Special Issue Editors' Statement: Helping Consumers Help Themselves

John G. Lynch Jr. and Wendy Wood

This special issue of *Journal of Public Policy & Marketing* addresses the theme "Helping Consumers Help Themselves: Improving the Quality of Judgments and Choices," and it is motivated by Editor Joel Cohen's desire to bring psychological theory to bear on public policy and public policy research. His premise is that public policy in the United States and internationally is dominated by the disciplines of economics and law. In the corridors of power, however, there is little parallel discussion of useful complementary perspectives drawing on psychological theory and research. This special issue is intended to start conversations between policy makers and psychologists, behavioral economists, and consumer behavior scholars whose work challenges key assumptions in standard policy analyses.

The articles in this issue center on three key interventions to public policy that are drawn from economics and that are intended to benefit consumers in the marketplace:

1. Offering more choices,
2. Providing better information to consumers about options they might consider, and
3. Providing incentives for consumers or sellers to change their behavior.

"More-choice" policies attempt to improve consumer welfare either by allowing heterogeneous consumers to find differentiated products that better match their personal tastes or by encouraging competition that causes sellers to react by offering more value for the money. Examples of such policies include offering school vouchers (Cullen, Jacob, and Levitt 2003), offering more 401(k) options (Gallery and Gallery 2005), and allowing more Internet wine stores to compete with bricks-and-mortar stores (Ellig and Wiseman 2005; Wiseman and Ellig 2004). From a regulatory perspective, removing restrictions (e.g., against eyeglasses or professional services advertising) can create more choices for consumers.

"Better-information" policies are aimed at increasing consumers' understanding of the costs and benefits of available products and services. Information that is conveyed in accessible, appropriate ways enables consumers to choose among available options effectively (Calfee 2002; Hutton and Wilkie 1980; Ippolito and Mathios 1990) and to correct consumer misperceptions (Cohen 1996; Wilkie, McNeill, and Mazis 1984). Examples of such policies include nutrition-information labeling laws (Moorman 1996), informed consent for medical procedures (Parker et al. 1999), and warning labels on alcohol (Mazis, Morris, and Swasy 1991). The premise is that if consumers knew the relevant information, they would make better choices that provide higher expected utility and, presumably, higher experienced satisfaction.

"Incentive" policies alter the payoffs (or probabilities of payoffs) that consumers or firms receive for acting in a beneficial manner. Policies that attempt to improve consumer welfare by changing rewards and punishments to consumers include laws requiring seatbelt use (Cohen and Einev 2003), taxes on tobacco (Meier and Licari 1997), protection strategies that software and digital entertainment marketers adopt to discourage piracy (Conner and Rumelt 1991), and government laws that punish antisocial behavior, such as tax evasion (Klepper and Nagin 1989).

Policies that aim to help consumers by changing the incentives for sellers include the promotion of service quality in regulated utilities (Lynch, Buzas, and Berg 1994; Sappington 2005) and the encouragement of environmentally responsible practices (Boyer and Laffont 1999), for example, corporate average fuel economy regulations to encourage auto manufacturers to meet miles-per-gallon targets (Greene 1998). Regulatory policies for consumer protection often function through incentives to firms. For example, changes in deception (Miller 1983) and unfairness (Beales 2003) policies can alter firms' propensity to take risks in making product claims. The deceptiveness of a firm's communication can be judged on the basis of the content of the communication (i.e., likelihood of deception based on what was said or implied) or, alternatively, on the basis of evidence that the communication caused certain consequential beliefs to be held (Ford and Calfee 1986). Similarly, policies that make it easier or more difficult for consumers to meet

John G. Lynch Jr. is Roy J. Bostock Professor of Marketing, Fuqua School of Business (e-mail: john.lynch@duke.edu), and *Wendy Wood* is James B. Duke Professor of Psychology, Professor of Marketing, and Codirector of the Social Science Research Institute (e-mail: wendy.wood@duke.edu), Duke University. The authors thank the Fuqua School of Business, Duke University, and the Warrington College of Business, University of Florida, for financial support for a conference at Duke in May 2005, in which these articles were originally presented and discussed. They also thank the discussants at the conference who provided thoughtful commentary on the articles appearing in this special issue (including Kathryn Aikin, Pankaj Aggarwal, Tim Büthe, Noel Brewer, Bob Giloth, John Herrera, Loraine Lau-Gesk, Alan Levy, Patrick Malone, Danny McGoldrick, Joseph Mulholland, Mike Munger, Jan Pappalardo, David Pizarro, Daniel Rodriguez, and Kevin Schulman) and Eldar Shafir who commented on a draft of this introduction. They especially appreciate *JPP&M* editor Joel Cohen, who offered them the opportunity to serve as guest editors of this special issue and provided many instructive comments on this editorial and other articles in the special issue that helped them and the contributing authors better understand the policy environment.

