

***Designed defaults:
How the Backstop Society
can failsafe Australians'
superannuation***

By Nicholas Gruen

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Introduction

The implementation of the deregulatory wave of microeconomic reform is largely complete. There's still room for further worthwhile deregulation for instance in the postal, taxi, pharmacy and newsagency industries and agricultural marketing and the traditional professions. But just listing them illustrates their relative unimportance. As Ross Garnaut explained to some Senators recently 'Whereas we could make a lot of headway with hits over the boundary in the eighties, now we have to get them in singles'.¹

Economists have recently turned their attention to both the health and education systems as new fields of reform, as well they might. Nevertheless I think there are fine new vistas for microeconomic reform. But to see them we must see our economy afresh. This claim can be put in context with another claim – that before deregulation we thought of the economy as a giant mechanism for making things – a view that goes right back to distinctions in classical and pre-classical economics between 'productive' and 'unproductive' labour.

As early as the 1930s, Friedrich Hayek, one of the intellectual architects of the deregulation of the 1980s and 1990s emphasised the incompleteness of this picture, arguing that the skills of the merchant and the trader were as indispensable to a well functioning economy as those of the mechanic and the engineer.

In many respects the National Competition Policy was a culmination of deregulation – involving as it did a systematic stock-take of our economic institutions with one question in mind: 'how can we intensify competition in the interests of economic efficiency?' We need only nominate some other critical theme of economic organisation to provide ourselves with fresh perspectives on economic reform.

Once identified such themes could motivate their own systematic trawl through the economy a *lá* competition policy. For an economy is more than a giant apparatus for producing goods and services, and for trading them (both internally and with other countries). It must also facilitate appropriate decision making despite the bewildering and growing complexity of our world. And it must do so by generating information and expertise and getting it to where it is most useful.

It must also bear and manage risk. Further, the web of red tape grows inexorably denser, with our Tax Act heading toward the 10,000 page mark and the corporate sector groaning under the weight of wave after wave of financial services reform and accounting regulation. Except where regulation can be swept away with the stroke of a pen (as it was with import quotas, domestic aviation and shopping hours) regulatory reform has been a disappointment. If we are to tackle these new vistas of reform without repeating the mistakes of the past, we need to find more effective ways of regulating to improve outcomes. Though the relative merits of regulating outcomes rather than processes is already a long standing cliché of reform this has proven to be something which has been much more easily said than done. Some new and hard thinking is in order.

Our burgeoning superannuation system provides a worthwhile microcosm within which to demonstrate these ambitious claims.

Note further that deregulatory reform typically involved the maximisation of competition wherever and however possible. Thus although ideological zealotry either for or against competitive markets is rarely the friend of good policy, it is least dangerous when the focus is enhancing competition within our economy – where there the presumption in favour of intensifying competition will often do good and rarely do much harm.

By contrast reform of our systems of information, risk management and regulation can only be done well by those with a feel for the mixed economy. For both commonsense and economic theory tell us that these areas will be best handled by those who truly seek to refine and optimise the complementary roles of government and markets – of collective and competitive action. More than was the case with deregulatory reform, partisanship for competitive over collective action or *visa versa* and the endless ritual battles between those positions is likely to obscure myriad possibilities for improvement.

This is the first of two essays addressing the themes introduced above. It addresses the issue of complexity, while a subsequent essay will focus on risk, regulation and results within superannuation. These essays contain what I hope are worthwhile discussion and proposals but no claim is made to comprehensiveness.²

Complexity

As Adam Smith explained, our society and economy's growth in 'opulence' is also a growth in complexity. In an age of terrorist bombings it might appear rather academic to suggest that addressing the complexity of citizens' lives might be a worthwhile project not just in public policy but also in political advocacy. In fact complexity is already a talking point amongst the hoi-polloi and on talk-back radio. Our lives have grown remarkably more complex since the 1970s.

Regulation – including the rules governing the tax system - is now much more complex and pervasive.³ More noticeably the deregulation of a range of utilities and other service industries (like banking) has led to an explosion of complexity for consumers (Sylvan, 2002).

