

Status Quo Bias: A Paradigm Shift in Policy Making

Authors : Divyansh Goel, Varun Jain

Abstract : Classical economics works on the principle that people are rational and analytical in their decision making and their choices fall in line with the most suitable option according to the dominant strategy in a standard game theory model. This model has failed at many occasions in estimating the behavior and dealings of rational people, giving proof of some other underlying heuristics and cognitive biases at work. This paper probes into the study of these factors, which fall under the umbrella of behavioral economics and through their medium explore the solution to a problem which a lot of nations presently face. There has long been a wide disparity in the number of people holding favorable views on organ donation and the actual number of people signing up for the same. This paper, in its entirety, is an attempt to shape the public policy which leads to an increase the number of organ donations that take place and close the gap in the statistics of the people who believe in signing up for organ donation and the ones who actually do. The key assumption here is that in cases of cognitive dissonance, where people have an inconsistency due to conflicting views, people have a tendency to go with the default choice. This tendency is a well-documented cognitive bias known as the status quo bias. The research in this project involves an assay of mandated choice models of organ donation with two case studies. The first of an opt-in system of Germany (where people have to explicitly sign up for organ donation) and the second of an opt-out system of Austria (every citizen at the time of their birth is an organ donor and has to explicitly sign up for refusal). Additionally, there has also been presented a detailed analysis of the experiment performed by Eric J. Johnson and Daniel G. Goldstein. Their research as well as many other independent experiments such as that by Tsvetelina Yordanova of the University of Sofia, both of which yield similar results. The conclusion being that the general population has by and large no rigid stand on organ donation and are gullible to status quo bias, which in turn can determine whether a large majority of people will consent to organ donation or not. Thus, in our paper, we throw light on how governments can use status quo bias to drive positive social change by making policies in which everyone by default is marked an organ donor, which will, in turn, save the lives of people who succumb on organ transplantation waitlists and save the economy countless hours of economic productivity.

Keywords : behavioral economics, game theory, organ donation, status quo bias

Conference Title : ICBE 2018 : International Conference on Behavioral Economics

Conference Location : Venice, Italy

Conference Dates : April 12-13, 2018