



Restoring Rational Choice: The Challenge of Consumer Financial Regulation

John Y. Campbell

AMERICAN ECONOMIC REVIEW
VOL. 106, NO. 5, MAY 2016
(pp. 1-30)

[Download Full Text PDF](#)

Article Information

Abstract

This lecture considers the case for consumer financial regulation in an environment where many households lack the knowledge to manage their financial affairs effectively. The lecture argues that financial ignorance is pervasive and unsurprising given the complexity of modern financial products, and that it contributes meaningfully to the evolution of wealth inequality. The lecture uses a stylized model to discuss the welfare economics of paternalistic intervention in financial markets, and discusses several specific examples including asset allocation in retirement savings, fees for unsecured short-term borrowing, and reverse mortgages.

Citation

Campbell, John Y. 2016. "Restoring Rational Choice: The Challenge of Consumer Financial Regulation." *American Economic Review*, 106 (5): 1-30.

DOI: 10.1257/aer.p20161127

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept

Additional Materials

JEL Classification

D14 Household Saving; Personal Finance

G18 General Financial Markets: Government Policy and Regulation

G28 Financial Institutions and Services: Government Policy and Regulation

L51 Economics of Regulation

Find us on Facebook and X (formerly Twitter).



@AEAJournals



@AEAJournals



@AEAInformation



@ASSAMeeting



@JOE_listings

Copyright 2024 American Economic Association. All rights reserved.

[Terms of Use & Privacy Policy](#)

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept