

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: Anant Sudarshan, Harvard University.

TITLE: Money for Nothing: Using peer comparisons and financial incentives to reduce electricity demand in urban Indian households.

TIME: 11:30 AM - 01:00 PM

DAY & DATE: Friday , 8th March, 2013

PLACE: Seminar Room 2

Abstract:

A randomized field experiment is carried out on a population of upper-middle class urban households in India to evaluate the relative effectiveness of three policy tools designed to encourage reductions in urban household electricity consumption. I quantify household response to (i) price changes, (ii) a behavioral information provision programme based on peer group comparisons and (iii) peer comparisons augmented with conditional financial incentives. The pure behavioral intervention using peer comparisons is able to generate sustained reductions in household electricity consumption of the order of 11 percent of electricity consumption sustained over the entire summer season. Counter-intuitively, introducing financial incentives that reward reductions alongside the same peer comparisons leads to a significant deterioration in impact. This result provides empirical field evidence supporting psychological theories of motivation crowding out in a policy relevant setting. The underlying price elasticity of the experimental population is also independently estimated and found to be low, consistent with the idea that money may have limited motivational effect in this setting. I consider implications for the use of behavioral and financial incentives in demand side interventions in energy consumption.

<http://www.isid.ac.in/~pu/seminar.html>