CONTEMPORARY METHODS AND AUSTRIAN ECONOMICS

ADVANCES IN AUSTRIAN ECONOMICS

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CONTEMPORARY METHODS AND AUSTRIAN ECONOMICS

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CONTENTS

List of Contributors *vii*

Introduction: Contemporary Methods and Austrian Economics
Daniel J. D'Amico and Adam G. Martin *ix*

Chapter 1 Austrian Economics and the New Paternalism
Daniel M. Hausman *1*

Chapter 2 Austrian Critiques of Behavioral Economics: Common Misconceptions and Low-Hanging Fruit
Jason A. Aimone *17*

Chapter 3 Rules, Perception and the Intelligibility of Laboratory Experiments on Social Interaction in Economics
Erik O. Kimbrough *35*

Chapter 4 Laboratory Experiments and Austrian Economics
Shaun P. Hargreaves Heap *55*

Chapter 5 The Binding Force of Economics
Colin Harris, Andrew Myers, Christienne Briol and Sam Carlen *69*

Chapter 6 Causal Inference and Austrian Economics
Kevin Grier *105*

Chapter 7 Information and Markets: Toward a Critical Sociological Appreciation of F. A. Hayek
Bruce G. Carruthers *115*

Chapter 8 The Elusive Empirics of Austrian Capital Theory
Nicolás Cachanosky *135*

Chapter 9 How Cognitive Institutions and Interpretative Rationality Enable Markets with Infinite Variety
Erwin Dekker *151*

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INTRODUCTION: CONTEMPORARY METHODS AND AUSTRIAN ECONOMICS

Daniel J. D'Amico and Adam G. Martin

Austrian economics is known for extensive – and many economists would say excessive – ruminations on methodology. There are probably many reasons for this, but two in particular stand out. First, those attracted to Austrian ideas have a greater interest in philosophical reasoning within and about economics. Menger, Mises, Hayek, and many other authors in this tradition have no hesitance attempting to engage with strands of the philosophical literature of their time, though perhaps to varying degrees of success.[1] Openness to verbal reasoning – while not unique to Austrian economics – also probably coincides with a high tolerance for philosophical ruminations.

Second, the substantive content of Austrian economic theory also pushes in this direction. Austrian economics has always tried to steer a middle course between radical forms of historicism (there are no economic laws) and scientism (economic laws are as precise as physical laws).[2] From the perspective of mainstream economics, this middle course appears to diminish the importance of empirical testing and quantitative methods more generally. Some Austrian economists have embraced this view, while others have tried to develop a more nuanced account of the relationship between economic theory and empirical investigations.[3]

Since the Austrian revival of the 1970s, social scientists have developed a number of new theoretical and empirical approaches to studying the social world. Experimental and behavioral economics have exploded in popularity. Agent-based modeling has become feasible as computing power has increased. And, most prominently, econometricians have developed quasi-experimental techniques for examining real-world data. In an attempt to "take the con out of econometrics," the "credibility revolution" has swept applied economics by insisting on techniques that allow for reasonable causal inferences.[4]

This volume examines the relationship between Austrian economics and these new social scientific methods. Do Austrian critiques of the excessive ambitions of formal theory and empirical measurement still hold water (if they ever did)? Do the findings of these new approaches bolster or undermine distinctively Austrian theories? How should we update our views on the relationship between abstract economic theory and empirical investigations?

The first two essays examine Austrian critiques of behavioral economics and paternalism. Daniel Hausman explores the relevance of traditional Austrian objections to paternalism for evaluating the "libertarian paternalism" of thinkers like Cass Sunstein and Richard Thaler that makes the case for mild "nudges" as opposed to hard paternalist measures. Hausman identifies four traditional arguments against paternalist interventions from Ludwig von Mises and Murray Rothbard: such interventions confront knowledge problems, they make markets work less efficiently, they limit freedom, and they enlarge government. He argues that the first and last objections may still underwrite a presumption against libertarian paternalist nudges, but that such a presumption should not be absolute. Jason Aimone's essay argues that Austrian critiques of behavioral economics paint with too broad a brush. They tend to cite only the most prominent behavioral economists (some of whom are more popularizers than practitioners), focus on too narrow of a range of research in behavioral economics, fail to critique an up-to-date version of behavioral economics, and that Austrians sometimes hang their arguments on philosophical assumptions about behavioral economics that behavioralists would not recognize.

