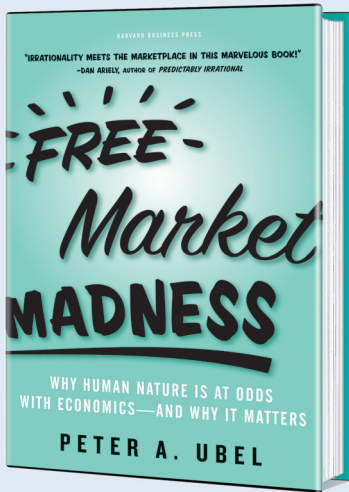


New from



## **“FREE MARKET MADNESS IS NOT JUST ANOTHER BOOK ABOUT BEHAVIORAL ECONOMICS.**

**Ubel’s unique perspective as a physician allows him to really show how our rationality and irrationality interact—and how they harm both our physical and our economic well-being.”**

**SHEENA S. IYENGAR, PROFESSOR OF MANAGEMENT,  
COLUMBIA UNIVERSITY BUSINESS SCHOOL**

**WESTERN-STYLE DEMOCRACIES** pride themselves on freedom: freedom to assemble, freedom to elect legislators, and freedom to interact in the marketplace. But freedom to choose is accompanied by the freedom to make bad choices. And in the current marketplace, filled with companies that make a practice of studying human behavior, freedom too often leads to harm and misery. Can restricting some kinds of liberty actually improve people’s health and well-being?

In *Free Market Madness* (Harvard Business Press; January 20, 2009; \$26.95), physician and behavioral scientist Peter Ubel exposes the limits of human rationality and shows what happens when capitalism meets human nature.

Faced with an obesity epidemic, consumers still succumb to high-fat, over-processed food. Despite a gas shortage and inflated prices, professionals drive to work from homes in suburbs far from their workplace, eliminating hours of healthy free time from their week. Patients, encouraged by pharmaceutical ads, ask doctors about a medication for an ailment they haven’t been diagnosed with. We are not as rational as some libertarians would have us believe. The free market puts us in a position to harm ourselves and often rewards those people who understand consumer behavior well enough to exploit our weaknesses.

To deepen our understanding of market failure, Ubel digs deeper into our brains to see how factors—like scarcity, novelty, and price—influence our perceptions of the quality of the goods we purchase. The health-care market, for example, is never going to achieve the powerful combination of better and cheaper that we have become used to in high-tech industries like computer electronics. Consumers simply aren’t savvy enough to drive down medical prices, unable to evaluate the cost and quality of health-care alternatives.

The free market in its current state won’t solve the challenges we face. Because the free market fails to protect consumer interests, Ubel urges that in some cases the government must regulate markets to protect us from ourselves and stop the damage we do to our bodies, our finances, and our economy as a whole. In testing more aggressive policies, governments should experiment frequently, evaluate rigorously, and revise accordingly.

In a book that is both timely and controversial, Ubel shows what markets could look like if they were designed to take account of human nature. Ubel urges policy makers that when freedom and well-being collide, carefully calibrated restrictions on our freedom are a small price to pay for a healthier, happier populace.



*a conversation with*  
**DR. PETER UBEL**

**You describe yourself as neither promarket nor antimarket. How then do you describe your front against the free market?**

Free market capitalism has helped many people thrive and has created social conditions that have alleviated much suffering. But markets always need to be restrained, sometimes for reasons of justice, other times for reasons of the greater good. They also need to be restrained for a third reason—that when people operate, their unconscious behaviors too often cause them to act against their own best interests. My attack on capitalism is aimed to prevent markets from gaining more territory than they deserve.

**What flaws do you see in many economists' libertarian view of individuals as the best promoters of their interests?**

These economic theories rely on a mythical being, Homo economicus, who makes rational decisions that reflect his own preferences. Because of the power of this myth, free markets have encroached on an increasingly large part of people's lives. In the book I show how the belief in human rationality has come under question by developments in neuroscience and behavioral economics. In questioning what the limits of human rationality imply for the proper limits of free markets, I show what markets can look like when they are designed to take account of human nature.

**Is soft paternalism enough to nudge people in the right direction?**

Behavioral economists have begun looking for situations in which tiny restrictions on liberty can have powerful benefits for consumers. I think, however, that we can do more as a society to change the market in ways that will improve our lives. Take obesity, for example. Some market enthusiasts contend that obesity is a lifestyle choice and that, therefore, society should leave people alone to determine their optimal waistlines. But our food "choices" are much less chosen than we'd think, and the wealth of things that unconsciously influence our eating habits is simply too much for us to control. The obesity epidemic is not a result of our genes, but of our genes interacting with modern markets. The free market will never solve the epidemic on its own.

