

Smart Disclosure

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My Take on Financial Education

- A good thing to do.
- Should be easy to incorporate into math curriculum.
- Almost certainly not the solution to any of the problems the caused the financial crisis or face American consumers now.
- So, what else?
- Mantra: Make it Easy

Two strategies to make it easy

- Create some simple products **with identical fine print**. (E.g., standard form lease) Call them EZ.
 - Mortgages—fixed and variable
 - Credit cards
 - Checking accounts
- No company would be required to offer EZ products but if they want the EZ stamp they have to adopt all the rules.
- Aimed at unsophisticated consumers.
- Advice: if you don't know what you are doing pick an EZ product and compare prices.

But One Size Does Not Fit All

- We should not discourage innovation.
- And “plain English” disclosure is no longer possible.

The Proof

- Recent White House conference on “smart disclosure” for 300 civil servants from all branches of the US Federal Government.

Two days ago we sent you some
important information...

Obfuscation was (unfortunately) easy

1. We are at capacity, so if you're no longer able to attend, please let us know so we can release your spot to one of your colleagues on the waiting list.

2. Regarding our box lunches, we'll providee you with a healthy* lunch option unless you indicate a different preference by filling out this survey (<http://www.surveymk.com/s/S8DTS5K>).

If you have any questions, please contact Will Tucker (will@ideas42.org; [310.422.3786](tel:310.422.3786))

Best,
The Summit Organizing Team

80% of you didn't read the disclosure and ordered
"a healthy* lunch option"

*Healthy options for lunch may include, but are not limited to a bean sprout and soy cheese sandwich on gluten-free soda bread...and other low sodium raw foods options



Getting you to read our not so smart disclosures was hard

* Healthy options for lunch may include, but are not limited to a bean sprout and soy cheese sandwich on gluten-free soda bread; a kale, avocado, quinoa and pumpkin seed salad; and other low sodium raw foods options.

Further venue details below:

LOCATION

Summit guests should enter through the Special Events door of the National Archives, at Constitution Ave. and 7th Street. A continental breakfast will be served and registration will be open beginning at 8 am, and we recommend arriving at least 10 minutes prior to the start

“Summit participants who carefully reviewed all of these disclosures may be eligible for a special reward on the day of the Summit. Interested registrants should email smartdisclosure@ideas42.org ...”

stand that they are
d what follows

Response = 1%

The National Archives and Records Administration (NARA) currently participates in all but two of the General Service Administration's Partner Network is the single source for vendor data for the Federal Government. The BPN is a centralized views into several key data bases across Federal Agencies. These are all useful webpages that generally save much time and money. The portals commonly used include: Central Contract Registration (CCR); Federal Business Opportunities (FedBizOpps); Excluded Parties Listing System (EPLS); Online Representations and Certifications Access (ORCA); and Federal Acquisition Regulation, among others.

Summit participants who carefully reviewed all of these disclosures may be eligible for a special reward on the day of the Summit. Interested registrants should email smartdisclosure@ideas42.org with the subject line "full disclosure" for more information.

A Nice Model

- Government creates data (owned by public)
- Then releases the data in open source format
- Private sector finds usage
- Consumers are happy
- Firms make money
- Jobs are created.

Examples

- GPS—originally a DoD initiative. Now \$100B+ per year business plus huge consumer benefits.
- National Weather Service
- Bus and Train locator apps.
- Conclusion: release the data and the apps will come!

Private Sector Smart Disclosure

- Since plain English disclosure can never be complete, let's supplement with electronic disclosure.
- A simple principle: Consumers should be able to know how much they are going to pay, and they should have machine-readable access to their own usage data.
- With one click these data could be uploaded to third party web sites, **Choice Engines**, that would help consumers compare and choose products.
- (Recommender systems are one kind of choice engine)

Complex Products Require Smart Disclosure

- Mortgages (if not EZ) then instead of 50 pages of unreadable and unread docs consumers should get a **secure** file they can upload to a choice engine.
 - Red flag dangerous features
 - Shop for alternative products given your income and credit score.

Goals of Private Sector Smart Disclosure

- Enable consumers to become smarter shoppers.
- Create a market place that rewards high quality and low prices over obfuscation and deception.
- Eliminate or reduce the need for the endless regulation cycle called whack-a-mole.
- Create new markets (and jobs!) with usage data: e.g., shoppers clubs. Do you know what you eat?

Caveats

- Compliance costs should not be a burden to agencies or firms. But, if an agency or firm is collecting data on (say) usage, the costs of sharing that data should be modest. Long-term disclosure costs should fall.
- Regulation should not hinder innovation. If new products are created the regulator should create new XML tags.
- The services provided by third parties must be fair and unbiased. Their business models should be public. Note: aggregators like KAYAK can help.
- There may be a regulatory role in auditing choice engines if aggregators such as KAYAK don't suffice.

Conclusion

- Smart Disclosure is the modern tool for the modern world.