In industries with relatively high fixed costs, price discrimination is rife. Though often regarded by today's policy advisers as intrinsically beneficial (because in principle it allows efficiency gains through the extension of the market) this analysis ignores the consumer inconvenience that will often be entailed in practice (See Appendix One) and the way in which price discrimination increases consumers' costs in searching for the right product – sometimes massively.

People agonise over which phone/internet/Pay TV plan, bank loan or plane ticket will deliver best value. Many despair of ever knowing. Whole new industries like mortgage broking and specialist phone marketing have arisen to address consumers' anxieties and frustrations thus generated. Jokes circulate around the internet about all the different fares for the same seat on a Qantas flight. Of course, as John Vickers recently said, 'market imperfections do not necessarily call for public policy solutions'

(2003: 2) and any very direct government regulation of price discrimination would almost certainly generate outcomes that were foreseeable only in their perversity.

But though we should rightly be wary of cures that could be worse than the disease, it remains the fact that complexity has its costs. And like any body of organised knowledge, the way the discipline of economics is organised has produced its biases and blind spots. Complexity is one such blind spot. And that suggests a field of rich pickings for those with the chutzpah to venture there.

Complexity and uncertainty: Decision making and procrastination

Nobel Laureate Herbert Simon devoted much of his long life to exploring the implications of what he called our ‘bounded rationality’. We have neither the time nor the cognitive capacity to discover and comprehend the significance of everything there is to know about things and even if we could most of our uncertainty about the future would remain. So rather than optimise we ‘satisfice’ or, to simplify somewhat, we use rules of thumb to help us make decisions.

The new field of ‘behavioural economics’ adds to this picture, particularly by fleshing out some of humanity’s more systematic ‘bounded *irrationalities*’. It has some important things to say about savings and superannuation particularly in the presence of complexity and ignorance. And though the research is relatively new, one country has already acted on it to improve its savings system.

In situations of great uncertainty – like deciding how much we should save now to fund a retirement that is decades away – we look around to see what others do. We are influenced by what seems ‘normal’. (Lusardi, 2000).⁴ We also procrastinate, often irrationally.⁵ Janet Yellen tells a story of a savings plan at Harvard which yields no return until the employee chooses between two investment options. Most junior employees delay choosing (and in so doing waste hundreds of dollars in interest payments) though making the choice requires less than an hour’s time (Akerlof, 1991: 6). Australia’s own ledger of over \$7 billion in unclaimed superannuation accounts⁶ attests to a similar phenomenon.

Akerlof generalises to observe that we are prone to irrational procrastination – or in economic jargon dynamically inconsistent decision-making – where:

1. the time between decisions is short – making each act of procrastination relatively trivial (‘I’ll do it tomorrow’), and;
2. there is a small ‘salience cost’ to undertaking the job now rather than later (1991, pp. 3-4).
3. There is good evidence that savings decisions themselves fit this pattern generally (see for example Lusardi, 2003). However, except where it compels saving, the panoply of bureaucracy involved in superannuation savings plans could be increasing procrastination substantially.

The ‘Backstop Society’

The phenomena explored above disclose a role for a highly beneficial and yet non-coercive kind of collective action. In a world of complexity, ignorance and transactions costs, citizens will value what I will call the ‘Backstop Society’.⁷ Wherever possible, and before it resorts to coercion, either by

command through regulation or monetary incentives, the Backstop Society will seek to assist its members by setting ‘designed defaults’. People would remain free to make alternative arrangements, but they could also rest assured that, if they did not exercise their right to choose, they would fall back on a ‘designed default’.

The ‘designed default’ would address the problems illustrated by behavioural finance by influencing perceptions of what was normal and prudent and by lowering the transaction costs of far better savings and investment options than are set by current ‘undesigned defaults’.

Paraphrasing Churchill, it is not unreasonable to say that rarely before in the field of human policy making has so much improvement been offered with so little coercion or risk of harm. It offers a remarkably painless way to improve outcomes – the evidence suggests substantially – and yet coerces citizens no more than reality itself does. It requires them only to actively exercise their choice if they do not like the ‘designed default’.

