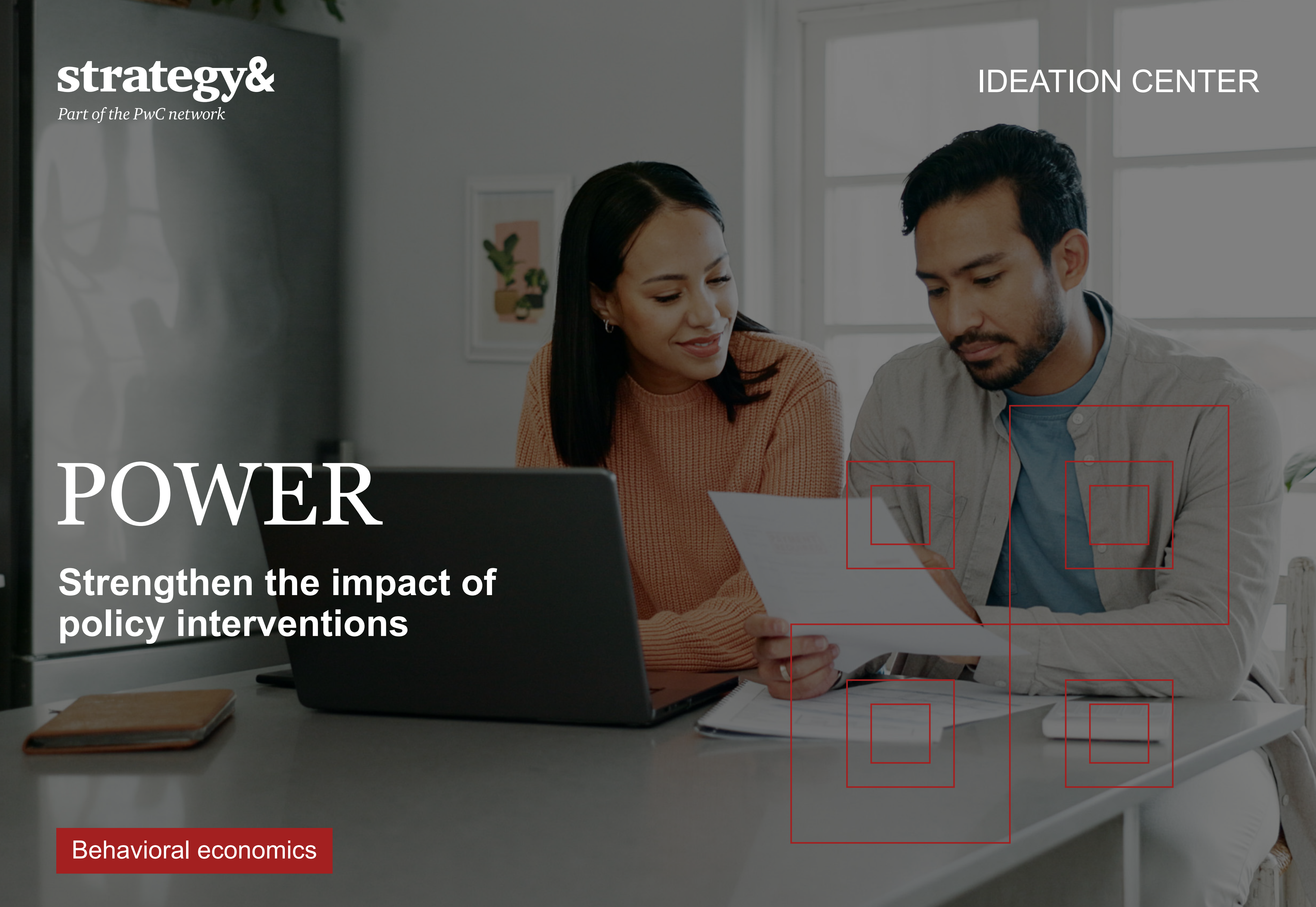

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IDEATION CENTER

POWER

Strengthen the impact of policy interventions

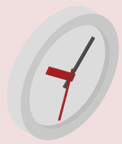
Behavioral economics

→

The behavioral economics team at the Ideation Center has developed a comprehensive framework for creating effective behavioral solutions based on four core principles: the **Power of Time**, the **Power of People**, the **Power of Emotions**, and the **Power of Cognition**.

Each principle taps into a fundamental aspect of human behavior, providing strategies to guide decision-making and encourage positive action.

POWER



Power of time

Take advantage of time preferences and implement time-based strategies such as delayed gratification and enforced deliberation periods to promote more reflective and thoughtful choices.

Power of people

Tap into the human desire for social identity and group belonging to encourage better choices that benefit them individually and the society at large.

Power of emotions

Catalyze peoples' emotions to frame information and decisions in a way that elicits specific emotional responses, such as excitement or empathy, to guide individuals toward desired choices.

Power of cognition

Adapt your approaches based on peoples' cognitive processes and induce specific mindsets to encourage proactive thinking, retain relevant information, or act more responsibly.

Bring POWER to accomplish results

POWER is best applied when targeting specific behaviors. For example, when designing experiments and interventions with the aim of encouraging a regular savings habit to improving the financial wellbeing of young people, each POWER can help policymakers tap into behaviorally informed approaches and tools.

Intervention design to increase savings

Behavioral approach		Behavioral facilitator or tool	
Power of time	Making use of **people's time preferences and discounting** to improve their financial decision-making	**Future oriented thinking**	Encouraging a focus on the future helps people make better financial choices by considering their long-term goals and delaying immediate gratification
Power of people	Leveraging **social information** about other people to encourage household savings and reduce unnecessary consumption	**Social influence**	Informing consumers about positive financial behaviors of their peers encourages them to save as well to "fit in"
Power of emotions	Employing **affect-based messages and appeals** to inspire healthier financial choices and decisions	**Emotional anchoring**	Associating positive emotions with responsible financial behavior, such as linking the feeling of "peace" or "security" with having emergency savings
Power of cognition	Cultivating **financially proactive thinking** to promote more economically rational behavior and decision-making	**Mental accounting**	Leveraging the tendency to categorize money into different accounts can influence households' financial decisions

Deep dive: Mental accounting

An example of leveraging the Power of Cognition through mental accounting is addressing people's tendency to treat bonuses or tax refunds as "free money". This bias often leads individuals to spend such windfalls on non-essential items, such as vacations, rather than saving or investing them.

To turn this tendency into a positive force, behavioral interventions can guide people to create mental buckets for specific goals, such as an "emergency fund" or a "future investments" account. For example, by prompting individuals to pre-commit a portion of their bonus to a savings bucket labeled "rainy-day fund", banks can encourage more responsible financial behavior while still allowing some funds for discretionary spending.

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Discover other frameworks and solutions from our behavioral economics team:

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