Chapters 3 and 4 take a more positive view of the relationship between Austrian economics and the findings of experimental economics. Erik Kimbrough argues that the concept of "social preferences" does a poor job explaining the variety of deviations from *homo economicus* that experimentalists observe in the lab. Hayek's work on humans as rule-followers offers a more productive framework for explaining variation in activity across different contexts. The task of experimental economics, he contends, should be to develop accounts of how such rules develop and why different contexts trigger different rules. Shaun Hargreaves-Heap likewise sees in laboratory results strong evidence that individuals are Hayekian rule-followers. However, he argues that once we get into the weeds of such findings they raise two potential problems for Austrian defenses of market institutions. First, market rules might crowd out rules that lead individuals to supply important public goods. Second, market rules might obscure the role of luck in market outcomes, leading Austrians to offer only weak rebuttals to demands for redistribution.

The next two essays address the relationship between Austrian economics and modern data science. Colin Harris, Andrew Myers, Christienne Briol, and Sam Carlen examine the decline of price theory and the rise of econometrics in economics. Both Austrian and Chicago school economists traditionally argued, in various forms, that abstract economic theory is necessary to guide fruitful empirical work. Using machine learning to identify the language associated with various strands of economic research, they document a sharp decline in the prominence of price theory. Kevin Grier's chapter highlights a potential comparative advantage for Austrian theorists to contribute to causal inference research mainly by providing rich and detailed analytical and historical descriptions to accompany empirical findings. In short, the identifying assumptions of causal inference research can be made more clear, understandable, and checked for validity with reference to the real institutional, economic, and historic conditions of the relevant social settings and contexts. Essentially, causal inference is an attempt to

provide precision and measurement to the counterfactual scenarios. Given that Austrians already possess a conceptual appreciation for counterfactual analysis, Greer argues both the profession writ large and Austrian research therein would benefit from such methodological arbitrage.

The final three chapters examine how the Austrian understanding of subjectivity and knowledge problems relates to contemporary social scientific work. Bruce Carruthers attempts to update Hayek's critique of central planning for relevance to the more technologically enhanced knowledge economy. Today market actors are informed by more sources of knowledge than prices alone. Some such bits of information stem from private, public, and non-profit sources and some possess forms of calculative tractability perhaps unforeseen by Hayek during the early twentieth century. While much of Hayek's central insights retain significant relevance, the important role of intellectual property and the unique institutional demands of the information technology sector today require updated attention.

Nicolas Cachanosky's chapter explores a popular topic found throughout the Austrian tradition, mainly the empirical challenges of social science. Austrian capital theory's "empirical relevance depends on personal and subjective perceptions rather than on objective empirical tests" (p. 136). Hence, there is a common perceived tension between Austrianism and the dominant empirical standards of the social science profession. Cachanosky argues that a consistent financial approach to capital theory can successfully mitigate much of this tension as monetary finance provides a consistent reference point for capital variables across its various and competing definitions. Erwin Dekker similarly contributes to Austrian capital theory by applying it to the new field of cultural economics. He argues that Austrian perspectives have a unique potential to help explain cultural markets of infinite variety. Goods such as music, paintings, and much of the service sector economy are extremely heterogeneous regarding quality and quantity type. Thus, such markets tend to evolve elaborate but often-informal categorization schemas that effectively emerge and evolve akin to the Austrian process description of social institutions such as money, prices, language, and legal norms. Such institutional labels provide useful epistemic guideposts to shape behaviors, mitigate errors and coordinate across divergent interests among competing individuals and groups.

