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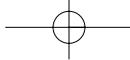
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Trust Us

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On My Mind

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Trust Us

Paternalism's newest advocates say they know what you want, really.

SOME OF US REMEMBER THE Spice Girls in the 1990s asking, "So tell me what you want, what you really, really want." Today, some economists have decided to take this one step further. They intend to tell *us* what we really, really want. I call these economists, and those who embrace their ideas, the New Paternalists.

Old-fashioned paternalists impose restrictions on behavior, like mandating bicycle helmets or outlawing marijuana, because they believe they're good for you, period. By contrast, New Paternalists coerce or manipulate behavior because they believe it's what you would really want if you were thinking straight. They are not deciding for you, they say, but rather, simply making it easier for you to do what you want to do at some deep level, but cannot.

Easier said than done. For example, in surveys people say they want to save more. Most firms that have 401(k) savings plans require employees to actively choose to enroll. Disorganized procrastinators don't sign up for years. The New Paternalists, such as University of Chicago professors Richard Thaler and Cass Sunstein, have a plan to help the procrastinators. They want employers, either voluntarily or by legal requirement if necessary, to automatically enroll people. Employees can opt out later if they choose. Their own inertia will further employees' interests, goes the thinking. People will enroll sooner and save more.

But there's a problem with that reasoning. In a study Jagadeesh Gokhale, Laurence Kotlikoff and Todd Neumann show that for some workers the 401(k) may not be a good choice. They conclude that a young, low- to moderate-income household may raise its lifetime taxes and reduce its lifetime expenditures by saving in a 401(k) program. This has to do in part with the fact that because such people are in a low tax bracket, they don't get much benefit from the 401(k) deduction now, yet the 401(k) withdrawals years later can raise the share of their Social Security benefits that are subject to taxation. Besides, people have



New Paternalists think you would pass up the Fritos if you were thinking straight.

more liquidity needs when they are getting started in life. High-income households do get tax benefits from a 401(k).

Conclusion: An enrollment default is regressive. Is this what non-enrollees, who are mainly young and low-income, really, really want? Perhaps they are rational, after all.

Some New Paternalists advocate a "fat tax" on junk foods that are high in salt and fats, like potato chips. These foods can make you chubby and hike your risk for heart disease. If only people had greater foresight and willpower, goes the reasoning, they would resist these snacks. In other words, this is what people would really, really want if they could see the Fritos bag with a clear eye. How much should the tax be? If the optimal chip consumption amount is zero, then it should be very high indeed.

But do people really want to give up all this junk-food enjoyment in the hopes of a better life later? It is unclear what optimal willpower and foresight imply in terms of behavior, especially given the differences among individuals. What about the 100-pound triathlete? Should she pay, say, a 30% tax on her bag of chips? Or the rail-thin 14-year-old boy who eschews sweets but likes a savory treat once in a while?

People already exercise self-control to different degrees and in different ways. Should those who are highly self-controlled pay the same tax as those who are less self-controlled? If so, it is quite possible that a fat tax will cause the former to eat too few chips in terms of what they really, really want.

The basic problem for the New Paternalists is this: They do not know what people really want. To get clear-cut policy goals or standards they will have to either explicitly impose their own values, reify the values of some Orwellian authority or go with what the rent-seekers, like mutual fund companies or health advocates, come up with.

Thus, to quote a line from yet another song (by The Who): "Meet the new boss, same as the old boss." **F**

