

Poverty & Paternalism

PPE 101

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Review: Public Choice Theory

Public Choice Theory is an **economic theory** of **politics**:
We use the tools of economics to analyze political issues
(e.g., voters, politicians, ideologies, etc.)

Review Question for Break Out Groups:

Using a Public Choice mindset, consider the question of whether or not it's rational for politicians to make it easier (or harder) for citizens to vote.

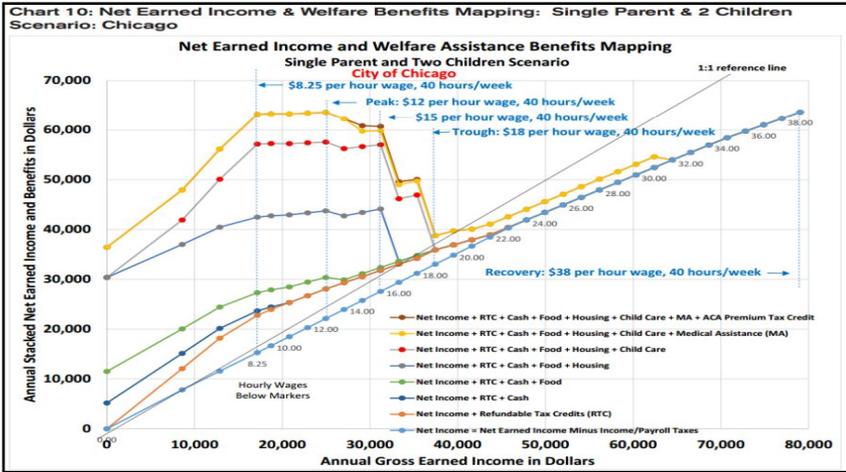
Review: Universal Basic Income (UBI)

A Universal Basic Income is a government grant paid at regular intervals, which:

- (a) is not work-tested
- (b) is not means-tested
- (c) is given irrespective of household situation
- (d) does not vary with place of residence

Why UBI (in particular)?

- Less Paternalistic
- Avoid the *poverty trap* from “welfare cliffs”



Paternalism
 Poverty Traps

Poverty Traps

Poverty Traps are self-reinforcing mechanisms that perpetuate poverty.

Example:
 If you accept the promotion, you'll lose your (means-tested) benefits, which you and your family depend on.

Poverty Traps

Poverty Traps can involve structural (policies, laws, lack of info) as well as psychological factors.

Example:
 A person who is poor and too tired from lack of food to find work is stuck in a *poverty trap*.

Poverty Trap Poll Questions

Question 1:

Jane cannot afford the childcare she needs to be able to go to job interviews.

Is this an example of a *poverty trap*?

1. Yes
2. No

Question 2:

John unexpectedly loses his job. Without the income from work, John is plunged into poverty.

Is this an example of a *poverty trap*?

1. Yes
2. No
3. It depends

Poverty Traps

Questions...



1. What **causes** them?
2. How do they **work**?
3. How do we **disrupt** them?
4. Who is to **blame**?
5. Does disrupting poverty traps undermine **autonomy**?
(If so, is it unjust?)

Paternalism Poverty Traps

Paternalism

Paternalism: An action, intervention, or policy that restricts someone's **autonomy** for **their own good**.

Example:



Hiding the sugary cookies from your toddler.



Drug laws and seatbelt laws.

Paternalism versus Autonomy

Esther Duflo articulating the worry:



As such, paternalism seems to be in direct conflict with freedom: whether in the form of strings attached to a transfer or a legislated mandate, **paternalism takes away an individual's right to choose**. For the critics, that is its biggest flaw: it overrides an individual's agency on the grounds that those in power (the boss, the white man, the nanny state, for example) know better. Why should adults not have the ability to decide freely what is good for themselves? Some mandates may be

Paternalism versus Autonomy

Esther Duflo articulating the worry:



the ability to decide freely what is good for themselves? Some mandates may be required in circumstances where an action (or a lack of action) affects others in society. Hence, it may, for example, be justified to mandate immunization. But, if my decisions affect only myself, there is no reason why anybody should take the power to decide away from me.

Paternalism versus Autonomy

Esther Duflo ultimately disagrees.

Paternalistic interventions can actually promote *meaningful freedom*.



far. **A policy that aims to make it easier and more automatic to acquire the basic elements of a healthy and productive life through better infrastructure, carefully designed defaults, or even, on occasion, prescriptions (when they can be enforced), promotes meaningful freedom.**

Esther Duflo



Economist at MIT.

Awarded the 2019 Nobel Prize in economics for her work on poverty relief.

Well-known for using randomized control trials in developmental economics (@ the MIT Poverty Lab)

Freedom & Autonomy

Negative Freedom

Freedom from interference
(e.g., Nozick)



Positive Freedom

Freedom to pursue one's
conception of the good
and to exercise one's
capabilities (e.g., Marx)



Do Paternalistic Policies Undermine Autonomy?

Not wearing a seatbelt carries a penalty and so could be said to be a form of interference with your desire to drive your car as you please.

However, one might make the case that wearing a seatbelt protects your life and so is a way of protecting your ability to pursue your conception of the good and to exercise other capabilities you value.



Do Paternalistic Policies Undermine Autonomy?

Labels such as these might be seen as less paternalistic because they don't penalize a choice, but rather 'simply' offer **information** so that citizens can make **better choices**.



Break Out Room Discussion Question

Example: Default Retirement Savings Rates.

10% is automatically withdrawn from your paycheck and deposited in a retirement savings account *unless you fill out a form to opt out*.

Questions:

Do default retirement savings policies undermine your freedom or autonomy? Why?

Do they interfere with your choices?

Do they undermine your capacity to pursue your own good or to exercise capabilities?

Paternalism & Poverty



Sometimes the mechanism by which poverty is exacerbated is thought to run through people's **choices**.

In the Victorian era, it was thought that the poor stayed poor because they chose to spend their wages on drinking instead of saving.

Blaming the Poor's Choices



A similar justification has been offered for 'targeted' poverty relief programs.

Worries About Paternalism



Many times this kind of paternalism assumes that: the poor are incapable of making good choices, that the poor lack the information they need to make good choices for themselves, that the poor do not know what is good for them.

The justification for paternalism targeted at the poor thus often assumes and portrays the poor as less capable and equal citizens.

Esther Duflo, Tanner Lectures, 2012

Real agency is constrained, not only by institutions and laws but by both the **practical ability to make choices** and **the power of inertia**. The existence of defaults and the status quos for most choices means that people can't help but be steered in some direction. ... the specific nature of the defaults... that govern the rich steer individuals more in the direction of healthier lives, more security in old age, and less vulnerability than the defaults of the poor.

The Argument For “Paternalism”

The poor are forced to make active choices about basic life-or-death decision (i.e. water chlorination) whereas those who are better off have those decisions made for them.

Choices are expensive. They require that we spend time, mental energy, and emotional energy. When the poor are forced to make active choices about basic matters, they are expending energy and time they could have spent on focusing on other choices about education, investing in the future, and so on.

Therefore, in virtue of having to make so many choices about basic matters, the poor are less free to make choices that promote their own good and allow them to exercise capabilities they value.

Making those choices for the poor is a way of expanding freedom, not limiting it.