This collection was made possible by a generous grant from the John Templeton Foundation, and is part of a series of colloquia on the standing of Austrian Economics in the 21st Century. We are grateful to the participants and the outside referees that helped improve the arguments herein, and hope that readers find these extensive ruminations helpful rather than excessive.

NOTES

1. Martin (2015).
2. Martin (2015).
3. Zanotti and Cachanosky (2015) provide an excellent summary of the distinct views taken by Rothbard (1957) and Machlup (1955).
4. See Leamer (1983) and Angrist and Pishke (2010).

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CHAPTER 1

AUSTRIAN ECONOMICS AND THE NEW PATERNALISM

Daniel M. Hausman

ABSTRACT

In the work of von Mises and Rothbard one can find a case for a strong presumption against traditional coercive paternalist policies. Coercion is generally undesirable, and legislators and bureaucrats cannot know what is best for each agent. Not all of the traditional case against paternalism applies to the new libertarian paternalism espoused by behavioral economists and popularized in Sunstein's and Thaler's Nudge*. There is no way to rule out the possibility that legislators sometimes know better than agents what generally benefits them, and that they can impose feasible regulations that do not limit important freedom and whose costs and risks do not outweigh their benefits. Paternalism is not a bugbear to be avoided at all costs. There's good reason for skepticism about its virtue and feasibility but no justification for its blanket condemnation.*

Keywords: Paternalism; Von Mises; Rothbard; nudge; coercion; welfare

Chastened by the findings of behavioral economics, mainstream economists have discovered that individuals are not always rational and that when choosing freely they do not always effectively promote their own interests. In addition to findings of mistakes due to carelessness, inattention, and short cuts (which hardly needed economic investigation to establish!), behavioral economists have found systematic divergences from rational choice. The classic example involves employees

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whose decision whether to set aside money into a pension fund depends on whether their employer specifies contributing or not contributing as the default. Whether it is better for the employees to save or not to save, what is best for them does not depend on the default their employer chooses. Whether or not paternalistic policies can do any better, employees staying with the default option are indisputably not always making the best choice for themselves. They may be too lazy to investigate what is best for themselves. They may not want to think about being old or disabled. They may despair about the possibility of making a rational choice in such a complicated problem. Some may take the fact that a certain level of savings is the default as reflecting the better-informed judgment of well-intentioned employers. Regardless of the explanation, the result is that savings behavior does not depend exclusively on the prudential judgments of employees. Given what behavioral economists have discovered and given one's own experience (unless you are either much more sensible than I am or more willing to deceive yourself about how rationally you choose), there is no reason to believe that people always make the best choices for themselves.

The discovery of cognitive mechanisms that lead to systematic behavior that has no apparent rational defense has purportedly a silver lining. By a kind of intellectual jiu jitsu, the same mechanisms that lead choosers astray can allegedly be employed by benevolent bureaucrats to guide individuals to choose wisely. Moreover, defenders of this "libertarian paternalism" claim that these mechanisms leave individuals free to choose as they prefer. How could anyone object?

Showing that people make bad choices, even if they do so frequently and systematically is not enough to justify policies designed to steer people to make better choices. That individuals make mistakes does not imply that others can do better or that policies that aim to guide people's choices for their own benefit will not have other damaging consequences. However, the evidence of mistakes, coupled with the exploration of apparently non-coercive policies to improve choices, has led prominent economists to reconsider the profession's longstanding aversion to paternalism.

In this essay I shall first explore the main traditional objections to paternalism, highlighting in particular those emphasized by Austrian economists. Section 2 clarifies what constitutes paternalism and what appears to be objectionable about paternalism. Section 3 then explores the new allegedly non-coercive methods of shaping behavior that have enchanted some leading behavioral economists (whether or not the objectives of the policies are paternalistic). Section 4 considers whether the case against paternalism explored in Section 1 applies to the new and less openly coercive "libertarian" paternalism defended by behavioral economists such as Richard Thaler. Section 5 concludes.