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their burdens in class action suits can affect firms' (dis)incentives to engage in questionable practices.

Because of a major policy change in the recent past, we now focus briefly on "unfairness" as one of the two major pillars of Federal Trade Commission (FTC) regulation of questionable marketing practices. Unfairness policy is better suited to regulation of an industrywide practice than is deception policy because deception cases require firm-specific and action-specific evidence. "As codified in 1994, for a practice to be unfair, the injury it causes must be (1) substantial (2) without offsetting benefits and (3) one that consumers cannot reasonably avoid" (Beales 2003, p. 195). Before this 1994 regulation, either the likelihood of injury or the inherent egregiousness of the activity was considered sufficient for an unfairness cause of action. For example, the FTC Funeral Industry Practices Trade Regulation Rule restricted some practices of funeral homes to bundle health-mandated and luxury add-ons at a time when many consumers were suffering emotional distress (Bertrand, Mullainathan, and Shafir 2006).

Consider the marketing practice of promotional rebates and the effect of alternative FTC unfairness standards on sellers' incentives to use rebates. Although rebates have strong effects on consumer purchases, many consumers never redeem their rebates, and sellers are aware of this (Lynch and Zauberman 2006). Consumers have a false expectation of the likelihood that they will enjoy a promotional benefit because they misjudge their own propensities, not because they have been misled in the traditional sense. Moreover, the rebates would probably not be considered unfair under the revised FTC standard. This policy may harm the significant proportion of consumers who fail to redeem their rebates, but it benefits consumers who do redeem them. Moreover, consumers who are injured because they did not redeem a rebate that was material to the decision to purchase could have avoided the injury. So the current FTC unfairness policy makes it far less likely that the FTC will pursue such industrywide practices, even if, in reality, they are injurious to a substantial proportion of consumers who fail to receive the benefit of the bargain offered by the seller.

The articles in this special issue present psychological theories that offer a counterpoint to economic analyses of more-choice, better-information, and incentive policy instruments. The articles highlight instances in which more choice is detrimental, better information is unlikely to be useful, and extrinsic consumer incentives are unlikely to lead to improved choices. The authors of each article review their own work and related literature streams to show why existing policies might require modification in light of established psychological principles of human behavior. They bring their analyses to bear on diverse substantive domains, including financial decision making and savings (Bertrand, Mullainathan, and Shafir 2006; Botti and Iyengar 2006; Briley and Aaker 2006; Lynch and Zauberman 2006), consumption of "sin" products (Lynch and Zauberman 2006), diet (Moller, Ryan, and Deci 2006; Verplanken and Wood 2006), health (Botti and Iyengar 2006; Briley and Aaker 2006; Kahn and Luce 2006), software piracy (Mazar and Ariely 2006), environmental conservation (Moller, Ryan, and Deci 2006), rebates (Lynch and Zauberman 2006), public service announcements and warning messages (Rucker and Petty 2006), and choices of transportation modes (Verplanken and Wood 2006).

A Preview of Things to Come

We open the special issue with Bertrand, Mullainathan, and Shafir's (2006) behavioral economic analysis of harmful patterns of financial decision making by the poor. According to Wikipedia.com (2006), "Behavioral finance and behavioral economics are closely related fields which apply scientific research on human and social cognitive and emotional biases to better understand economic decisions and how they affect market prices, returns, and the allocation of resources. The fields are primarily concerned with the rationality, or lack thereof, of economic agents. Behavioral models typically integrate insights from psychology with neoclassical economic theory."

