

Thursday May 22, 2025. 11.00-12.30

HEC campus Room 109 Building Extranef, (Station UNIL Chamberonne)

ADVANCED ECONOMICS AND LCHE SEMINAR

AMY FINKELSTEIN (MIT)

**Paternalistic Social Assistance:
Evidence and Implications from Cash vs. In-Kind Transfers**

SPEAKER

PROF. AMY FINKELSTEIN

Amy Finkelstein is a leading economist at Massachusetts Institute of Technology (MIT), known for her rigorous empirical work on the effects of health policies on outcomes, behavior, and welfare, focusing on both private insurance and public programs like Medicare and Medicaid.

ABSTRACT

We estimate impacts of cash and in-kind transfers on the consumption of temptation goods and explore normative implications. We use two decades of data from South Carolina on cash benefits from Supplemental Security Income (SSI) and in-kind benefits from the Supplemental Nutrition Assistance Program (SNAP) linked to detailed data on adults' health care use. Our empirical strategy examines outcome changes in the several days following each transfer's scheduled monthly payout. Emergency department visits for drug and alcohol use increase by 20-30 percent following SSI receipt, but do not respond to SNAP receipt. Additionally, fills of prescription drugs for new illnesses increase following SSI receipt but do not respond to SNAP receipt. Motivated by these non-fungibility results, we develop a model of a paternalistic social planner choosing the mix of cash and SNAP for a fixed-budget transfer program when consumers have self-control problems and may engage in mental accounting. We show that the planner's optimal SNAP share is strictly positive and weakly increasing as self-control worsens. Moreover, with heterogeneity in self-control and mental accounting, the planner may choose to use SNAP even when they have access to a Pigouvian tax on the temptation good.

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