on the complex psychological situation people find themselves in after losing employment, with the subsequent loss of income.”*

### Current situation

In Greece, state unemployment benefits have long been debated because of the inevitable existence of free riders who overload the system and the state budget, often working illegally, or simply not actively seeking employment, due to undisclosed forms of income. Over the past decade, the country had become accustomed to unemployment rates of over 20%, with a large number of the population inevitably dependent on state subsidies.

*“Sharp declines in GDP such as the one Greece experienced during the financial crisis, correlate negatively with individual self-reported happiness.”*

Sharp declines in GDP such as the one Greece experienced during the financial crisis, correlate negatively with individual self-reported happiness (Di Tella et al 2003). This is obvious, since declining economic activity leads to higher levels of unemployment and thus to greater anxiety about the future. It is no secret that crises foster uncertainty and pessimism. But in the European South, the situation is far more powerful, as a result of the inefficient Mediterranean welfare states. In Greece, Spain, Portugal and Italy, the inefficiency of social spending means that cyclical fluctuations impact disproportionately on life satisfaction (Wiese 2014b). Only in times of growth can certain groups (the young, or the long-term unemployed, for instance) be integrated *en masse* into the job market, and thus lifted out of poverty.

### Policy Recommendations

The current government has announced detailed plans for reskilling and upskilling the workforce, many of which are already being implemented. However, this is not to say, by any means, there is no room for improvement: the Manpower Employment Organization (OAED) has a lot to learn from behavioral economics, and from practices that have successfully been implemented abroad. In this respect, one of the most valuable applications of behavioral insights in government has been an improvement in the matching of job seekers with potential employers. Needless to say, there is no magic pill that removes job search frictions. What BI has to offer are simple methods which lead to 3–5% increases in enrollments in reskilling programs and hence to the unemployed finding employment faster. And cumulatively, these seemingly minor results can have valuable outcomes in the long run.

*“...one of the most valuable applications of behavioral insights in government has been an improvement in the matching of job seekers with potential employers.”*

OAED currently mandates that every recipient of unemployment benefit must meet with a job search assistant and, after having completed a questionnaire, develop an Individual Action Plan (Ατομικό Σχέδιο Δράσης). The job search assistant will direct the individual towards specific actions that ought to be followed, in order to increase his chances of finding employment in the next 6 months. These include writing a CV, focusing on specific sectors of employment, and going to relevant seminars conducted by the Organization. While these all seem well and good, two specific elements are missing from the strategy outlined above: commitment devices and implementation monitoring.

Commitment devices are mental mechanisms that “voluntarily ‘lock ourselves’ into doing something in advance” (BIT 2014; 05). They are most effective when the commitment is undertaken in front of someone else. In other words, they represent a zero-cost way of reducing inertia.

Quite often, the introductory meeting between job seekers and job search advisors is wasted with the latter answering trivia questions posed by the former, who could have found the answers by means of a simple search of the Organization’s website. As a result, precious time is spent on indifferent individuals who have not even taken the time to visit the OAED’s website, leaving insufficient time to devote to those who really intend to find employment. Cutting down such processes and devoting the first meeting to drafting and committing to a detailed, daily program of job-search tasks to be undertaken over the following two weeks has been shown to produce significant long-term results. Indeed, in various trials conducted in the UK, an increase of approximately 2% was achieved in finding employment, in comparison with the control group (BIT 2018).

Furthermore, another element of the current system that could be questioned is the lack of personalized assistance. Job seekers are not assigned a specific consultant for the

*“...another element of the current system that could be questioned is the lack of personalized assistance. Job seekers are not assigned a specific consultant for the duration of their job-searching endeavors.”*

duration of their job-searching endeavors. Instead, when a job-seeker requests a second meeting, the usual practice is to book an appointment with whoever is available on the given date at the job center. Of course, asking for a specific advisor every time remains an option, but it may come at the cost of additional waiting time. Assigning a specific job counselor has many advantages, such as de-randomizing the process and providing relatable people to specific groups that need it the most. Personalization of processes, whenever possible, is one of the cornerstones of behavioral government.

Besides personalization, simple and clear communication reduces barriers and frictions on all three sides. This includes appreciating the trilateral relationship between job seekers, job search advisors, and employers. Regarding how job seekers are treated, there needs to be a shift from negative-oriented conversations/priorities, such as asking the individual how actively they searched for employment in the past, to a more positive, goal-oriented approach. Negative and past-oriented conversations have been identified as one of the foremost failures of government agencies in aiding the unemployed. As for employers, the biases that have long been documented in the labor economics literature with regard to hiring processes have proved somewhat resistant to many types of traditional campaign to eradicate them and influence behavior. Instead, BIs advocate the use of blind job-matching platforms on which applications are judged purely on merit. Concerning job search advisors, some of the proposals sketched above require large-scale retraining to enable personnel to adapt to behaviorally-informed job search services.

Effective communication remains a vital challenge for labor market policies when the complexity of unemployment systems discourages participation. It is amazing to note that the OAED webpage listing the courses offered by its educational institute contains no information about the courses except their names; not even a brief description is provided. And that is just the tip of the iceberg. Another fundamental problem persists: the fact that the flood of information job seekers are presented with is discouraging. In order to address this, the government could design and offer a simple brochure containing all the relevant facts, along with basic tips on writing a CV, conducting online job searches, and fundamental trends in the job market. Similar actions have proven effective in large-scale trials conducted in Germany, especially for those at risk of long-term unemployment. Among this group, the brochure led to a 4% increase in employment relative to the control group (Altmann et al, 2018)

*“...harnessing the power of defaults, those identified as being at risk of long-term unemployment could automatically be placed in workshops providing basic social and digital skills, having the option to opt out if they so wish.”*

In fact, harnessing the power of defaults, those identified as being at risk of long-term unemployment could automatically be placed in workshops providing basic social and digital skills, having the option to opt out if they so wish. The importance for this group to acquire adequate social skills is also acknowledged in the Pissarides Committee report (Pissarides et al 2020; 149).