Bertrand, Mullainathan, and Shafir (2006) report that the poor are unlikely to save or to have bank accounts of any kind; the poor cash their paychecks at usurious payday lenders, and they fail to take advantage of various financial assistance programs offered by the government. Bertrand, Mullainathan, and Shafir draw on well-established concepts from social psychology (e.g., the power of the situation, construal processes, attitude change in groups, self-identity, labeling) and their field of behavioral economics (e.g., framing, mental accounting, status quo bias). They argue that poor consumers are subject to the same judgment errors and biases as consumers in general, but their circumstances give them a narrower margin of error. For example, the poor and the comfortable may share a bias to choose an option designated as the "default" alternative, but the middle class have access to helpful defaults that are simply not offered to the poor, such as direct deposit of paychecks with some fraction saved automatically. Bertrand, Mullainathan, and Shafir's wide-ranging discussion touches on many concepts that are developed in more depth in subsequent articles in the special issue.

Bertrand, Mullainathan, and Shafir (2006) suggest psychology-based remedies for dysfunctional financial decision making by the poor. Some remedies fit comfortably within standard policy instruments of providing better information or changing incentives. For example, the authors note surprisingly low take-up of government assistance programs by the poor, and they call for information remedies that increase awareness of these programs. Bertrand, Mullainathan, and Shafir also flag conditions in which standard remedies may fail. Here, they introduce several themes that are the focus of other articles in the special issue. Essentially, they argue that remedies such as greater choice and better information fail if they are insufficiently informed by behavioral principles. More-choice remedies fail when the banks that provide more choices actually discourage the poor from opening an account. Better-information remedies fail if they do not appropriately promote the proposed behavioral plan. For example, Bertrand, Mullainathan, and Shafir suggest that the persuasiveness of information to encourage the poor to adopt food stamps depends on whether the message is framed as a loss from failure to sign up or as a gain from signing up. Incentive remedies fail if

they do not consider psychological factors, such as the "hassle" costs of emotional distress or the difficulties with time management, that hinder poor people from following through on intentions to sign up for a first bank account.

The remaining articles in the special issue focus more narrowly on one of the three broad types of policies, that is, more choice, better information, and socially beneficial incentives. Each article draws on psychology to devise ways to apply these policies effectively to improve consumer decisions. In explaining why certain policies are likely to be effective for certain types of decisions, the authors indicate when the standard economic approaches are likely to work and when they are not. When standard approaches are unlikely to work, each set of authors identifies several novel policies to enhance consumers' ability and motivation to make good decisions.

More Choice

Botti and Iyengar (2006) begin with a review of standard economic reasons that more choice should always be a good thing. When consumers have heterogeneous tastes and products are heterogeneous, more choice allows a closer match of the chosen product to a consumer's taste. Moreover, more choice leads to competition, which makes consumers better off. In addition, the psychological literature suggests that consumers *want* more choice, are attracted to sellers that provide it, and are more intrinsically motivated by tasks in which they have some choice or feel a sense of self-control.

Despite these benefits of more choice, consumers are sometimes worse off when their choice sets are enlarged. Economic search models claim that this should not be possible, because the rational buyer would stop searching when costs outweigh the expected benefits of more search. However, Botti and Iyengar (2006) discuss psychological conditions under which more choice can be detrimental. Choice can produce information overload or negative emotions and can produce potentially dysfunctional patterns when consumers' preferences are not well defined. Among the most important conclusions from the previous two decades of research in decision making is that consumers often lack well-formed utility functions. Their preferences are constructed rather than retrieved, and the temporarily constructed preferences are highly sensitive to context. Thus, people who express a preference for more choice sometimes experience lower satisfaction with decision outcomes when they choose from larger rather than smaller choice sets and experience more regret over forgone options (e.g., Iyengar and Lepper 2000) because they are less sure that they have made the best choice. With such instability, different preferences might be elicited on revisiting the same options. Moreover, offering more choice sometimes produces dramatic emotional conflict, which in turn can cause significant disutility. Botti and Iyengar show that choosers experience greater dissatisfaction than nonchoosers when the choice set comprises all negative options (Botti and Iyengar 2004), such as when people must make heart-wrenching decisions about medical treatments of terminally ill loved ones. Moreover, conflict sometimes leads to the delay or deferral of choice, leading people to stay with default and low-risk options that seem to be suboptimal. Iyengar and Jiang (2005) show that participation in 401(k) declines as more options are provided, particularly among older employees.