We should increase the ‘default’ rate of contributions to superannuation above the current 9 per cent compulsory contribution.⁸ The equity arguments are compelling. If the US is any guide, less than 40 percent of people seek even to make a reasonable determination of how much retirement savings they will require – not really knowing where to begin. Only slightly more – 45 percent – have even the rudiments of the knowledge necessary to make sensible investment decisions – for instance the knowledge that equities have tended to outperform bonds over time. And nearly three quarters believe they have saved too little in the last two or three decades (Lusardi, 2003: 2). Meanwhile ANOP polls in Australia conclude that around 56 percent of Australians will be disappointed in the amount they have saved for retirement (Cameron, 2001, 2004).

Like their undesigned analogues, designed defaults are highly influential. Choi *et al.* (2003) studied three firms that used automatic enrollment for tax privileged 401(k) retirement savings plans in the US. When employees were automatically enrolled, only a tiny fraction opted out, producing participation rates exceeding 85 per cent. By contrast, when employees at these firms were not automatically enrolled, participation rates were much lower, ranging from 26 to 43 per cent after six months of tenure, and from 57 to 69 per cent after three years of tenure. (See also Madrian and Shea (2000)).

The efficiency arguments are equally powerful. Many of us have little inclination or aptitude to plan our finances and, if the theory of revealed preference is any guide, it appears inefficient for us all to acquire the expertise to manage those finances ourselves, or perhaps even to choose and supervise others with that expertise.

In designing the best default they can, collectives create a pathway by which citizens can efficiently delegate decision making at the same time as preserving citizens’ choice to act for themselves. Absent the small fixed costs in setting up such defaults, this is as close to the textbook Pareto improvement – where some people are better off and no-one is worse off – as one is likely to find in our fallen world.

Box One: New Zealand leads world with default savings scheme

Having led the world in such areas as full male suffrage, female suffrage and the ‘Australian’ or secret ballot, antipodeans are rightly proud of their political and economic innovations. In the 1980s and 1990s both countries were at the forefront of economic reform though Australia's more moderate approach now seems to have been superior.⁹

As Australia was an innovator with policies such as HECS and administering child support through the tax office rather than through the scandalously ramshackle court system, so in this decade New Zealanders have more often been the innovators particularly in several areas of superannuation. On 19th of May 2005 New Zealand became the first country to announce the introduction of a default savings scheme attracting international attention¹⁰ and acclaim.¹¹

Compulsory savings will always overshadow any default scheme in Australia. By contrast with no general compulsory savings scheme New Zealand's default savings scheme is regarded by its architects as a major plank of savings policy.

From April 2007 the playing field will be tilted towards super contributions.¹² Employers must deposit four percent of their employees' wages into the ‘KiwiSaver’ scheme run by their Internal Revenue Department. As an incentive, the government offers a fee subsidy on the management of the funds, makes a \$1,000 contribution and also makes an additional payment of up to \$5,000 for a housing deposit after three years in the scheme. (Labor has just promised to raise this to \$10,000 after five years in the current election.)

Opting out takes more effort than the default option and can only be done between the second and fourth weeks in a new job. Thereafter the money is invested in the fund until retirement. KiwiSaver looks thoughtfully designed.

- Contribution holidays can be taken any time, but default contributions resume after five years – after which further holidays can be taken.
- Employees who have not picked a provider are randomly allocated a default provider which is selected from a pool of funds chosen through a competitive tender process designed to optimise risk/return in part by minimising fees.
- The system integrates with competitive funds management and with employer contributions negotiated within the workplace.

Leaning from the dismal Australian experience in this regard, small balances will also be held until they accumulate to a minimum level to avoid costs to the providers.

A default superannuation infrastructure

Apart from lower income earners (ACOSS, 2002), there is little argument that most Australians should generally make greater super contributions than the currently mandated 9 per cent of wages. This suggests that to maximise its long term effect, we can afford to increase the ‘default’ rate of super contribution gradually, for instance as we did with compulsory contributions, by a percentage point or so each couple of years.

