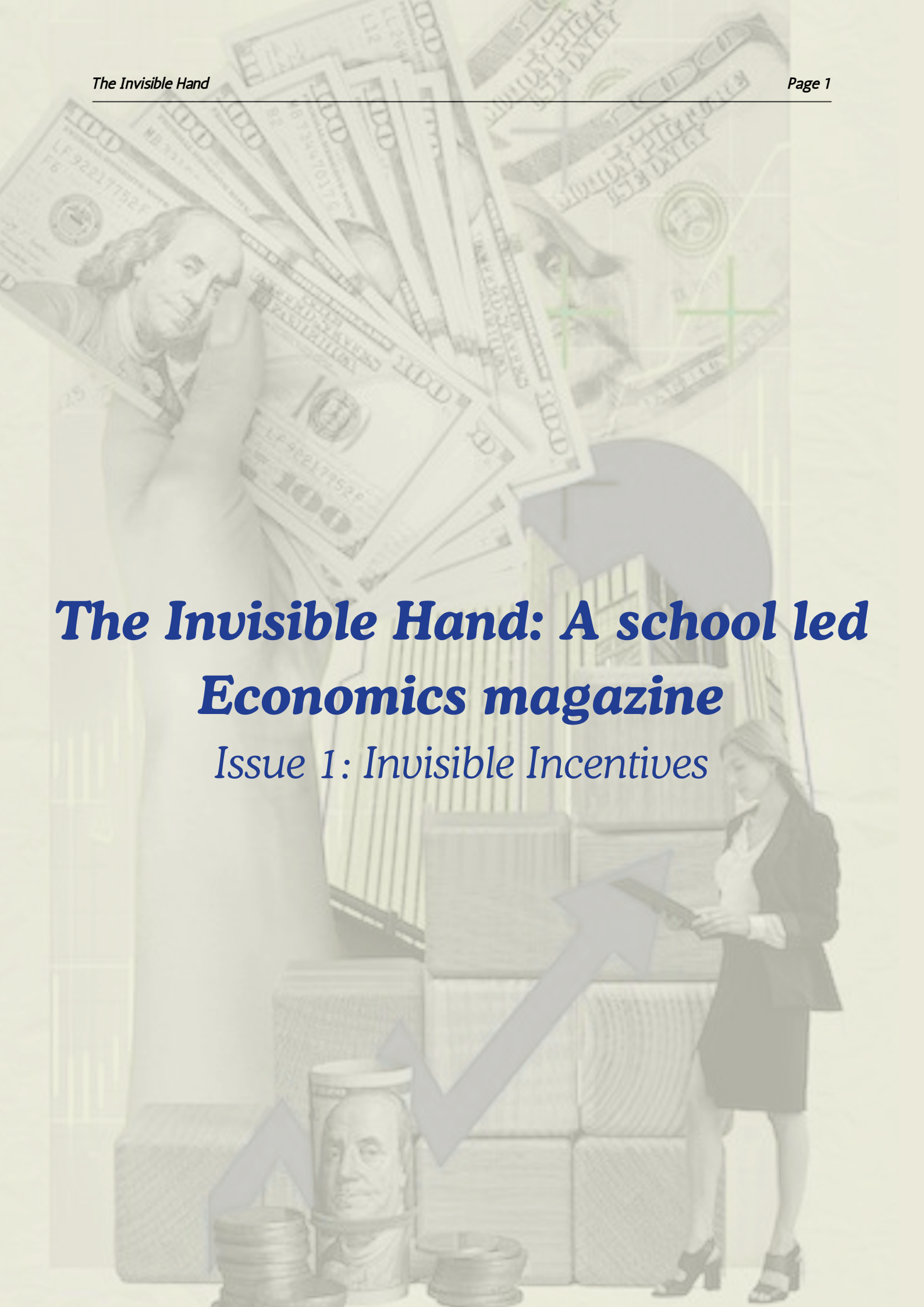




The Invisible Hand: A school led Economics magazine

Issue 1: Invisible Incentives

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Competition, Rank & Coaching: A Feedback Loop

By Vedant Divakarla

Over the past 10 years, India's education has improved measurably and drastically. Aided by the increased scrutiny following Covid-19 and the National economic policy (NEP) reforms of 2020, the education industry has seen objective development. But despite the larger digital classrooms, revised curricula, and consistently improving board results, a paradox exists: The coaching and tutoring sector has also experienced growth.

