

Peter E. Earl's reply to the comments of Frey and Gallus

I am grateful to Bruno Frey and Jana Gallus for their comment on my paper, which will lead to two changes in the final version in addition to those in response to the referees' suggestions.

First, I obviously need to make clear that my intention was not to suggest that Frey and Gallus are not amenable to research that isn't anchored to the reference point of the standard rational choice model. Rather, what I was trying to do in the paper is to show that in trying to establish their valuable new research agenda they have allowed themselves to be anchored by the standard rational choice approach and that this could have unfortunate consequences for the uptake and implementation of their research agenda.

Second, seeing the Lipton example and its discussion in relation to their constitutional economics perspective has led me to realize that I need to stress that there is a significant risk that many economists who are attracted by the Frey and Gallus research agenda may jump to the conclusion that an a priori analysis of the constitutional context of a particular kind of choice will suffice as a means to working out whether individuals' shortcomings are eliminated, unaffected or magnified compared with expectations from the psychologists' findings. With the Lipton example, it might appear this way: if firms generally start doing subliminal advertising, then we could simply be left with the usual question of the extent of deadweight loss the advertising involves for the economy if the advertising battle advances no supplier's interests at the expense of rivals. Economists might thus infer that the issue of whether to worry about subliminal advertising could have been resolved without any need to do the kind of experimental work to which Frey and Gallus refer. What I will be stressing is that I believe it is important that economists do not conclude that an a priori approach is enough; I will argue that the constitutional approach needs to be supplemented by empirical work. In the work that my colleagues and I are currently writing up on how consumers choose their mobile phone plans, it is clear that people can end up with better deals if the setting is one in which they can access market institutions such as comparison websites and discussion boards. This is much as we might expect from a comparative institutional analysis, but what we have also seen is that, even when using such market institutions, the subjects in our experimentals often ended up with needlessly expensive choices because they failed to use the websites in ways that the designers of these sites seemed to presume would be used, and how they used them tended to be driven (via the algorithms that generate Google search results) by how others had previously used them. Without having done the empirical work, we might have ended up with overly pro-market conclusions about the functioning of this confusopoly.

Taking up the Frey and Gallus research agenda to good effect makes big demands on economists, in requiring both openness to views of choice that go beyond the traditional notion of rationality and willingness to leave the theoretician's armchair and get down to the messy business of studying behavior. My concern is that rather than embracing all this hard work, many economists will look for

ways of arguing that it is not necessary, and that is what I'm trying to forestall in writing the paper.