## Energy and the Environment

“When the well is dry, we know the worth of water”. Those words, which Benjamin Franklin wrote in his almanac back in 1746, capture the essence of the sort of short-sightedness that led to this year's climate catastrophe.

In *Nudge* (2008), Thaler and Sunstein introduced Energy and Environment-related nudges in their rather immodestly entitled chapter on “Saving the Planet”. They outlined ways to complement conventional policies, such as carbon taxes, with new choice architecture. Admittedly, energy consumption is one of the foremost examples of

myopia, which is to say focusing on short-term gains alone and not on long-term consequences. People tend to consume energy without any regard for the footprint that their habits leave on the environment. This behavior can be analyzed as the sum of two parts: a lack of sufficient feedback and information, and misinterpreted incentives.

*“People tend to consume energy without any regard for the footprint that their habits leave on the environment.”*

The first part can be dealt with by means of better and BI-informed regulation and proper information provision. The solution to the second lies primarily in the domain of neoclassical public economics: that is, imposing taxes on externalities. Of course, no nudge can lead to the fulfilment of the Paris Agreement, but it can lead to soft, pro-environmental behavioral change.

As mentioned in the introduction, the NRRP has to allocate at least 37% of the funds to green growth. Naturally, sections 1.1 to 1.4 of the plan are devoted to the cause at hand, focusing on the integration of renewable energy sources into the energy market, on the energetic refurbishment of government and civic buildings (more than half of which were built before 1980), combating energy poverty (which is prevalent in Greece, with 17.9 % of the population being unable to heat their homes [NRRP 2021; 47]), and in fostering the transition to electric vehicles.

*“...excessive energy use is accommodated by its invisibility; we simply do not understand the impact of our actions, because no feedback is provided.”*

### Policy Proposals

We are going to explore two pillars of intervention in this section: reducing energy consumption and pollution, and promoting green finance.

With respect to energy consumption and carbon emissions, it has been repeatedly shown that excessive energy use is accommodated by its invisibility; we simply do not understand the impact of our actions, because no feedback is provided. Furthermore, given that consumption takes place privately, there is no room for social comparisons and learning.

First and foremost, Greece has to find a way to approach its citizens and encourage sustainable consumption. The Pissarides Committee report highlighted the low level of recycling awareness (Pissarides et al 2020; 37), and the high levels of energy consumption. Setting the numbers aside, sustainable consumer behavior does not figure among the priorities of the general public. Sending letters to households and comparing their energy use to their neighbors (social norms), accompanied by energy saving tips, reduces consumption by 1–3% (Pollitt and Shaorshadze 2013). The aim of this strategy is to show energy-intense consumers how they rank in comparison to the average, and to create a culture of social comparisons that will nudge those at the bottom to adjust their behavior towards the average. People could also be informed how much more money they are paying out each year compared to energy-efficient neighbors. To ensure that those who use energy wisely will not increase their consumption when they see how they compare, adding a positive signal to the letter which suggests that good habits are welcome, has proved effective.

*“Green finance, defined as “any structured financial activity that’s been created to ensure a better environmental outcome”, is not a priority for Greek portfolio management.”*

Green finance, defined as “any structured financial activity that’s been created to ensure a better environmental outcome”<sup>7</sup>, is not a priority for Greek portfolio management. However, until recent reforms affecting supplementary insurance, the country’s social security system was based on redistributive pensions: the funds were simply allocated between generations. However, new options are appearing on the horizon. Mr. Tsakoglou, the minister responsible for the reforms, has announced that the new

<sup>7</sup> <https://www.weforum.org/agenda/2020/11/what-is-green-finance/>

“...there is an ongoing debate in several countries regarding the way that pensioners’ money is invested, and whether, for example, vegetarians would consent to their life savings being invested in meat-processing companies.”

scheme will ask people to choose between three options which relate to the level of risk they wish to undertake (conservative, balanced, aggressive), and that they will be free to change their mind every five years.<sup>8</sup> One could imagine this policy being complemented with the fund offering the option of green portfolios. For those too busy to choose between the three options, the government has announced that one will be set as the default--perhaps the green one.

In fact, there is an ongoing debate in several countries regarding the way that pensioners’ money is invested, and whether, for example, vegetarians would consent to their life savings being invested in meat-processing companies.<sup>9</sup> Besides pension funds, this policy of mandated choice could also be extended to private and investment banking, with institutions being required to ask individuals whether they want their savings or their investments to be directed towards sustainable finance portfolios.

### Concluding remarks

By focusing on taxation, labor market policies and climate change, this paper was undoubtedly unfair to other domains where Behavioral Insights have been shown to have potential: health policy (organ donations, drug prescriptions, diet plans), education (defaults), and consumer protection (price transparency, mandated choice) to name just a few. Since the rapid rise to prominence of behavioral economics, driven mainly by Nobel prizes and best-selling books, several governments and international organizations have endorsed behaviorally-informed policy-making.

Not surprisingly, Greece is, for now, absent from that list. But this can easily be reversed.

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<sup>8</sup> <https://www.kathimerini.gr/economy/561411052/i-asfalistiki-metarrythmisi-gia-ti-nea-genia-15-erotiseis-kai-apantiseis/>

<sup>9</sup> For a comprehensive review of the relationship between behavioral economics and green pensions, see BIT’s [Greening Pensions: A Behavioural Perspective](#).

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