Logically, private coaching and school education would be substitutes, meaning that when schools become better, parents invest less in private coaching. But that's not the case. With a market cap of over \$6.5 billion, and a compounded annual growth rate (CAGR) of over 10%, the shadow education industry is showing no signs of slowing down. 70% of Indian households have enrolled their child in some variant of private coaching, while the fame of some cities, like Kota, is synonymous with its quality of private education.

The explanation between this phenomenon ties back to the education system itself, and how it rewards its best students. The paradox does not exist because schools are failing. It exists because private coaching caters to the real incentive in the Indian system. With uber-competitive exams like JEE and NEET playing the primary role in college admissions in India, the importance is

shifted from learning to rank, and from what you know to how well you perform under exam conditions.

This places large importance on small score differences. In a country with around 15 lakh students sitting the JEE January 2026 examination, even a 1 mark difference could be the factor that guarantees admission into an IIT. This winner-takes-all situation leads to parents overinvesting in private coaching, even if the marginal benefit is negligible, just to avoid falling behind in this high risk environment.

This feedback loop of a competitive advantage becoming quasi-necessary means that no matter how much education and schooling in India improves, the shadow education sector will always thrive unless the incentive framework is modified. After all, given the sheer number of applicants, it's the marks and ranks that signal a student's ability to colleges, and students will always prioritise looking good on the signal over pure learning.



Swiggy & Zomato Discounts

By Mahir Shah

E-commerce food delivery platforms such as Swiggy and Zomato regularly offer discounts on their applications, often applying coupons automatically at checkout. To consumers, this gives the impression that eating out is becoming more affordable. Over time, however, many users notice that ordering food continues to feel expensive. This reveals that the frequent and substantial discounts offered by these platforms are not primarily intended to reduce costs for consumers.

Instead, these discounts are designed to shape consumer behaviour. By consistently offering deals, the apps encourage users to order food whenever they feel hungry rather than cooking at home or purchasing directly from restaurants. As this behaviour is repeated, it gradually becomes a habit, and the platform becomes the default choice for ordering food. The nature of these discounts can also be misleading. Restaurants often increase their menu prices on delivery platforms to compensate for the high commissions charged by the apps. When a discount is applied, the final price may simply return to what the food would have cost if purchased directly from the restaurant. Despite this, consumers are led to feel that they are saving money, which encourages them to order more frequently. In reality, the price structure has simply been rearranged. These offers also support longer-term goals. Food delivery platforms track user activity to better

understand preferences, such as food choices, ordering times, and spending habits. This information allows them to recommend restaurants and promotions that closely match individual tastes, making the app feel increasingly convenient and personalized. As a result, the platform becomes difficult to replace, while competing services struggle to attract loyal users.

As users grow accustomed to relying on a single platform, the need for large discounts decreases. Additional fees become more noticeable, prices gradually rise, and consumers are left with fewer alternatives.

In the end, these discounts are not acts of generosity but carefully planned strategies to build habits and secure loyalty. While consumers may believe they are saving money, the greatest advantage ultimately lies with the platform, which gains influence over how, when, and where people choose to order their food.



Movie Sequels and the death of original cinema

By Agastya Mohanty

If one were to glance at the box office charts for this year, they would find something dumbfounding and saddening. Nearly all of the top-grossing films are sequels or remakes. Zootopia 2, Avatar: Fire and Ash, and Jurassic World are all examples of movies that audiences consistently return to, even if these films aren't regarded as creatively or artistically ambitious. They usually get mixed reviews from critics, but vastly outperform originals. In fact, in that same list the only movie that can really be considered as an 'original' is F1. But why? The answer can be found in the hidden incentives that influence both audience behaviour, and studios' decisions.

