Overview: This course will examine the relationship between behavioral economics and public policy. Individuals frequently make decisions that systematically depart from the predictions of standard rational actor economic models. Behavioral economics attempts to explain these departures by integrating an understanding of the psychology of human behavior into economic analysis.

This course will review the major themes of behavioral economics and address their implications for public policy in a wide variety of policy relevant domains, including: savings, consumer credit, education, labor markets, energy use, health care, revenue collection and tax compliance, social welfare programs, and the political process.

The goal of the course is to illustrate how an understanding of behavioral economics can improve public policy and to enable students to think critically about the types of solutions that will best address policy problems.

Time/Place: M/W 8:45-10:00AM, Littauer 280

Instructor: Professor Brigitte C. Madrian
Office: Taubman 348
Phone: 617-495-8917
E-Mail: brigitte_madrian@harvard.edu

Office hours: Office hours will be posted weekly on the course website. Please make an appointment with my faculty assistant in advance (see below).

Assistance: Kathleen Schnaidt
Littauer 207B
617-495-9913
kathleen_schnaidt@hks.harvard.edu

Course Assistants:
Ben Schwartz
bschwartz06@gmail.com

Dinesh Chand
Dinesh_Lingamaneni@hks17.harvard.edu
**Class web site:**  The course website, which should be automatically accessible to all HKS students registered for the course, is:

[https://canvas.harvard.edu/courses/18807](https://canvas.harvard.edu/courses/18807)

If you are a non-HKS student interested in taking the class for credit, you should cross-register now. Cross-registration petitions will be accepted after HKS registration Round II closes on September 2.

To obtain access to the course website as a cross-registrant, please follow the instructions on the HKS Cross-Registration Website:

[https://www.hks.harvard.edu/degrees/registrar/instructions-for-cross-registration-and-auditing](https://www.hks.harvard.edu/degrees/registrar/instructions-for-cross-registration-and-auditing)

**Prerequisites:**  A first-year course in economics. A first-year course in statistics is helpful.


**NOTE:** All of the books above are available in hardcover, paperback, and kindle editions. *Policy and Choice* is also available as a free PDF ([http://www.brookings.edu/~/media/Press/Books/2011/policyandchoice/policyandchoice_book.pdf](http://www.brookings.edu/~/media/Press/Books/2011/policyandchoice/policyandchoice_book.pdf)). *Nudge* and *Thinking Fast and Slow* are also available as unabridged audiobooks.

Additional readings will be posted to the class website.

**Grading:**  Grades will be determined by the following factors:

- Assignments: 20%
- Participation: 10%
- Mid-term (Monday, November 14): 40%
- Final Project/Paper (Friday, December 16, noon): 30%

**Assignments:** Ten assignments will be distributed throughout the semester. Your two lowest grades will be dropped. Because you get two freebies, **late assignments will not be accepted**.

**Participation:** Engagement in the material and with your classmates is critical to the classroom experience. Your participation grade will be determined by attendance, participation in classroom discussions, and participation in pre-class
Mid-term exam: An in-class midterm will be given in class on Monday, November 14.

Final Paper/Project: In lieu of a final exam, you will do a project/paper on a topic of your choice in which you identify a policy problem of interest to you and then write up a discussion of potential policy solutions that are informed by behavioral economics. This can be done individually or as a small group (2-3 individuals). If done as a group, the expected length of the project will be longer. More information on this assignment will be given in class at a later date. Due at noon, Friday, December 16.

Code of Conduct: All course activities, including class meetings, homework assignments, and exams, are subject to the https://knet.hks.harvard.edu/DPSA/Student-Life/Policies/Pages/default.aspx. Please be on time and make sure that your cell phone is turned off during class time.
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<td>Course introduction: what is behavioral economics?</td>
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<td>F September 2</td>
<td>In-class exercise: a framework for applying behavioral insights</td>
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<td>M September 5</td>
<td>No Class: Labor Day</td>
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<td>Today vs. tomorrow: present bias and procrastination</td>
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<td>M September 12</td>
<td>Is the glass half empty or half full? Reference points, gains vs. losses, and anchoring</td>
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<td>Decision-making when outcomes are uncertain</td>
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<td>Preferences: why you do the things you do</td>
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<td>W September 28</td>
<td>Choice architecture: designing the decision environment</td>
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<td>M October 3</td>
<td>Guest Speaker: Kate Glazebro (UK Behavioral Insights Team)</td>
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<td>W October 5</td>
<td>That was easy...or was it? The consequences of complexity</td>
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<td>M October 24</td>
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<td>How do others influence us?</td>
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<td>M October 31</td>
<td>Behaviorally informed incentives: Part I</td>
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<td>W November 2</td>
<td>Behaviorally informed incentives: Part II</td>
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<td>M November 7</td>
<td>Applications: lotteries and public policy</td>
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<td>W November 9</td>
<td>Firm responses to behavioral consumers</td>
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<td>Applications: getting people to give (mTurk activity)</td>
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<td>M November 28</td>
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<td>W November 30</td>
<td>Wrap-up</td>
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**SCHEDULE OF COURSE MEETINGS**
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<td>Savings barriers and policy interventions</td>
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<td>Probability weighting and insurance</td>
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<td>Assignment 5</td>
<td>Choice architecture and complexity</td>
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<td><strong>W October 5</strong></td>
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<td>M October 17</td>
<td>Assignment 6</td>
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<td><strong>Final Project: Concept note</strong></td>
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<td>Assignment 8</td>
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READINGS