Better Information

Six of the articles in the special issue offer new perspectives on how policy makers can more effectively provide information to improve consumer decisions. Rucker and Petty (2006), Briley and Aaker (2006), and Lynch and Zauberman (2006) draw on psychological literature to identify strategies that provide information to consumers in ways that are accessible and in tune with how people mentally represent and prioritize incentives. These authors also address how the manner of conveying information can change the value that consumers attach to outcomes.

When Information Determines Consumer Choices

Rucker and Petty (2006) draw on social psychological work on persuasion to explain how to communicate health risk information effectively to consumers, such as that provided in public service announcements and on warning labels. An important consideration is whether consumers are likely to attend to and elaborate on health risk messages carefully (central processing) or whether they will evaluate them in a more cursory way (peripheral processing). Effectively designed public service announcements and warning labels are those that match consumers' levels of elaboration. Extensive, detailed information is likely to be effective primarily when consumers centrally process information, whereas simpler presentations will be effective when consumers peripherally process information. In addition to this important insight into how to tailor messages to reach the target audience, Rucker and Petty note several factors that determine the strength of the resulting attitudes. Attitudes that are strong are held with certainty so that they persist over time and have the capacity to guide action. In general, consumers who process messages carefully have attitudes that are held more strongly and with greater certainty. In addition, Rucker and Petty identify strategies to enhance attitude certainty regardless of message-processing style. Finally, they identify ways to assess the effectiveness of persuasive appeals and to understand what can go wrong when health risk information is provided, that is, why consumers might not be influenced by particular persuasive appeals.

Briley and Aaker (2006) focus on cross-cultural variation in chronic goals that motivate behavior. They show how these chronic goal differences explain cross-cultural differences in decisions about health, saving, and spending. Consumers from individualistic cultures are chronically motivated more by promotion and the approach of rewards than by the prevention of losses; consumers from collectivist cultures have the opposite orientation. Because all people have aspects of self that are individualistic and aspects that are collectivist, temporary primes to aspects of the self as an individual arouse promotion motives, and temporary primes to aspects of the self as a member of a family, team, or collective arouse prevention motives. Promotion and prevention goals can be pursued by eager or vigilant means, but there is more regulatory fit when promotion goals are pursued by eager means and when prevention goals are pursued

by vigilant means than vice versa. Briley and Aaker review work that suggests that those trying to encourage certain kinds of healthful behaviors or prudent financial decision making have dramatically different effectiveness if the message is framed in terms of a means of goal attainment that is a fit with that cultural group's chronic promotion or prevention focus. They use this framework to explain cultural differences in inputs that are persuasive in messages; preference for risky, default, or compromise alternatives; and differences in the timing of decisions.

Lynch and Zauberman (2006) review work on how the attractiveness of alternative courses of action depends on how temporally distant the consequences are. There are many domains in which people discount "too much," such as when they save too little because they place so much more value on consumption in the present than in the future. The authors review two broad psychological theories of discounting. Zauberman and Lynch's (2005) work on "resource slack" shows that people prefer a larger, later investment of a resource to a smaller, sooner investment of the same resource to the extent that people believe that they will have more slack and less opportunity cost for that resource in the future than in the present. Their work (i.e., Zauberman and Lynch 2005) shows that most people discount future time much more than future money because people expect to have much more available time in the future than in the present, but they expect more equal amounts of spare money now than in the future. An impressive stream of research on "temporal construal" shows that people represent events and decision alternatives differently in the near versus the more-distant future. More-distant events are represented by high-level construals that focus on abstract benefits; less-distant events give more weight to low-level constraints on behavior. Lynch and Zauberman use the principles of resource slack theory and temporal construal theory to explain why Thaler and Benartzi's (2004) Save More Tomorrow program succeeds in increasing savings rates. They use the same principles to explain why rebates may provide a strong inducement to buy, namely, because people have biased expectations of their probability of redeeming.

