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Rationality Meets the Wilder Side of Life

Andrew Oswald, Professor of Economics, University of Warwick

Economists are becoming interested in drugs, alcohol and sex. I know: you have long suspected it. But what I mean is that there is growing research on these topics.

The traditional view in economics is that people are cool-headed maximizers: they choose risky things if the long-run benefits outweigh the costs. Rationality rules. People take drugs, smoke, and have unsafe sex after having made considered choices.

Others disagree. They think that human beings are a long way from rational. Who is right and how should we react in shaping government policy?

First, alcohol. Sensible consumption is certainly tricky to decide. Say we click on the international website www.drinkingandyou.com. There we find that the industrialized nations have different recommended levels. My favourite is the French government's advice. In their view it is fine for a couple between them to drink a standard-size bottle of wine between them every night. The US government website, by contrast, is dispiriting (literally). It wants that bottle to last them two days, and advises against hard liquor.

In Britain the amount of alcohol drunk by young people is rising. For those aged 11 to 15, consumption has doubled since 1990. One third of 14-year olds now drink alcohol at least once a week.

Second, cigarettes. In the 1950s people assumed there was no harm to them. The scientist Richard Doll, who discovered the link between smoking and cancer, looked over the first statistical results with a cigarette in his hand (his conjecture beforehand had been that the observed rise in cancer between the Wars, which was what prompted him to look at the data, was caused by fumes from cars).

A standard libertarian position on smoking is that people should be free to choose. Until recently, that has always been my opinion.

I may have to change.

Economists at MIT have recently come up with remarkable evidence against libertarianism. They show, using data through time, that when cigarette taxes go up, American smokers later become happier (that is, mark themselves higher on happiness-survey scores) and cut down on their smoking. Yet to a conventionally-

mindful economist that is hard to understand. If folk get happier by cutting down, why not do so without a tax increase? This puts rationality in question.

Third, drugs. Illegal drugs are widely consumed in our country. Among people aged 16 to 24, a quarter of Britons took cannabis last year. About 6% say they took amphetamines; 5% took ecstasy and cocaine; 2% took LSD; 1% took heroin. A third of young British males took at least one drug. As the long-term effects of drugs are not known, it is hard to view these as considered life-style choices.

Fourth, sex. That is not a drug, whatever the tabloids may imply.

Recent research on random samples of Americans has been done. The data show that people have less colourful lives than might be thought from *Sex and the City*: the typical person under the age of 40 has sex less than once a week. Only 6% of people have sex more than three times a week. Overall, just 7% of Americans had more than 2 sexual partners in the previous year. Sexual behaviour is also surprisingly egalitarian: richer people do not have more sex, nor more sexual partners.

However, as far as can be judged from survey data, unsafe sex is common in Britain. In the age category 16-19, half of men and almost half of women say they do not use condoms.

How should a policy-maker proceed from all this? Should we assume rationality or irrationality? Blimey. I'd better go home and have a glass of wine to think about it.