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Why Do Defaults Affect Behavior?
Experimental Evidence from Afghanistan†

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We report on an experiment examining why default options impact behavior. By randomly assigning employees to different varieties of a salary-linked savings account, we find that default enrollment increases participation by 40 percentage points—an effect equivalent to providing a 50 percent matching incentive. We then use a series of experimental interventions to differentiate between explanations for the default effect, which we conclude is driven largely by present-biased preferences and the cognitive cost of thinking through different savings scenarios. Default assignment also changes employees' attitudes toward saving, and makes them more likely to actively decide to save after the study concludes. (*JEL* C93, D14, D91, O12)

Default assignments impact behavior. This observation is among the most influential and policy-relevant insights from behavioral economics (Madrian 2014). From organ donation (Johnson and Goldstein 2003; Abadie and Gay 2006) and vaccine use (Chapman, Li, and Colby 2010) to exercise (DellaVigna and Malmendier 2006) and marketing (Johnson, Bellman, and Lohse 2002), and especially in the domain of retirement savings decisions (Madrian and Shea 2001; Choi et al. 2004; Beshears

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Why Do Defaults Affect Behavior? Experimental Evidence from Afghanistan

This paper reports results from a field experiment in Afghanistan designed to identify the reasons why defaults affect behavior. We have several reasons for studying defaults in Afghanistan. First, most of the existing evidence on default savings is from rich countries. Less is known about the potential for defaults to affect savings in poor countries, where most of the world's population resides, and where the eco- nomic benefits of increasing savings may be higher. Related, in developed countries, it is frequently the poorest and least financially sophisticated who respond most strongly to defaults; this suggests defaults might be particularly effective in poor countries. Finally, while the lack of financial infrastructure has historically limited the relevance of default savings products in poor countries, the recent proliferation of mobile money, which already has more than one-half billion registered accounts worldwide, promises to provide billions of "unbanked" individuals with a financial infrastructure that could support the use of defaults.

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