Kahn and Luce (2006) address consumers' repeated adherence to preventive measures, including safety devices, such as seatbelts, and medical tests, such as mammograms. Although these preventative measures must be used consistently to ensure their effectiveness, consumers' resolve to do so can be influenced by distress or hassle experienced with the measure or by false security events, for example, when consumers remain safe despite neglecting to use the measure. Kahn and Luce's elegant model offers a psychological account of the effects of hassle and false security experiences on subsequent use of the preventative measure. In general, hassle outcomes are likely to encourage consumers to reevaluate their need to use the measure. When hassles are in the form of a false positive result on medical tests, they are likely to increase the perceived vulnerability of a hazard. Then, whether the hassle increases or decreases subsequent use of the measure depends on consumers' coping resources. If consumers can cope with the threat, they are likely to approach the measure and increase future adherence. If consumers' capacity to cope is not sufficient to mitigate the stress of approaching the measure, adherence should decrease. In contrast, false security experiences (e.g., remaining safe despite not using a seatbelt) are likely to lower future usage because they imply that the measure is unnecessary. Policy interventions to ensure continued use of preventative measures can address the hassles directly; for example, engineering designs can reduce hassle events (e.g., reduce false positive outcomes on medical tests). In addition, Kahn and Luce outline policy interventions to ensure that consumers continue to recognize the benefits of the measure, to ensure that they have sufficient coping capacity, and to automate use of the preventive measure into a habit that is resistant to change.

When Decisions Are Not Based on Information and Beliefs

Sometimes it is futile to attempt to improve consumer choices with better information because the behavior is under the control of habit or of affective rather than cognitive processes. Lynch and Zauberman's (2006) study considers cases in which people make errors because their behavior is controlled by affective reactions to "visceral" stimuli (Loewenstein 1996). These stimuli are overwhelmingly attractive when consumers are in deprivation states and in close proximity to visceral rewards. These affective reactions produce "present-biased" preferences for sin products. That is, when consumers are at a distance, they prefer to consume a virtuous product rather than a visceral sin product, but when they are in close proximity to the sin product, they yield to temptation and regret it later. For such behaviors, standard informational remedies that warn of hazards or incentive remedies, such as sin taxes, are unlikely to be very effective. In counterpoint to this insight that the habitual or affective basis for action can hinder efforts at behavior change, several articles in this issue point out that these challenges turn into advantages for policies that are oriented toward maintaining consumer behavior. As Kahn and Luce (2006) note with respect to use of seatbelts and other health preventative measures, making behaviors habitual and automatic is an important policy goal. Consumers who habitually do the right thing and use health preventive measures are not as likely to be influenced by minor hassles that might arise. Verplanken and Wood (2006) discuss this double-edged nature of habits, in which the attributes of habitual behavior that are challenging for behavior-change interventions are instead beneficial for behavior maintenance.

Verplanken and Wood (2006) address the challenges inherent in changing habitual behaviors that are not based on information and beliefs. They illustrate their arguments with policies pertaining to obesity and the smart use of the automobile. Many everyday consumer behaviors related to diet and automobile use are repeated frequently in stable contexts and, as a result, develop into habits that are triggered automatically by the experience of those contexts. Habits are difficult to change through informational campaigns, in part because consumers have clear expectancies about their behavior in these arenas and also because the actions are not guided by conscious decisions and intentions. When eating and driving are habits, little will be

gained by convincing consumers to adopt a healthful diet or choose an environmentally friendly mode of travel. Instead, information-based interventions will be most successful when they address behaviors that are not habitual. Interventions to change habits require change in the environmental cues that trigger the repeat of prior actions. Thus, habit-change interventions can take advantage of naturally occurring changes in performance environments and provide new information at times when people are undergoing lifestyle changes, such as moving or changing jobs. Such interventions build on models of new resident marketing programs and provide consumers with information when they are most likely to be influenced by it, that is, when old habits are not constraining current choices. As an example, some urban transit districts offer free bus passes to new city residents to encourage their use of public transport. Alternatively, successful habit change interventions involve *upstream* changes in the performance environments that structure the target behavior, such as industrial regulation to reduce the size of food portions marketed to consumers. Finally, Verplanken and Wood note that the features of habits that make people resistant to change are advantages when policies are designed to maintain new behaviors. Establishing behaviors into habits is a useful goal for many behavior-change programs, and the authors propose interventions to encourage the repetition of new behaviors and thus enable habit formation.

Incentives

Articles in the preceding section analyze proposals to make consumers better off by altering the information they have about the probabilities and payoffs associated with the outcomes of buying and consuming products and services. In contrast, articles in the final section consider policies that change the costs and benefits themselves. The contributions in this section draw on psychological research to identify how external incentives to change consumer behavior interact with consumers' own incentive orientations. Essentially, the authors argue that the success of policy interventions that use incentives depends on this interaction between external controls and consumers' personal value systems.