1. THE CASE AGAINST PATERNALISM

Austrian economists disagree with mainstream economists about many things, but not about paternalism. Like mainstream economists, albeit with perhaps even greater vehemence, Austrian economists condemn paternalist policies.

Since Austrian economists generally argue against policies that hinder market exchanges, they are *ipso facto* hostile to policies designed to make people better off by interfering with their choices. In the work of von Mises and Rothbard, whom I shall take as defending "traditional" Austrian views, one finds in Austrian economics a total rejection of paternalism. This rejection depends on arguments of varying quality, some of which are distinctive to Austrian economists, while others would be made by economists of many different schools.

Von Mises and Rothbard sometimes deny that, properly understood, people ever act against their interests. On von Mises' view, individuals always aim to make themselves feel better:

> The specific goals that people aim at in action are very different and continually change. But all acting is invariably induced by one motive only, viz., to substitute a state that suits the actor better for the state that would prevail in the absence of his action.[1]

This does not, however, go far in responding to the claim that individuals choose badly: even if each individual aims at his or her own subjective well-being, their aim is sometimes faulty. As von Mises himself puts it,

> There is only one motive that determines all the actions of all men, viz., to remove, directly or indirectly, as much as possible any uneasiness felt. In the pursuit of this aim men are affected with all the frailties and weaknesses of human existence.[2]

Despite this recognition of fallibility, von Mises argues that it is contradictory to maintain that individuals fail to promote the satisfaction of their needs:

> If an individual prefers A to B, we say that, at the moment of the act of choice, A appeared more important to him …. It was forgotten that we are able to infer the need only from the action. Hence, the idea of an action not in conformity with needs is absurd.[3]

If the test of the magnitude of need (or more generally the value of an action) is what people actually choose, then it is contradictory to maintain that people sometimes choose what is less valuable or less needed. Rothbard depends heavily on this argument:

> We may, as praxeologists, deal only with utilities that we can deduce from the concrete behavior of human beings. A person's "envy," unembodied in action, becomes pure moonshine from a praxeological point of view …. How he feels about the exchanges made by others cannot be demonstrated unless he commits an invasive act.[4]

Not only is what is chosen by definition best, but the harms that market behavior may do to third parties disappear, unless those who purportedly suffer the harm show it by their actions. The central problem with this argument is obvious: what people actually choose need not be what is best for them – as von Mises himself maintains.[5]

A more modest view, which is implicit in the extreme view that choice defines advantage, maintains that economists or policy-makers can never know better than the individuals themselves what is good for them:

> Whoever says that irrationality plays a role in human action is merely saying that his fellow men behave in a way that he does not consider correct. If we do not wish to pass judgment on the ends and the scale of value of other people and to claim omniscience for ourselves, the statement, "He acts irrationally," is meaningless, because it is not compatible with the concept of action.[6]

> Action is, by definition, always rational …. Instead of saying that irrationality plays a role in action, one should accustom oneself to saying merely: There are people who aim at different ends from those that I aim at, and people who employ different means from those I would employ in their situation.[7]

If we set aside here the claim that action is by definition rational, which only proscribes using the word "action" when discussing irrational behavior, the argument seems to be that there is no way to judge the actions of others to be mistaken, because we cannot know what ends they are pursuing. But it does not take omniscience to know, for example, that experimental subjects are making a mistake when they choose gamble A over gamble B, while offering to pay more to purchase gamble B.[8] Such behavior would be perfectly rational among those who prefer less money to more. But other behavior on the part of the subjects, including verbal behavior, provides strong evidence that participants in economic experiments prefer more money to less. If one refuses to allow any evidence other than choices and refuses to postulate any constancies of preferences over time, then there is nothing problematic about preference reversals, but also no way to predict or explain what agents do.

