Between carrots and sticks, from intentions to actions: behavioural policy interventions for housing decisions

Abstract

Although behavioural interventions have been adopted widely in the public policy domain, with many countries establishing their own behavioural insight units, the application of behavioural insights in the housing market remains at an early stage. There is still much to be learned about when, where, and how behavioural interventions should be employed. To bridge this gap in the literature, we review how approaches from behavioural economics help our understanding of the complexity of housing decisions and outcomes. In this seminar, we will discuss how behavioural policy interventions can be used to improve housing decisions and an analytical framework for researchers and policymakers to identify areas where behavioural interventions could be implemented, and which behavioural tools should be employed. We argue that behavioural interventions are most relevant and effective when neither government regulations nor market incentives are effective. In other words, behavioural interventions are tools between sticks (e.g., planning regulations) and carrots (e.g., financial incentives). When it comes to the choice of specific behavioural tools, emphasis should be put on narrowing the intention-action gap, i.e., encourage people to act upon ‘good intentions’ by overcoming behavioural biases such as inattention, loss aversion, or myopia.