



Government interventions to aid choice: Help to self-help or paternalism?



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ABSTRACT

A random sample of Danish respondents was asked in which aspects of every-day life they find it more difficult to adhere to behavioural patterns that they believe are best for them and their family. Individuals report high degrees of lack of self-control in specific areas of everyday life, suggesting that individuals are not consistently exhibiting utility optimising behaviour, a finding that accords with behavioural economics and the expected prevalence of irrational behaviour. We observe greater self-perceived self-control problems amongst individuals from the lower economic strata. Thus, to the extent that self-control relates to environmental factors, there is justification for introducing government interventions targeting such factors to improve equity in health and to increase utility levels amongst those with lower incomes and lower levels of education. Further, the public's preferences for a range of government interventions targeting different facets of life-style were elicited. Individuals who were the target of interventions were less supportive of these interventions. Individuals in the target group whose self-perceived self-control was low tended to be more supportive, but still less so than those who were not targeted. Since support was shown to come mainly from those not targeted by the intervention, and especially from those who feel in control of their lives, our results indicate that the interventions cannot be justified on the grounds of libertarianism (help to self-help).

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1. Introduction

Behavioural risk factors such as unhealthy diet, smoking, sedentary activities, and excessive alcohol consumption can have a major impact on chronic diseases such as heart diseases, diabetes, obesity, and cancer [18,21,29], and are considered primary drivers of premature death and health care spending in the western countries [27]. In recent years focus has been on improving health behaviours through government interventions [26]. Some interventions seek to improve the attractiveness of choice

options, while other interventions are less subtle and involve e.g. increase in the price of selected choice options or the banning of options [8].

An economic rationale for government intervention is that lifestyle choices may produce external effects, i.e. effects that do not enter into the individuals' own utility function. For example, individuals with chronic diseases are likely to contribute less to society and consume more resources, leading to welfare implications to others. An additional type of externality may prevail if citizens are altruistic and derive utility from enabling others to lead a healthy and less risky life style [15,16]. The public health literature has focused on the effectiveness of interventions aiming at correcting such market failures (e.g. [3,7,5,24]; [34]).

A different reason for government intervention is the perception that individuals behave irrationally, and that

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individuals appreciate support in overcoming their problems with self-control [14]. In line with this perception [11] argue that optimal taxation on cigarettes can be high, even in the absence of interpersonal externalities, due to the self-control benefits of taxation. Self-control problems may be conceived of as a time-inconsistent taste for immediate gratification with the implications of procrastination ([22]; [35]). Time inconsistent preferences are often represented by (quasi) hyperbolic discounting, and are characterised by decreasing impatience over time ([36,37]). O'Donoghue and Rabin, 2001 categorise individuals who exhibit time inconsistent behaviour in two groups. At one extreme people, referred to as “naïve” individuals, may completely ignore that they are time inconsistent. At the other extreme “sophisticated” individuals are aware of their irrationality and can perfectly predict how their preferences will change over time. The latter have an advantage over the naïve, in that they can pre-commit to a certain course of action due to their knowledge of lack of self-control, and thus prevent themselves from reversing their initial inclinations at a later phase. A potentially observable prediction is that if behavioural models are correct, there should be consumer demand for self-control strategies, and that this demand should come primarily from sophisticated time inconsistent individuals.

Empirical tests of behavioural economic models often use data from small-scale experiments similar to those conducted in psychology research, and it is difficult to draw any conclusions on the general support for interventions based on such a select sample of individuals. Previous research have used data on who supports government regulatory smoking interventions as an example of the demand (and support) for self-control strategies, and find that smokers who plan to quit smoking are more supportive of regulations than are other smokers [12,13] match information on cigarette excise taxation to surveys from the U.S. and Canada that contain data on self-reported happiness. They find consistent evidence in both countries that excise taxes make smokers happier. Our study expands on this sparse research by focusing on the support of a range of government interventions amongst a large random sample of citizens, to explore the patterns of support across individuals with and without self-perceived self-control problems in various areas of life.

The idea that individuals may need help in correcting their irrational behaviour has attracted a lot of attention among policy makers. This is symbolised by the establishment of the Behavioral Insights Team in the UK, and the Social and Behavioral Sciences Team in the US [28]. The initiatives are basically founded on the idea of libertarian paternalism [31,32]. Libertarian paternalism is paternalistic in the sense that it tries to influence choices in a way that will make choosers better off, as judged by themselves, and it is libertarian since it aims to ensure that people should be free to opt out of specified arrangements if they choose to do so. Libertarian paternalism is similar to *asymmetric paternalism* [4], which refers to policies designed to help people who behave irrationally, while interfering only minimally with people who behave rationally.

In the present study we focus not only on interventions that accord with libertarian paternalism. Rather, we

explore the acceptability of various government interventions including those that will also affect people who act rationally (such as increasing prices on consumption goods). Rational individuals may condone such intervention for altruistic reasons. Given the political attention to interventions which improve health related life-styles, it is of imminent importance to verify whether these initiatives find support in the general public, and whether individuals with self-control problems are supportive of the interventions. It is anticipated that the attitude amongst the target group (here defined as individuals whose behaviour is being targeted by the intervention) will mainly be influenced by own perceptions of (lack of) self-control, the anticipated disutility associated with facing a different choice set (including monetary costs) as well as more principal attitudes towards government interventions. In contrast, it is envisaged that respondents who are not in the obvious target group are more likely to be steered by paternalistic altruism, principal attitudes such as fairness as well as possible externalities (e.g. passive smoking) and the cost of the interventions to tax payers.

2. Aim of study

We assess the desirability of a given intervention in the light of its conformity with individual preferences. In this study we seek to answer the following research questions:

- 1 In which aspects of every-day life do individuals find it more difficult to adhere to behavioural patterns that they believe is best for them and their family?
- 2 Are self-perceived problems with lack of self-control associated with economic strata?
- 3 What are the Danish public's attitudes to different types of government interventions targeting life-style?
- 4 Is there an association between the areas where an individual expresses (lack of) self-control, and the individual's preference for interventions targeting these same areas?

In relation to research questions 3 and 4 we seek to examine the following propositions

2.1. Rationale: libertarian paternalism

Proposition 0. In accordance with the premise of libertarian paternalism the proposed government interventions should find more support amongst the targeted individuals than the non-targeted individuals.

2.2. Rationale: lack of self-control

Proposition 1. According to behavioural models support for an intervention should increase with self-perceived lack of self-control amongst respondents in the target group, as they acknowledge their problem and seek help to improve on their life-style behaviour

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