A third way to dismiss the significance of the findings of behavioral economics, in addition to denying that people make mistakes and denying that we can intelligibly and justifiably recognize mistakes, is to maintain that the motives and beliefs governing choices do not matter to economics:

> However, economics also stops here. It does not go further back. It does not inquire into what lies behind the decisions of acting men, why they act precisely in the way they do and not otherwise.[9]

> But it does not make any difference for the determination of market prices whether an "egoistic" buyer buys because he want himself to enjoy what he has bought or whether an "altruistic" buyer buys for some other reason …. Neither does it make any difference whether the consumer in buying is guided by opinions that an unaffected spectator considers as true or false.[10]

If defensible, this response would show that economics never faces any questions about paternalism, but it evades the question of whether it would be wise to adopt paternalistic policies. Such a limitation on economics is in any case not defensible. Both for the purposes of prediction (about which von Mises hesitates) and for the purposes of understanding economic behavior, one needs to know why individuals buy and sell, open enterprises and abandon them, save or invest, and so forth.

A fourth argument rests on the virtues of a free exchange economy. If interferences in the market generally make people worse off, then, *a fortiori*, the same is true of paternalist interventions. There is both a distinctively Austrian (and untenable) general proof and a plausible empirical argument that many non-Austrians would also make. In Rothbard's words,

> Let us now consider exchanges on the free market. Such an exchange is voluntarily undertaken by both parties. Therefore, the very fact that an exchange takes place demonstrates that both parties benefit (or more strictly, expect to benefit) from the exchange. The fact that both parties chose the exchange demonstrates that they both benefit. The free market is the name for the array of all the voluntary exchanges that take place in the world. Since every exchange demonstrates a unanimity of benefit for both parties concerned, we must conclude that the free market benefits all its participants.[11]

> [T]he free market maximizes social utility, since everyone gains in utility from his free action.[12]

The slide from expectation to outcome requires no comment. The conclusion that everyone benefits obviously does not follow from the premise that everyone expects to benefit. Rothbard continues arguing that since laws and regulations depend on coercion, their use

> signifies per se that the individual or individuals being coerced would not have voluntarily done what they are now being forced to do by the intervener …. The man being coerced, therefore, always loses in utility as a result of the intervention ….[13]

This conclusion is not justified by the premises, even if one grants that without choice there is no basis for attributing preference. That axiom only justifies the conclusion that, barring some other action, one can never judge whether what people are compelled to do is good for them. The link between advantage and choice does not establish the proposition that government intervention in the market always diminishes utility.

A much better and much more common argument against interferences in the market, including paternalist interferences, is empirical:

> free enterprise has radically changed the fate of man. It has reduced mortality rates and prolonged the average length of life, thus multiplying population figures. It has, in an unprecedented way, raised the standard of living of the average man in those nations that did not too severely impede the acquisitive spirit of enterprising individuals.[14]

> As for interventionist encroachments, they prove – when judged from the point of view of those who advocate them – senseless and contrary to purpose, because they not only do not bring about the results desired by their supporters, but involve consequences that they themselves must deprecate.[15]

The experience of the last two centuries shows that economies with relatively few constraints on markets have provided people with incomparably more affluence than have any other economic arrangement, and there are unfortunately many cases such as Venezuela and Zimbabwe, where government interventions in the market have been disastrous. Yet, to varying extents, every market economy – even those that have performed the best (regardless of the criteria for good performance) – has experienced government regulation and interference. Nor is it the case that the fastest-growing economies have the least regulation. There are no grounds here to conclude that constraints, including coercive paternalistic legislation *always* makes people worse off. Laws requiring individuals to wear seat belts have not failed to accomplish their end, and they have no appreciable effect on economic growth.

Lastly, although this part of the Austrian case against paternalism is less prominent in the work of von Mises and Rothbard than in other Austrian economists, one can argue against intervention in free markets by backing away from the implicit commitment to evaluating policies by their implications for well-being. Such a view is not absent from von Mises' work. He writes, for example, "Planning other peoples' actions means to prevent them from planning for themselves, means to deprive them of their essential human quality, means enslaving them."[16] This suggests that one's concern in appraising economic arrangements

should be freedom rather than well-being. One reason would be that if there is a choice between policies that increase freedom and policies that purport to enhance well-being, protecting freedom is more important than promoting well-being.

