

Freedom, Paternalism, Equality, and Economic Thought

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Introduction

Since Richard Thaler and Cass Sunstein published their book *Nudge* in 2008, behavioral economics and libertarian paternalism have come into the mainstream of economic thought, influencing policy-makers worldwide. However, the fundamental question of how to address political paternalism in economics stretches back to before the 21st century.

Research Question

How have economic thinkers addressed the questions of political and economic freedom and paternalism over time? Paternalism as a word was rarely explicitly discussed in the economic literature prior to the advent of nudging, but economists have incorporated notions of freedom and liberty into their thought, and even their equations, since at least the middle of the 20th century.

Role of the Research Assistant

As research assistant, I conducted a literature review on a number of significant economic concepts, and figures involved in some way with questions of freedom, paternalism, and equality.

Topics Addressed

While this is an inexhaustive list of topics that I have researched, they serve well to represent all others.

- James Buchanan and contractarianism
- Amartya Sen and the capability approach
- The empirical measurement of political and economic freedom via freedom indices
- Paternalism (“libertarian” and otherwise)
- Richard Musgrave and the merit goods theory
- Thaler, Sunstein, and “nudging” policy
- Equality of opportunity conceptualized by John Roemer, Ronald Dworkin, and G.A. Cohen

Summary

James Buchanan, while eschewing the labels “conservative” and “libertarian”, has contributed to both ideologies with his philosophy of contractarianism, which maximizes personal freedom by limiting governance to a minimal compact between free and equal citizens (Lemieux 2018).

Freedom indices, the most well known being the Freedom House Index, have been used to empirically approximate the value of political, economic, and personal freedoms in polities. However, Freedom House is arguably one of the most biased and inaccurate measures (Munck and Verkuilen 2002).

Many economists have made arguments for greater paternalism and state intervention, including Amartya Sen. His capability approach avoids a purely material view of progress to argue that we should measure progress by the ability of people to willingly achieve their personal goals (Walby 2012).

Richard Thaler and Cass Sunstein popularized the concept of “libertarian paternalism”, which is paternalistic as it involves an outside authority aiming to make individuals better off, but libertarian as it interferes with choice structure rather than decision-making (White 2013).

Below: Professors Sen, Thaler, and Buchanan



However, critics argue that there can be no such thing as libertarian paternalism. Policymakers can be opaque about their intentions, and less accountable than the ideal. Additionally, as they don’t have complete insight into the preferences of constituents, policymakers may not have their best interests in mind when constructing interventions (Rebonato, 2015).

Conclusion

Paternalism is a concept that can be both intuitively appealing and unappealing to economists, as many have a particular appreciation for both the greater good and individual liberty. However, both for normative and philosophical reasons, some economists believe that paternalism and liberty can be compatible, while others view nudging as fundamentally anti-libertarian. The fortunes of paternalism in economics will ultimately depend, though, upon the future of behavioral economics.

References

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