

JULIAN REISS

THREE ARGUMENTS AGAINST PATERNALISM

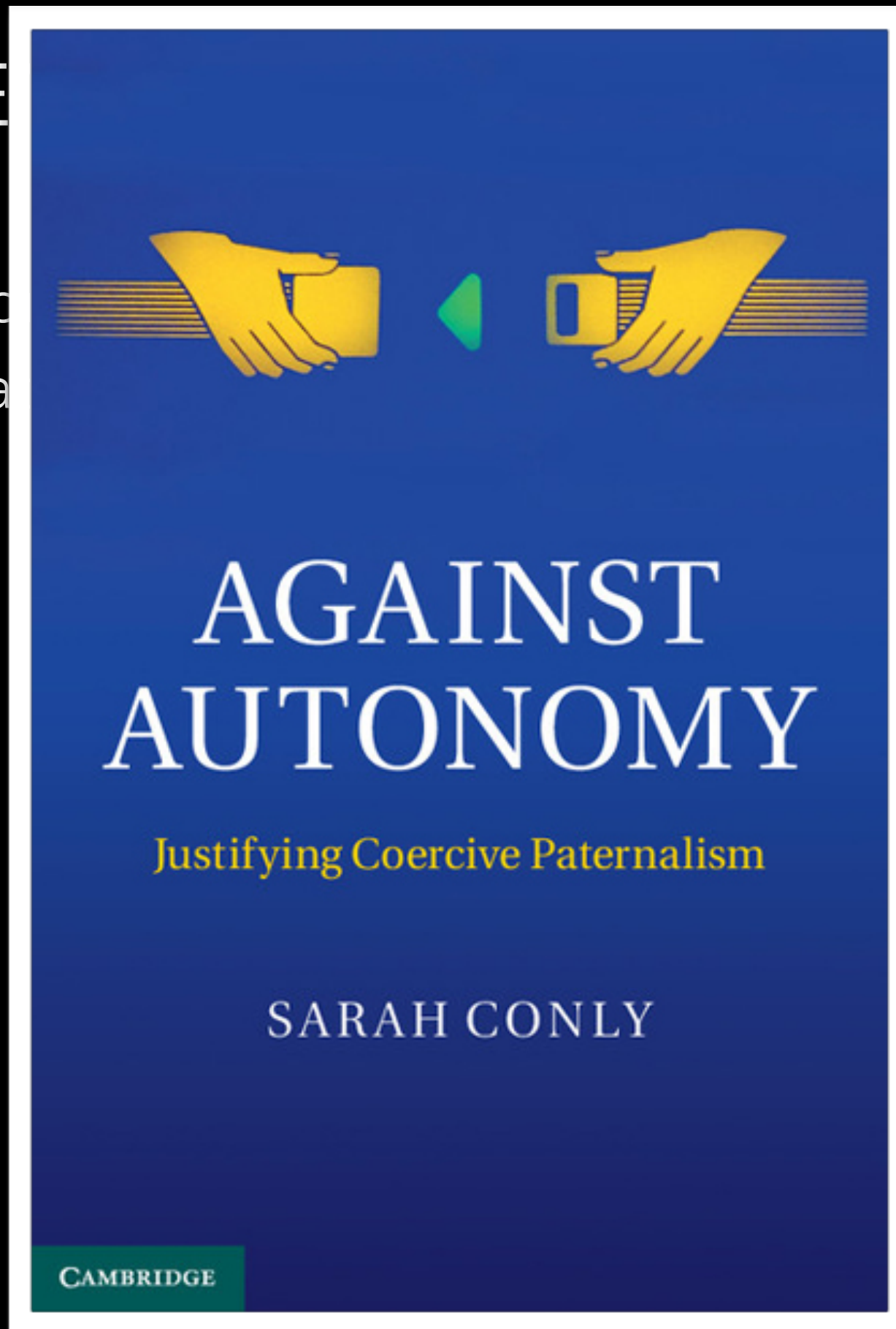


OVERVIEW

- The motivation for this talk stems from a recent book defending paternalism

OVERVIEW

- The motivation of the defending parent



nt book

OVERVIEW

- The motivation for defending patients

WE ARE TOO FAT, WE ARE TOO MUCH IN DEBT, AND WE SAVE TOO LITTLE FOR THE FUTURE. THIS IS NO NEWS – IT IS SOMETHING THAT AMERICANS HEAR ALMOST EVERY DAY. THE QUESTION IS WHAT CAN BE DONE ABOUT IT.



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- I disagree with Conly's premiss: 'we' are very far from *knowing* that 'We are too fat, we are too much in debt, and we save too little for the future'
- My goal here is to offer some reasons for epistemic humility: if 'we' is the government, it is very hard for 'us' to know what is good for a given individual, and even if 'we' did know that, it would be hard to figure out how to promote that individual's good

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- Essential: interference Z — P 's well-being W — means-ends relationship between Z and W

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- I argue that if *A* is a government, typically, neither of the three conditions is fulfilled

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- It is hard to see how an interference with people's liberty can be justified if it *in fact* makes them worse off or it makes them better off only *by chance*
- My first question is therefore: Does the government know which interventions work?

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- It may be admitted that, so far as scientific knowledge [i.e., knowledge of general rules] is concerned, a body of suitably chosen experts may be in the best position to command all the best knowledge available — though this is of course merely shifting the difficulty to the problem of selecting the experts.*



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- Let's look at scientific knowledge concerning the effect of the intervention on an observable outcome variable (programme enrolments, gym membership, dietary intake...) first

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DOES THE GOVERNMENT KNOW WHICH

Until the Card-Krueger study, most economists, myself included, assumed that raising the minimum wage would have a clear negative effect on employment. But they found, if anything, a positive effect. Their result has since been confirmed using data from many episodes. There's just no evidence that raising the minimum wage costs jobs, at least when the starting point is as low as it is in modern America.

new of are controversial:



KNOW WHICH

Three conclusions, in particular, stand out. First, as indicated in chapter 3, the literature that has emerged since the early 1990s on the employment effects of minimum wages points quite clearly—despite a few prominent outliers—to a reduction in employment opportunities for low-skilled and directly affected workers.