Box Two: The mechanics of increasing the default level of superannuation

Opinions will differ about the mechanics of how best to increase the default level of superannuation. The points below are intended to be illustrative rather than definitive:

- On the introduction of a scheme to bring about changes to the ‘default’ level of superannuation, a target level of contributions would be set. Some, like ACOSS, would argue that the default level should vary with income. I favour higher levels of contribution not just for administrative simplicity but also to encourage maximum self provision and security for the least well off.
- On a given date employers would be required to deduct an additional one percent above their compulsory 9 per cent contribution. I presume that the less perceptible the increase in the default rate of contribution, the fewer people will opt out. Until combined payments into super (from the employee and their employer) had reached the target rate of saving – say 15 per cent – that employee’s salary sacrifice contribution to super would be increased by 1 per cent each year.
- Each time the default rate rose employees would receive a form setting out;
 1. a simple explanation of what had happened along with what could be expected to happen in the future;
 2. an invitation to elect a lower (or higher) level of contribution than the default that had just been introduced;
 3. some simple advice explaining that, in the absence of unusual circumstances experts considered the target rate of super contribution to be prudent and suggesting that the person seek independent financial advice, particularly if he or she intends to make a lower contribution;
 4. an invitation to increase saving over time up to the target rate by earmarking a nominated proportion of wage rises to increased contributions. Those responding to such approaches have increased their savings rates dramatically – from 3. 5 per cent to 11. 6 per cent – over the course of 28 months (Thaler and Benartzi, 2000).

The process would be repeated yearly.

I propose means of improving investment advice in a subsequent essay. But be that as it may, good policy will take the world as it is – complete with those without the aptitude and/or the inclination to manage or supervise the management of their superannuation savings. Despite substantial advertising expenditure by retail funds and a plethora of finance related information in daily newspapers, in 2004

around 45 per cent of Australians did not feel well enough informed about super and super funds to consider changing funds (Cameron, 2004: 20). Lusardi reports that in the US, less sophisticated and poorer households – those who have no financial plan ‘are less likely to invest in high return assets such as stocks (2003: 3)’.

A properly structured default fund would address these issues. It should be managed at arm’s length from Government and should have substantial exposure to both domestic and international markets to high return assets such as equities and property, alongside some (probably lower) exposure to bonds and cash.¹³ The fund could also be divided into a range of asset classes allowing changing asset allocations for individual portfolios to allow risk/return tradeoffs to be gradually adjusted (by default) with the age of the beneficiary.

In keeping with the principles of competitive neutrality, the fund should purchase investment management services from wherever it considers it can obtain best value for money – whether this be with private sector managers and/or funds managers (whether active or index hugging), ‘industry funds’ or public sector fund managers. This competitive structure would maximise competition in funds management and allow the trustee to prevent too large an amount of money depressing the returns of a single fund manager.

I would also like to see the ‘default fund’ charge its members a small fee to receive independent investment advice (supplied by providers with a track record of successful advice and with remuneration which minimises conflicts of interest).¹⁴ In keeping with the theme of this essay, members would be able to forego the advice and have the fee returned should they wish.

Quite apart from the improved outcomes that individuals without the skill or inclination to supervise the management of their own funds could expect, the state has an interest in providing such a service to reduce subsequent generations’ call on welfare. To the extent that these reforms succeed they would yield the double dividend of solving the problems we face now, while minimising the degree of compulsion required in the future.

A role for the opposition

We are taught that there are three arms of government – the executive, the legislature and the judiciary – but it is useful to remember a fourth. As the events of the last few decades have shown, politicians are persuaders. And as society becomes more complex ‘soft power’ – the power of mores, expectations and aspirations – grows relatively stronger compared with the ‘hard power’ of black letter law. So, too, persuasion grows progressively more powerful relative to the other, more coercive arms of government. Indeed, the potential of ‘designed defaults’ in superannuation is an illustration of the phenomenon of soft power itself.

This provides an Opposition with opportunities to offset some of the natural advantages of incumbency enjoyed by its political opponent. Whatever else might be said about him, Mark Latham mobilised the suasion arm of government from the Opposition benches of the Parliament to secure long overdue reform of Parliamentary superannuation. His actions carried a double dividend - one for his community in the form of better, fairer policies and another for himself and his party.