Moeller, Ryan, and Deci (2006) explain how the promotion of consumers' autonomy and sense of choice can be used to motivate reuse and recycling and to encourage healthier eating patterns to curb obesity. According to the psychological theory of self-determination, when people perceive themselves as acting autonomously, they maintain behavior change, perform effectively, and have greater well-being. Moeller, Ryan, and Deci note that research has not always supported the idea that greater choice is beneficial to consumers. They review research on the effects of choice and conclude that though excessive choice is reputed to be overwhelming, provision of choice is uniformly beneficial when the choices reflect personal values and seem autonomous. Given the importance of autonomous choice, Moeller, Ryan, and Deci argue that effective policies to change consumer behavior convey autonomy and enhance choice. Thus, self-determination theory emphasizes policy solutions that provide people with information about the choices available to them along with a meaningful rationale for behavior change. In contrast, policies that provide controlling rewards or punishments as inducements for behavior change are likely to have limited effectiveness. To illustrate these points, Moeller, Ryan, and Deci present research evidence that interventions that convey autonomy rather than control of behavior yield long-term behavior change and change in a wider range of relevant behaviors. For example, they cite the greater success of weight-control programs that encourage weight loss for autonomous, personal health reasons than for controlling reasons, such as social acceptability and physical attractiveness. In this way, policies will be effective to the extent that they recognize and enhance consumers' autonomous choices.

Mazar and Ariely (2006) consider the enormous welfare losses to the economic system caused by both buyers' and sellers' dishonesty and fraud (e.g., digital piracy). They note that standard policy is to deter dishonesty by altering the probability of being caught and the punishment if that comes to pass. Alternatively, honesty can be encouraged by altering probabilities and payoffs associated with honest behavior. Mazar and Ariely note that such incentive-based policies ignore internal reward mechanisms for honest and moral behavior. It has been amply demonstrated in behavioral economics and psychology that people get physiologically based pleasure from behaving in a fair and honest manner that does not harm others; consequently, when people are given explicit incentives (e.g., experimental games), they are more honest than economists might expect. Moreover, activation of these internal reward mechanisms lessens sensitivity to external incentives (Mazar, Amir, and Ariely 2005). When the net benefits of dishonesty are small but positive, people are "slightly" dishonest. When net benefits of dishonesty increase, they can make salient internal standards that constrain the degree of dishonesty unless the net benefits of dishonesty become overwhelming. These internal standards can "kick in" at higher or lower levels of incentive to behave dishonestly; the threshold is a function of situational manipulations of the salience of internal standards and the degree to which a person codes his or her behavior as dishonest. People have a surprising ability to deceive themselves into thinking that their own dishonest behavior is truly honest. Mazar and Ariely propose a framework for how policy makers can discourage dishonesty, depending on whether honesty or dishonesty is under the control of external incentives, internal rewards, or self-deception.

Conclusion

We chose the contributors to this special issue for their expertise in psychological theory. We believe that they are doing the most interesting work to illuminate why more choice, better information, or extrinsic incentives might not always benefit consumers in the ways assumed by current policy. Almost all of these authors—and the guest editors—are public policy novices. A major purpose of this special issue was to attract other outstanding scholars in marketing, consumer behavior, psychology, and behavioral economics to focus some of their work on public policy.

We hope that readers who do not define themselves as policy experts will realize that they have the potential to

make a meaningful, real-world contribution to consumer welfare if they apply their talents to the analysis of the kinds of fascinating substantive topics examined in the articles in this special issue. We hope that public policy experts who read these articles will be impressed with the potential for psychological research to inform policy.

To realize fully the potential that the articles in this special issue represent requires conversation and investment. We witnessed the value of conversation between academic theorists and policy experts in the conference held at Duke University in May 2005 when the authors, discussants, and audience debated drafts of the articles published in this volume (see the acknowledgments on page 1 for the names of the commentators who generously participated). To maximize the value of these kinds of conversations, experts in consumer behavior theory must make the investment to learn about the institutions in the policy environment so that their ideas are relevant to the way that policy makers frame the important issues our society faces. In turn, policy makers must make the investment to learn more about consumer behavior theory. Policy makers need to include psychology-based researchers and give them a seat at the table along with their colleagues from economics and law. If this special issue inspires such conversation and investment, it will have fulfilled its purpose.

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