Wednesday, August 31
What Is Behavioral Economics?


Thinking Fast and Slow. Chapter 1: “The Characters of the Story”
Thinking Fast and Slow. Chapter 2: “Attention and Effort”
Thinking Fast and Slow. Chapter 3: “The Lazy Controller”


Nudge. Chapter 1: “Biases and Blunders”

Friday, September 2
A Framework for Applying Behavioral Insights


Monday, September 5
NO CLASS: LABOR DAY HOLIDAY

Wednesday, September 7
Today vs. Tomorrow: Present Bias and Procrastination


Monday, September 12
Is the glass half empty or half full? Reference points, gains vs. losses, and anchoring
Thinking Fast and Slow. Chapter 11: “Anchors”
Thinking Fast and Slow. Chapter 25: “Bernoulli’s Errors”
Thinking Fast and Slow. Chapter 26: “Prospect Theory”
Thinking Fast and Slow. Chapter 27: “The Endowment Effect”
Thinking Fast and Slow. Chapter 28: “Bad Events”
Thinking Fast and Slow. Chapter 34: “Frames and Reality”


Wednesday, September 14
Applications: The Labor Market


Monday, September 19
Decision-Making When Outcomes are Uncertain

Thinking Fast and Slow. Chapter 12: “The Science of Availability”
Thinking Fast and Slow. Chapter 13: “Availability, Emotion and Risk”
Thinking Fast and Slow. Chapter 29: “The Fourfold Pattern”
Thinking Fast and Slow. Chapter 30: “Rare Events”
Thinking Fast and Slow. Chapter 31: “Risk Policies”


Wednesday, September 21
Salience


Policy and Choice, Chapter 7: “Taxation and Revenue.”

Monday, September 26
Preferences: Why You Do the Things You Do


**Wednesday, September 28**

Choice Architecture

*Nudge*. Chapter 5: “Choice Architecture.”

One of the following:


Watch the Brian Wansink video “Slim By Design” (1.25 hours long)
https://www.youtube.com/watch?v=cKEbbTmxYG0

**Monday, October 3**

Guest Speaker: Kate Glazebrook (UK Behavioral Insights Team)

**Wednesday, October 5**

That Was Easy…Or Was It: The Consequences of Complexity


Monday, October 10
NO CLASS: COLUMBUS DAY HOLIDAY

Wednesday, October 12
Defaults


Monday, October 17
Getting Things Done: Active Choice, Planning, Reminders


Wednesday, October 19
Temptation and Commitment


*Nudge*. Chapter 2: “Resisting Temptation”

**Monday, October 24**

**Mental Accounting**


**Wednesday, October 26**

**How Do Peers Influence Us?**

*Nudge*. Chapter 3: “Following the Herd”


**Monday, October 31**

**Behaviorally Informed Incentives: Part I**


David Just and Joseph Price (2013). “Using Incentives to Encourage Healthy Eating in


**Wednesday, November 2**

**Behaviorally Informed Incentives: Part II**


**Monday, November 7**

**Applications: Lotteries and Public Policy**


**Wednesday, November 9**

**Firm Responses to Behavioral Consumers**


**Monday, November 14**

**IN-CLASS EXAM**

**Wednesday, November 16**

**Applications: Getting People to Give**

In-class activity

*Nudge*. Three chapters of your choosing from Chapter 6-16.

**Monday, November 21**

**Behaviorally Informed Regulation**

Policy and Choice, Chapter 4 (“Asymmetric Information,” pp. 83-98). NOTE: This is only part of the chapter.

Wednesday, November 23
NO CLASS: THANKSGIVING BREAK

Monday, November 28
Behaviorally Informed Disclosure


Wednesday, November 30
FINAL CLASS: Wrap-Up

Nudge. Chapter 17: “Objections"
Nudge. Chapter 18: “The Real Third Way”


Friday, December 16
FINAL PAPER/PROJECT DUE (at noon)