The agenda set out above presents an opportunity to make a difference even for those without direct control of Government. Precisely because ‘designed defaults’ offer so much gain at the cost of so little pain, simply bringing the issue to prominence could be surprisingly influential.

But the ALP has other powerful resources. ALP State Governments could adopt designed defaults for those on their direct payrolls, use their influence to promote the idea more widely and also consider in what other areas designed defaults might be worth pursuing. And the union movement could advocate and/or negotiate for designed defaults both directly with employers and also through the agency of industry funds. In addition to those firms that implemented such policies out of a sense of community spirit, one would hope and expect such an agenda to be strongly supported by firms and industry associations in the financial services sector whom it would benefit.

As a result, real progress could be expected – even in the absence of holding office. We could move towards the backstop society before we established the backstop state. Such an achievement would be a proud one for an Opposition. But at a time when the party has difficulty being heard amid the crises and clamour of the moment, it would also help publicly to demonstrate the ALP’s capacity to forge positive change on behalf of its constituents at the same time as it was pursuing the necessarily largely negative and generally thankless role of holding the Government to account.

Whatever its political fortunes in the next few years, initiating the establishment of designed defaults in Australia’s superannuation system would enable the ALP to continue the process it began in the 1980s. That process will end when we can say that anyone who has saved too little for their retirement has done so by design, and not by default.

Indeed the advice I’d offer the ALP on making progress towards its cherished objectives is the same I’d give to those many of its constituents who’ve not yet got around to increasing their super contributions above the compulsory rate.

Don’t delay!

Appendix One: price discrimination that reduces welfare

It is not because of the few thousand francs which would have to be spent to put a roof over the third-class carriages or to upholster the third-class seats that some company or other has open carriages with wooden benches. . . . What the company is trying to do is prevent the passengers who can pay the second-class fare from traveling third-class; it hits the poor, not because it wants to hurt them, but to frighten the rich. And it is again for the same reason that the companies, having proven almost cruel to the third-class passengers and mean to the second-class ones, become lavish in dealing with first-class passengers. Having refused the poor what is necessary, they give the rich what is superfluous.

Jules Dupuit, 1849. ¹⁵

Price discrimination will generally enhance efficiency to the extent that it helps foist the funding of fixed costs on those most willing to pay for them. Often it will also promote equity as those more willing to pay will often be wealthier. But though much contemporary economic policy discussion frequently pays them little heed, price discrimination often involves substantial inefficiencies. The phenomena modelled in this box have become sufficiently common for the issue to be more than a theoretical curiosity.

Price discrimination requires knowledge of consumers' willingness to pay. Because there is often no way for the firm to discover an individual customer's willingness to pay, those charged lower prices are frequently provided with lower quality products. Where these products generate inconvenience or lower utility to the consumer, and yet save the producer nothing, a deadweight loss is generated. Though the example explored below looks at the potential costs imposed on consumers, symmetrical considerations apply where additional costs are incurred by suppliers in differentiating the products. Indeed both phenomena could be present, compounding the costs.

Consider the offer of a discount on airfares subject to the condition that there is a Saturday night between the initial flight and the return flight. This requirement does not reduce the cost of supply (indeed it probably comes with a positive opportunity cost if one assumes that there is likely to be spare capacity on Saturday flights). Its purpose is to minimise the number of business travellers who can access special fares for tourists – a class of passengers who are typically more price sensitive.