The very nature of sequels and remakes provides a hidden incentive for audiences to commit time to them – the familiarity. To the audience, sequels reduce uncertainty by having low information costs – they desire higher utility. They are already well acquainted with the characters, the world and the style of the movie, and so regardless of the inherent quality of the movie, choosing to consume a sequel or a remake is a risk-averse choice. This is the economically rational choice to make. Additionally, many franchise sequels act as talking points in social interactions, and therefore the sequel goes beyond its intrinsic value. This results in greater emotional investments and commitment to this particular piece of media. It is only reasonable and rational then,

or producers and studios to respond to this kind of demand.

Rational studios understand that sequels provide a secure box office hit, and therefore reduce the risks of the movie being unable to match expectations or the investment put into it. Not only is the demand consistently higher, but usually the additional costs of production incurred while producing the film is lower. This can be attributed primarily to the efficiency of marketing. Usually, major blockbusters spend around 30-50% of their production budget on marketing, just to sell the movie. Sequels or franchises do not have that same issue, as the brand name itself does a lot of the heavy lifting when it comes to advertising, reducing costs per dollar spent. Finally, studios have changed their perspective of what a film is supposed to achieve. Most studios that produce blockbusters do not view the films in isolation, but as components of larger ecosystems. Huge franchises generate revenue not only through film but through external sources – the potential to create spin offs. Consequently, a sequel that is vapid and lacking creatively still has a higher economic upside through its multiple revenue streams.

What can we take away from this? The lack of originals succeeding should not be attributed to the studios' lack of desire to produce creatively ambitious films, but rather the invisible incentives on both sides of the market. Audiences are rational creatures and seek certainty and payoff, whereas studios seek profitability and respond to consumer demand – which happens to be persistently around sequels or remakes. Nowadays, in this industry, creative failure is not to blame for repetition; instead, it is rational economic incentives that are driving this drought of original cinema.

The Illusion of Choice in Music

By Nayna Jha

From Spotify wrapped disguised as a badge of honor, to subscriptions increasing user satisfaction, to artists being manipulated into altering their music style, Spotify has successfully fooled the public into blindly following its invisible incentives. The algorithm acts as a double-agent, someone who you believe is providing you with personalized music just for your benefit, but is secretly generating millions. Every click made on this app is scrutinized, and it accomplishes what it set out to do by the silent nudges that go unnoticed, influencing both consumption and production decisions.

Limited skips and constant ads cause a great deal of inconvenience for users that haven't paid for Spotify premium. This constant disturbance irritates consumers, almost forcing them to pay for the subscription just to make up for the experiences they lost. This principle is known as loss aversion, where the pain from a loss is felt deeper than any pleasure received from its gains. The cost of ads and skips exceed the benefits of the music itself, concluding in Spotify getting yet another user with its membership. As a result, the app got €15.934 billion in 2025 purely from subscriptions.

Producers are simultaneously affected by these incentives as well. A song played for less than thirty seconds on Spotify translates into the artist receiving nothing from that interaction. If this pattern

is consistent, it negatively impacts the artist's earning potential, incentivising them into creating music with shorter and catchier intros. This reduces the likelihood of a song being immediately skipped which is viewed as positive feedback for the algorithm. Although these changes limit artists from creating music freely, it increases their overall revenue, as well as Spotify's. As a result, this silent incentive nudges artists into producing unoriginal art, benefitting the app immensely.

Lastly, Spotify wrapped is a massive incentive disguised as a psychological reward. It has mastered the art of creating identities from numbers by personalising every genre. Being in an artist's top 1% or having thousands of minutes listened to fills users with validation, increasing self-surveillance that ensures users will listen more just to see a desired number. Additionally, wrapped has become a free marketing strategy. By encouraging millions of users to repost their results, we became brand promoters without realizing it. The buzz of wrapped guarantees popularity each year as users love to brag about their statistics online, which created one of the most clever promoting strategies of all time. Despite this, users are too blinded by viewing their personalised data to notice this massive nudge.

Overall, Spotify uses numerous incentives to guarantee revenue and promotion, including personalized recommendations, Spotify premium, catchy intros and so much more. Through its clever marketing and nudges, it gained \$13.6 billion in revenue across the first three quarters 2025. Even though these incentives are visible, users see it as a personal benefit rather than anything else, ensuring that the app will continue to make billions every year.

