

## Referee report

### **Paper MS 1114: ‘Approaches to well-being, use of psychology and paternalism in economics’ Second version**

The paper has been improved in a number of aspects, and, in particular, its aim is now clearer. However, the paper does not meet the main points I raised in the first report. Secondly, the message that emerges is so loose and restricted that it may disappoint the reader who is interested in the link between the use of psychology and paternalism, as the title of the paper promises.

Behavioural economics has not been specifically examined because “psychology [...] is not used to support a particular definition of what is good for people” (p.5). This appears to be true because behavioural economics takes rational choice theory as the benchmark for welfare. However, behavioural economics uses psychology to identify what is *not* good for people, thus raising the case of potential paternalism, because it may recommend different choices from those observed. Indeed, behavioural economics has elaborated paternalism even more than the other three approaches considered in the paper. Therefore, this restriction of the focus is legitimate, but the paper becomes less interesting in this way.

The paper correctly introduces happiness economics by distinguishing different approaches to the use of the happiness indicators. However, it focuses on the hedonic version in the Happiness section. It would be advisable to clarify this restriction in the title of the section.

The paper still misses to recognise that 'consumption skill' (or 'leisure skill') is central in Scitovsky's analysis. It is misleading to present his analysis by stating that Scitovsky “assumes that it is better for a human being to follow his natural instincts than to behave according to the values which the cultural context imposes on him” (p.9). Recognising the importance of 'consumption skill' implies recognising that this skill can be developed through education and culture. If the skill is not developed, then it is *worse* to follow the need for stimulation, because this would bring people to anti-social behaviours. Scitovsky's paternalistic recommendations should thus be evaluated in a discussion of paternalism in education and culture, i.e. in a social and institutional setting where preferences are formed, and are not taken as given. Therefore, either Scitovsky is presented by discussing this issue, or he appears misplaced among the other approaches.

The focus of the paper on the ‘potential of paternalism’, rather than directly on paternalism, is now clearer. “The argument is that it is important to be aware of these steps” (p.15). This focus is preferred to a critical analysis of the paternalistic arguments in specific authors, but the message of the paper loses much relevance in this way.

The cited authors are already aware of the problem of the potential of paternalism in their analysis. Scitovsky was aware, as the paper recognises (p.2), and Kahneman even discusses the issue of paternalism (see the paper at p.11). Layard's book has been criticised of the paternalism several times, and he has replied (see the introduction of a forthcoming book *Policies for Happiness*, OUP: <http://www.econ-pol.unisi.it/bartolini/papers/NEWINTRO.pdf>).

The focus of the paper may be even questionable, because it presumes that paternalism is a ‘danger’ that must be avoided in any case, rather than discussing specific cases. This is not so obvious when people's choices have negative externalities on others, and in the mentioned case of education.

Concluding, the paper has little value added, and it discusses Scitovsky in a misleading way.