The habit-forming effects of feedback: evidence from a large-scale field experiment

Prof. Lorenz Fabian Goette, National University of Singapore

In this paper, we develop a unified model of habit formation and attention to examine the behavioral and welfare impacts of realtime feedback on behavior. Our framework encompasses consumption-based habit as in \cite{becker1988theory}, as well as attention-based habit motivated by recent studies in psychology and neuroscience. We test these competing mechanisms using a large-scale field experiment in the context of resource consumption (showering). We implement a novel experimental design that varies household-level realtime feedback cycles that temporarily draw attention to individuals' cost of consumption. Our results strongly support an attention-based model of habit in favor of workhorse consumption-based models used in economics.