James Buchanan and Viktor Vanberg make a different case for focusing on freedom, which depends on skepticism about the possibility of appraising the performance of market economies. They write:

> The market economy, *as an aggregation*, neither maximizes nor minimizes anything. It simply allows participants to pursue that which they value, subject to the preferences and endowments of others, and within the constraints of the general "rules of the game" that allow, and provide incentives for, individuals to try out new ways of doing things. There simply is no "external," independently defined objective against which the results of market processes can be evaluated.[17]

Buchanan and Vanberg argue that, owing at least in part to the subjectivity of value, there is no sensible way to hold market *outcomes* up to any ruler and judge their merits with respect to well-being or any other external standard. What is important is allowing people to go their own way. Even though we cannot appraise the outcome of market processes, we can appraise the processes themselves with respect to the freedom they allow.

In response to this case for favoring freedom rather than looking to the welfare consequences of policies, one might point out that even if it is true that it is better if people choose for themselves, there is still a role for policy in creating the circumstances in which there are few hindrances on individual choice. Enhancing freedom may well turn out to be the most effective way to boost well-being. Policy would still aim to enhance well-being, but it would promote well-being indirectly by protecting and expanding freedom. This possibility does not erase the distinction between freedom-promoting policies and policies (both paternalistic and not paternalistic) that aim directly at promoting well-being. If it is true that individuals generally do better if they make their own choices, then there is one good reason why policy should aim to promote freedom (or should aim to promote welfare via promoting freedom) rather than aiming directly to make people better off. As traditionally conceived, paternalism limits freedom, and there is hence an argument here against paternalism.

The distinctively Austrian arguments against government interference in the market are exaggerated, but beneath the exaggerations lie serious considerations, which establish a strong *presumption* against paternalist policies. It is not the case that whatever people choose is automatically or by definition best for them, and it is not the case that every market transaction, even if it is best for the transactors, is best for every member of the population. But the onus lies on those who maintain that legislators can know better than agents what is good for them and on those who maintain that regulation improves outcomes. Moreover, even if policymakers refuse to surrender the goal of promoting the welfare of the population, there is still a strong reason to promote and protect individual economic liberty. Freedom generally (even if not invariably) enhances well-being, and it is easier to tell whether people are free to choose as they prefer than to judge whether constraining their behavior makes them better off.

In addition, traditional paternalistic policies may have indirect costs. Concerns about these are not distinctively Austrian, but common currency among economic liberals: Even if legislators can know better than individuals themselves what will be advantageous, what will be the other consequences of policies that aim to improve people's choices? Preventing people from making bad choices prevents them from learning from experience. How serious is this loss? Are the benefits of regulating behavior greater than the costs of the regulation? How much of a threat to individual liberty lies in extending the size and reach of government? A central motivation for the new libertarian paternalism to be discussed in Section 3 is a concern to limit the costs of traditional coercive paternalism.

2. PATERNALISM OLD AND NEW

Many regard John Stuart Mill's *On Liberty* as a definitive critique of paternalism. But that interpretation of his argument is questionable. When Mill wrote, "paternalism" was not yet a well-defined concept, and indeed the word had not yet been coined. *On Liberty* is concerned to protect individual liberty, and it addresses only paternalist limitations on liberty. Mill is concerned about the power that society – both through government and through social norms – exerts on individuals. That power is necessary and advantageous when it protects individuals from the encroachments of others,[18] but harmful when it intrudes into individual lives to force people to behave in accord with some ideal of human endeavor that is not the agent's own. Coercive attempts to improve people's choices are unacceptable because they limit freedom beyond what is necessary to protect the interests of others. Thus Mill does not condemn public policies that aim to improve individual choices without coercing people, such as posting warnings.