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 - Do or don't prevent laws mandating the use of bicycle helmets prevent head injuries (Robinson 2006 vs Hagel et al. 2006)?

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Analysis And Comment

No clear evidence from countries that have enforced the wearing of helmets

BMJ 2006; 332 doi: <https://doi-org.ezphost.dur.ac.uk/10.1136/bmj.332.7543.722-a> (Published 23 March 2006)

Cite this as: BMJ 2006;332:722

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DOES THE GOVERNMENT KNOW WHICH

Arguments against helmet legislation are flawed

Brent Hagel, Alison Macpherson, Frederick P Rivara, Barry Pless

Robinson's opposition to helmet laws is contrary to published evidence on the effectiveness of bicycle helmets.¹ At least six independent studies have reported a protective association between wearing bicycle helmets and head injuries.^{w1-w6} Furthermore, systematic reviews of the relation have all noted a protective effect of helmets.²⁻⁴ Similarly, six studies have examined the relation between helmet laws and head injuries, and all found a reduction in head injuries after legislation was enacted.^{w1 w7-w11}

What do the data show?

Robinson suggests that the percentage of bicycle related injuries that are head injuries seems to be declining and that this decline started before the enactment of the law. However, her figures also show that helmet laws are successful in increasing helmet use and seem to be associated with a decrease in the percentage of head injuries. The effect of helmet use is most evident in her fig 2, where the increase in the percentage of cyclists wearing helmets corresponds with a decrease in the percentage of head injuries. The corre-



Beware of confounders

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BMJ 2006;332:725-6

ED PRITCHARD/STONE/GETTY IMAGES

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- (For this reason alone I wouldn't want to leave the choice of experts to the government...)

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THE CONCEPT OF LOSS AVERSION IS CERTAINLY THE MOST SIGNIFICANT CONTRIBUTION OF PSYCHOLOGY TO BEHAVIORAL ECONOMICS

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LOSS AVERSION IS ESSENTIALLY A FALLACY... CONTRARY TO CLAIMS BASED ON LOSS AVERSION, PRICE INCREASES (IE, LOSSES FOR CONSUMERS) DO NOT IMPACT CONSUMER BEHAVIOR MORE THAN PRICE DECREASES (IE, GAINS FOR CONSUMERS). MESSAGES THAT FRAME AN APPEAL IN TERMS OF A LOSS ARE NO MORE PERSUASIVE THAN MESSAGES THAT FRAME AN APPEAL IN TERMS OF A GAIN

(Andersen et al. 2014)

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 - Endowment effect (Plott and Zeiler 2007)
 - Overconfidence (Juslin et al. 2000)

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 - Outcome measure (E.g., Choi et al.: participation rates vs actual savings)
- A fully specified question might therefore have a true answer, but questions are rarely fully specified (and if they are, answers might not be relevant to a policy problem)

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- Thus, even if there is a true answer to some policy question, it might not be knowable

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 - How many left-wing Austrian economists are there?
 - And how many right-wing post-Keynesians?

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- *I argue that to assess the welfare effect of an effective behavioural policy often requires assessing this result in the light of how it was produced. [...]*

- *[W]elfare effects of nudge policies depend on the mechanisms that drive them.*



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- Very generally speaking, we can explain an apparent violation of rationality as (a) a flaw in the design of the experiment (e.g., Harrison); (b) a flaw in the used standard of rationality (Hayek, Gigerenzer); or (c) a flaw in individual reasoning

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- And of course there is little agreement about which of the candidate explanations is correct

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DOES THE GOVERNMENT
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IT IS WITH RESPECT TO THIS
THAT PRACTICALLY EVERY INDIVIDUAL
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BUT OF WHICH USE CAN BE MADE ONLY IF THE
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 - Debiasing mechanisms are local

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- Most of the evidence paternalists cite is in fact irrelevant:

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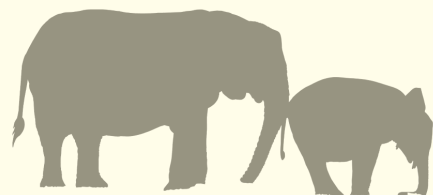
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DOES THE GOVERNMENT
PEOPLE'S WELFARE?

FOR WHAT IT IS
WORTH, MANY EMPLOYEES SAY
THAT THEY "SHOULD" BE SAVING
MORE. IN ONE STUDY, 68 PERCENT OF
401(K) PARTICIPANTS SAID THAT THEIR
SAVINGS RATE IS "TOO LOW," 31 PERCENT
SAID THAT THEIR SAVINGS RATE IS "ABOUT
RIGHT," AND ONLY 1 PERCENT SAID
THEIR SAVINGS RATE IS "TOO
HIGH."

Richard H. Thaler
Cass R. Sunstein

Nudge



Improving Decisions
About Health, Wealth,
and Happiness

is in fact irrelevant:

given to

DOES THE GOVERNMENT KNOW PEOPLE'S WELL-BEING?

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 - Laboratory evidence is context-free
 - Most studies produce average results that are not informative about individual preferences, individual effects or even effect distributions

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- But even traditional paternalist policies are difficult to justify because knowledge of the effect of interventions on target variables and their implications for well-being are highly controversial