

A key figure in behavioral economics recently issued a warning about over-reliance on its findings. In a [NY Times op. ed](#), [Dr. George Lowenstein](#) raised questions about some uses of behavioral economics by government policymakers:

As policymakers use it to devise programs, it's becoming clear that behavioral economics is being asked to solve problems it wasn't meant to address. Indeed, it seems in some cases that behavioral economics is being used as a political expedient, allowing policymakers to avoid painful but more effective solutions rooted in traditional economics.

Behavioral economics should complement, not substitute for, more substantive economic interventions. If traditional economics suggests that we should have a larger price difference between sugar-free and sugared drinks, behavioral economics could suggest whether consumers would respond better to a subsidy on unsweetened drinks or a tax on sugary drinks.

But that's the most it can do. For all of its insights, behavioral economics alone is not a viable alternative to the kinds of far-reaching policies we need to tackle our nation's challenges.

"Very interesting," you might think, "But what does this have to do with environmental law?"

Just this: Greenwire recently reported that the Obama Administration is about to give up on the effort to reformulate the rules for regulatory impact analysis (a/k/a cost-benefit analysis). The only thing to show for the effort is an important new [guidance document](#) from OMB. Guess what? The new guidance document applies behavioral economics to mandate that agencies give more attention to disclosure as a regulatory tool. This is not too surprising, because the guidance document was penned by [Cass Sunstein](#), a leading contributor to behavioral economics.

Indeed, disclosure may well be useful — consider green labeling rules. But as Lowenstein's op. ed. makes clear, we should not expect too much of disclosure as a substitute for more muscular forms of regulation. Let's hope that the Sunstein memo functions to alert agencies to the potential uses of disclosure without pressuring them to use disclosure as a cure-all.