In *On Liberty*, Mill makes two much-discussed exceptions to his rejection of paternalistic coercion. First, he maintains that people should not be allowed to sell themselves into slavery. Mill justifies this limitation on freedom by arguing that it protects future freedom. His concern is again freedom. Second, Mill discusses stopping someone from crossing a dangerous bridge, when it is impossible to warn them effectively. A simpler example of the same sort of justified paternalistic coercion would be physically pushing a pedestrian crossing a road out of the way of a fast-moving truck he or she does not see. In this last case, it seems that the protection of freedom has its limits in Mill's view – and, I would venture, ours.

One possible diagnosis of the pedestrian case, which would define a kind of paternalistic coercion that is morally permissible, is that interfering with actions that are not voluntary does not count as coercion or constitutes a morally acceptable form. On this view, it is permissible to push the pedestrian out of the way of the truck because the pedestrian did not voluntarily seek to be hit by a truck. As Feinberg puts it,

> This seems to lead us to a form of paternalism that is so weak and innocuous that it could be accepted even by Mill, namely that the state has the right to prevent self-regarding harmful conduct only when it is substantially nonvoluntary or when temporary intervention is necessary to establish whether it is voluntary or not.[19]

Richard Arneson copes with cases such as these by maintaining that even though the person crossing the bridge in Mill's example is "seized" and "turned back," these actions are not known to be against his will.[20] One may also question whether there are any compelling examples of this kind involving government action.

Because Mill criticizes paternalistic coercion, many have concluded that paternalism invariably or by definition involves coercion. Until recently, philosophical discussion of paternalism has taken coercion or a limitation of freedom as by definition an aspect of paternalism. However, during the last two decades, prominent authors have rejected this requirement.[21] They deny that coercion is necessary to paternalism. For example, when George's mother refuses to help George with his homework, believing that it is better for George that he struggle with the assignment on his own, she acts paternalistically but without limiting George's freedom.[22]

How then should paternalism be defined? Paternalist actions are not merely designed to benefit people. There is nothing paternalistic in my giving my mother a novel I think she will enjoy for her birthday. When I shovel the snow off my feeble neighbor's driveway for him, my action need not be paternalistic. However, it is paternalistic if he has asked me not to shovel it, but I am worried about his weak heart and shovel it anyway. The definition of paternalism should explain and justify our judgments of which actions are paternalistic and which are not.

Although researchers are free to define their own technical notions, some of these definitions will be confusing and unhelpful. Richard Thaler's offhand definition of "paternalism" in his recent book *Misbehaving* is an unfortunate example:

> By paternalism, we mean trying to help people achieve their own goals. If someone asks how to get to the nearest subway station and you give her accurate directions, you are acting as a paternalist in our usage.[23]

This definition makes it mysterious why anyone would have qualms about paternalism. Even the most extreme defender of liberty has no objection to giving directions when asked. On this definition, paternalism encompasses a wide range of behavior that few people would call paternalistic, and it mistakenly denies that actions that reject specific goals of the agent in the hope of making the agent better off can be paternalistic. As a counterexample, consider a blood transfusion to an unconscious Jehovah's Witness in order to save her life.[24] Such an action rejects some of her most central goals, yet seems clearly to be paternalistic.

Seana Shiffrin maintains sensibly that the definition of paternalism should complement and make intelligible our understanding of paternalism's normative significance.[25] In defining paternalism, Shiffrin argues that paternalism has a more fundamental aspect than coercion, which explains why paternalism is often coercive. The deeper feature that distinguishes paternalist from non-paternalist actions and explains why paternalism is morally troubling lies with the paternalist's refusal to defer to the judgment of individuals about how to pursue their own objectives, when their actions do not bear on the interests of others:

> The essential motive behind a paternalist act evinces a failure to respect either the capacity of the agent to judge, the capacity of the agent to act, or the propriety of the agent's exerting control over a sphere that is legitimately her domain …. Paternalistic behavior is special because it