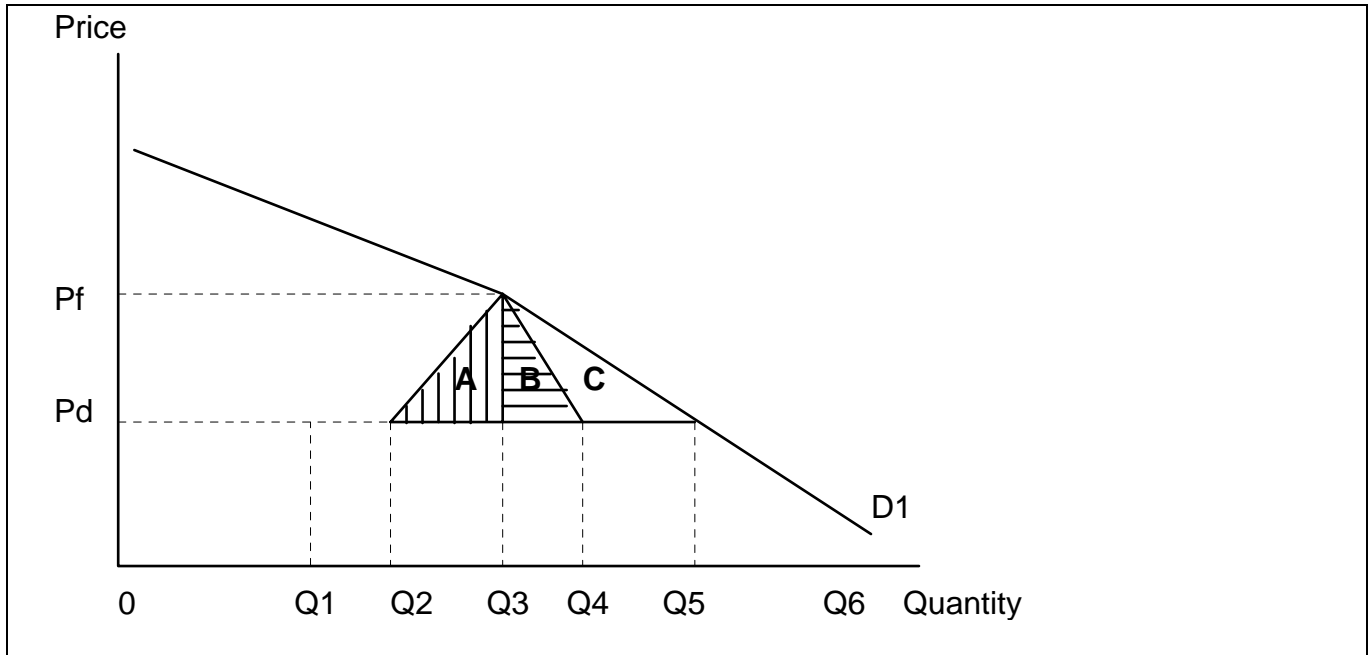
Now of those people who take advantage of the package, some will want to stay overnight on a Saturday. Assuming they would not have travelled without the special discount fare, economic efficiency is improved. But there will be a group who do not want to stay over on Saturday night but for which the cost savings involved will justify some level of inconvenience. Moreover, the level of inconvenience tolerated will vary from marginal inconvenience, right up to a level of inconvenience which all but entirely offsets the benefit of the fare reduction.

Further, some of those who take advantage of the special fare would not have travelled but for the fare. In the diagram below, they are from that group of passengers between Q3 and Q4. However there are also some passengers who would have taken the trip anyway. Of these some will be staying overnight on a Saturday in any event. They are represented as those passengers between Q1 and Q2. However

passengers between Q2 and Q3 are those who would have made the trip anyway, who were intending to return earlier, but who change their plans sufficiently to take advantage of the special deal.

The triangles A and B represent the inconvenience to which passengers who take the special fare have gone. The deadweight loss that has been avoided by the price discrimination is represented by the summed areas B and C.

Figure One



It will be seen on inspection that the sum of the former two areas may together be smaller than, equal to or larger than the sum of the latter two areas. Analogous triangles could be demonstrated where it is the firm which incurs costs in creating products for sale at a lower price. Indeed, as suggested above, the same example I have been using in aviation probably remains a good one of a supplier incurring costs in the interests of price discrimination.

Of course pointing to the possibility of market failure says nothing about its extent or of the costs and benefits of alternatives. For the record, I think there are few strong policy implications in this analysis because it would be exceptionally difficult to regulate 'bad' price discrimination without harming 'good' price discrimination and there is probably a good deal more good price discrimination than bad. The one policy conclusion I think worth floating, is that wholly owned government businesses should not engage in price discrimination if the economic good this does is heavily offset or outweighed by additional costs imposed either on the producer or consumers.