## What are ways that governments can help us live healthier and happier lives?

Governments need to move beyond informing consumers to persuading them. We already do that with anti-tobacco advertising. We learned that a dry discussion of tobacco's risks doesn't reduce smoking; in fact, as tobacco companies have discovered, such information-based campaigns actually encourage some risk-seeking teens to take up the habit. But consider, by contrast, an advertising campaign that reveals the tobacco industry as being out to take advantage of teens—now we are talking!

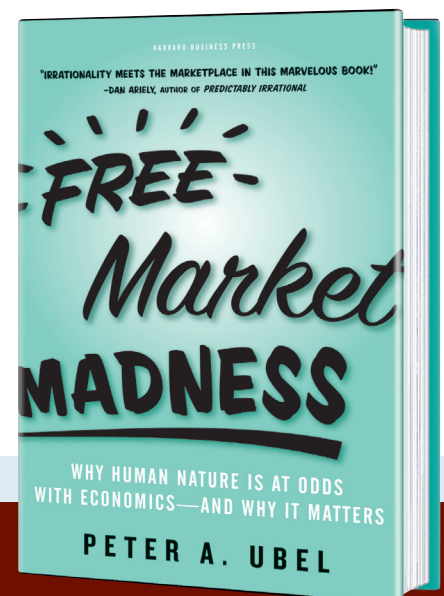
Many local governments are already beginning to try out new ways of combating the obesity epidemic, mandating calorie counts, for example, on menus. Consumers have a hard time making wise decisions unless they have good information about their choices. But these informational approaches to our problems aren't enough. Calorie counts won't change people's choices if people don't have an intuitive, even emotional, response to such information—if they don't feel an urge to avoid calorie dense meals, these new regulations won't push them toward healthier foods.

We need to think about how to help people be healthier when designing our cities. Can we promote stair walking when setting up building regulations? Promote bicycle riding when we design commuter roads and regulate neighborhood density? Promote rational savings when we structure our tax code?

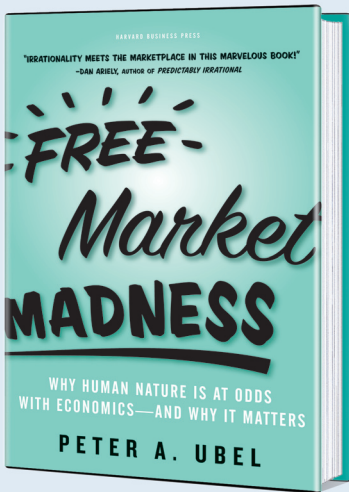
As a physician, I try each week to help my patients live healthier, happier lives. In that role, I don't simply act as an information provider, but also relish my role as cheerleader and motivator and persuader. I see the struggles people have, making good choices and sticking with their decisions. I treat them for health problems that result from their own behaviors. You can see why, from this perspective, I cannot accept the libertarian view that freedom is the cure to all of life's challenges.

“Americans believe that the free market produces the best of all possible worlds. So why are our children's lives likely to be shorter than our own? In his riveting new book, Ubel shows us how and why the invisible hand can become an invisible fist—and then tells us what we can do about it. This is behavioral science at its best—a must-read for anyone who thinks that public policy should be based on, of all things, facts.”

**DANIEL GILBERT, PROFESSOR OF PSYCHOLOGY, HARVARD UNIVERSITY**



## about the **AUTHOR**



**DR. PETER A. UBEL** is a physician and behavioral scientist at the University of Michigan. An undergraduate philosophy major, he trained in internal medicine at the Mayo Clinic before studying bioethics at the University of Chicago and behavioral economics at Carnegie Mellon University. Currently he directs the Center for Behavioral and Decision Sciences in Medicine, where he leads a team of behavioral economists and social scientists who study decision-making and well-being. A prominent thinker in medicine and beyond, Ubel has published in leading medical, economics, ethics, and psychology journals, as well as mainstream media outlets such as *The New York Times* and the *Los Angeles Times*.

He is the author of two previous books: *Pricing Life* (MIT Press, 2000), a book on the ethics and economics of healthcare rationing; and *You Are Stronger than You Think* (McGraw-Hill, 2006), a book about the psychology of emotional resilience. A founding member of the World Economic Forum's Global Health Council, he frequently contributes to the Huffington Post. He has given hundreds of speeches in his career, and has appeared on numerous radio and television shows, including *Talk of the Nation*, *All Things Considered*, and *Fresh Air*.

## **FREE MARKET MADNESS** **WHY HUMAN NATURE IS AT ODDS** **WITH ECONOMICS—AND WHY IT MATTERS**

Peter Ubel

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