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Symposium on the Law and Economics of Consumer Choice

This issue brings together the essays presented at a two-day conference at The University of Chicago Law School in June 2005. Entitled *Homo Economicus, Homo Myopicus, and the Law and Economics of Consumer Choice*, the essays grow out of the recognition that our understanding of the law that regulates individual consumers is undergoing dramatic change.

American consumers file for bankruptcy at twice the rate of ten years ago, and in April Congress passed the most sweeping changes in consumer bankruptcy law in more than a quarter century. Computer-based credit scoring models and credit cards now replace elaborate paperwork and interviews with bank loan officers. Securitization of credit card receivables allows individual consumers to access global capital markets. Credit card loans increased from 4 percent of total consumer credit in 1970 to about 42 percent in 2002.[1] The amount of credit available through cards now exceeds $4 trillion.[2]

These changes present a distinct challenge for the law and lawmakers. In the past, the unavailability of credit and the inability to assess the ability of high-risk debtors to repay their loans put a ceiling on the debts that individuals incurred. Today much more depends on the ability of individuals to make sensible decisions about how much to borrow and when.

At the same time that individuals are more empowered to decide when and how much to borrow over the course of their lives, our ability to analyze and understand consumer behavior has increased. Behavioral law and economics has enriched our account of how individu-

1 David S. Evans and Richard Schmalensee, *Paying with Plastic: The Digital Revolution in Buying and Borrowing* 97 (MIT 2d ed 2005).

2 Id at 95.

als make choices, and we are now much more aware of how much even the way in which lawmakers present these choices may itself affect consumer behavior, for better or worse. So too market actors, like government actors, may take account of how consumers make choices, again for better or worse.

This conference brought together a diverse group of scholars to take stock of what we know and, more importantly, of what remains to be learned. The Symposium essays explore a broad set of issues involving consumer choice over time, with particular reference to credit markets. We think that these essays show that the Symposium displays that characteristic of mind that William Rainey Harper thought defined the University of Chicago: one in spirit, but not necessarily in opinion.

All the essays believe at root that the hardest questions we face in understanding are empirical: to what extent does one need to modify the traditional rational choice models in order to account for the observed features of consumer behavior in credit markets and beyond. The essays come to no single conclusion on that issue. Some of our authors think that the traditional rational choice model offers the best point of departure, even if departures must be made. Others think that in these contexts, the empirical evidence requires a more comprehensive reexamination of the basic rationality postulates. We are confident, however, that all these essays, regardless of where they begin or end, have two key virtues. First, they offer novel insights into familiar topics of consumer behavior. Second, they open up new vistas that will allow us to better understand how different consumers make their choices, and how markets and lawmakers should respond to those behavioral patterns.

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