The other more general lesson is that it would be more circumspect for us not to conclude as a matter of principle that price discrimination is *necessarily* welfare enhancing. Note that the costs modelled here are in addition to the increased 'search costs' that price discrimination frequently foists upon consumers.

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Endnotes

¹ Senate Estimates Hearings, 15th Aug 2005, Hansard, page E 19.

² For instance any pretensions to comprehensiveness would have required me to deal with taxation. Given something close to a flat tax regime in superannuation – implemented mysteriously enough by the ALP in collaboration with the union movement – it would be strange if it could not be made more equitable. But this is an area that is well worked over, and one into which I can claim few original insights.

³ As I argued in a recent Courier Mail column, it would be hard to match the attractions (both in terms of economic and political efficiency – popularity per dollar of revenue foregone) of following New Zealand's lead and allowing far more people to avoid filling in tax returns. 'Drowning as rich waive tax', Courier Mail on 22nd November 2004. [H]ere's a suggestion [for a tax cut] that would be cheap, efficient, fair and popular. Give everyone credit for tax deductions of some reasonable amount – say \$500 or so – and abolish tax returns for anyone who doesn't want to claim any more than that. New Zealand did something similar relieving over a million taxpayers of filing a return. The same thing here would save 6 million people from the headache of filing returns, and around \$300 million each year (about half of the estimated economic gains from the GST) from going down the drain in compliance costs.

⁴ Terror of deviating from 'normality' is also one reason investment managers so rarely outperform the market.

⁵ Some time ago Joe visited fellow academic George in India. Because of unexpected restrictions on carry on luggage Joe ended up leaving a box of clothes for George who undertook to send them back. However in India such an exercise involves considerable time and effort and each morning for eight months George decided to send them back – the next day. But when the next day came, he decided he'd leave it till the next day. This went on for eight months until it was ferried back in a large shipment of George and another colleague's luggage on their return to the states. Most readers will be all too familiar with such everyday pathologies and might take heart from the fact that the George's surname is Akerlof and Joe's is Stiglitz and that both have the Nobel Prize (Akerlof, 1991: 3). Even those whose lives are devoted to modelling rationality and deviations from it have their moments.

6 <http://www.unclaimedsuper.com.au/>.

7 American Scholars Cass Sunstein and Richard Thaler (2003) have christened this ‘Libertarian Paternalism’. The expression has its attractions, but the combination of two such ideologically loaded terms and some of the ideological and philosophical aspirations of their advocacy seems to have diverted much of the energy in considering the issue into ideological critiques and counter-critiques. It is to be hoped and expected that Australians will respond more pragmatically to the ideas, as the New Zealanders have.

8 This is suggested in Duncan *et al*, 2004, p. 207 referencing the US literature.

9 See Kerr, R, 2002. ‘Be More Like Australia’, Speech to the Wellington North Rotary Club, 25 July available at http://www.nzbr.org.nz/documents/speeches/speeches-2002/be_like_aust.doc.htm.

10 The Economist Magazine, ‘Pensions by default’, Aug 25th 2005 at http://www.economist.com/finance/displayStory.cfm?story_id=4316190.

11 Pensions Policy Institute, ‘KiwiSaver: another lesson from New Zealand?’, Briefing Paper Number 21, UK. Available at http://www.pensionspolicyinstitute.org.uk/uploadeddocuments/PPI_Briefing_Note_21.pdf accessed on 2 September, 2005.

12 Speech to Association of Super Funds 31 Cullen, M., May 2005, Speech to Association of Superannuation Funds NZ, Wellington available at www.beehive.govt.nz/ViewDocument.aspx?DocumentID=23239, accessed on 31st Aug 2005.

13 Including both equities and bonds implies the inclusion of hybrid securities like convertible notes. I would also include an appropriate weighting in absolute return (hedge) funds and also less liquid investments that could extend diversification such as private equity, mezzanine, development finance and venture capital. But whether such assets should be included in a superannuation portfolio is a separate debate that need not be pursued here.

14 I propose a way of publicly reporting on investment advisors’ track record in the subsequent essay.

15 Available at <http://www.dtc.umn.edu/~odlyzko/doc/privacy.economics.ps> accessed on 18th Aug 2005.