The Sack Race

By Chirag Gope

Invisible incentives are defined as the hidden, unspoken, or underlying motivations and forces that drive human behavior, organizational actions, or market outcomes, often operating without conscious awareness or direct, visible manipulation. Essentially they are the unseen factors that attempt to account for human behaviour. This concept is most fundamentally important in the field of economics, and while the field is seen primarily in the light of money, I wanted to shine some light on a much cooler application of this concept: football.

For you see, each new season in any league comes with lofty expectations for any manager, specifically those without a big name. New hires are expected to win big, fast with few resources, and managers given resources are expected to be in title contention year in and year out. Naturally this situation doesn't fare too well with the managers who find their very livelihood threatened by these frankly absurd expectations. This duality creates our problem for the day: the sack race.

Managers underperforming with (or sometimes without) the resources provided find themselves in a situation where they are rewarded for how their performances reflect rather than the performances themselves. That is to say, a gutsy 4-2 loss would look worse to the board (the setters of these insane expectations) than a dull and boring 1-0 loss. Naturally, managers (because they want to keep their jobs)

opt to play a more dull/drab brand of football than those in more comfortable positions. This creates a funny situation where a brand of football which will undoubtedly lead to long term failure is championed over a brand which has the potential for long term success.

This situation is reflected in the data as the clubs near the bottom of the table in the 2022-23 season were: Bournemouth, Everton, Southampton, West Ham United, Wolves and Nottingham Forest. All these teams sacked their manager and had an average possession stat of 45% (the range was 37.2%-50.1%). The possession stat is the most universally accepted stat for attacking prowess (over a long period of games), hence the data reflects the negative tactics employed by the managers.

The situation has undoubtedly been made worse by the presence of the media. The media (and by extension press conferences and the very fans) is a source of criticism for managers these days. Hence managers are eager to elect tactics that would be easy to explain to the media as the media in turn will be able to understand the idea behind a tactic and will respond more positively to the tactics selection despite its failing nature.

In conclusion, the presence of invisible incentives in football turns the sport into a vicious affair for everyone involved. Forward thinking managers are binned for nothing while more pragmatic minds are placed on a hollow pedestal. In the end the only clubs able to afford innovation will be the ones who bite the bullet of mediocrity.

Nudges as Invisible Incentives

By Akshay Swamy

In economics, incentives are often pictured as visible forces, such as prices rising, taxes changing, incomes shifting, etc. Yet many of the strongest influences on consumer behaviour are less obvious. A nudge aims to influence consumer behaviour and steer them towards desirable actions without restricting their freedom to choose or providing any financial incentives. Thus, nudges work as invisible incentives, as they effectively alter consumer behaviour by making certain choices easier, or more normal, while preserving freedom of choice.

Nudges are based on the straightforward fact that consumers do not always act in a way that makes perfect sense. Many decisions are made quickly using mental shortcuts due to time constraints, attention deficits, habits, and information overload. By making use of these shortcuts, nudges help direct which options seem like the default or the easiest route, rather than by letting consumers decide.

An obvious real-world example are default settings. Employees must actively choose not to participate in pension plans in many workplaces where they are automatically enrolled, so neither a penalty nor a higher salary serves as the incentive. Rather, the cost is both economical and psychological, as opting out is difficult, and many people decide to stay with the default because it seems advised or because they delay acting. As a result,

participation increases, even among people who might otherwise put away savings.

Information design is another common example. While nutrition labels, calorie displays, and unambiguous warnings do not alter food prices, they do affect the decision-making process of consumers by increasing the visibility of health costs at the time of purchase. In the same way, retailers and online platforms frequently employ nudges, such as putting healthier items at eye level or at the entrance of their stores, creating "recommended" bundles, or emphasising "most popular" choices. These small cues influence consumers to make certain choices without explicit guidance, therefore acting as silent indicators of what is reasonable or socially acceptable.

Nudges, however, raise a crucial policy question because they work secretly: When does guidance turn into manipulation? Nudges help match short-term decisions with long-term welfare, like healthier diets, when they are created transparently. But the very fact that they are invisible gives them a manipulative power and hence may not be ethical. Nudges are invisible incentives because they affect consumers' decisions as they are aware that they are being made, not because they eliminate choice.



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