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, 1 Brattle Square 401

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

Course Assistants:
Michael McIntosh
mim3629@student.hks.harvard.edu
Rebecca Schwartz
Rebecca_Schwartz@hks18.harvard.edu
Haiyang Zhang
Haiyang_Zhang@hks18.harvard.edu
Class website: The course website, which should be automatically accessible to all HKS students registered for the course, is:

https://canvas.harvard.edu/courses/33398

If you are a non-HKS student interested in taking the class for credit, you should apply to cross-register now. Cross-registration petitions will be accepted after HKS registration Round II closes on September 1. If there are more students wishing to cross-register than there are spaces available, priority will be given to students who are actually attending class. It can take up to two weeks for slots to open up.

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

https://courses.harvard.edu/crossregistration.html

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). 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%
- Reading quizzes: 10%
- In-class participation: 10%
- Mid-term (Wednesday, November 8): 35%
- Final Project/Paper (Friday, December 15, noon): 25%

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.
**Reading quizzes:** Frequent short quizzes on the syllabus readings will be given in advance of class to encourage reading the material before class which will allow us more time to engage in discussion in class.

**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 exercises.

**Mid-term exam:** An in-class midterm will be given in class on **Wednesday, November 8**.

**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 15.**

**Code of Conduct:**

All course activities, including class meetings, homework assignments, and exams, are subject to the HKS Code of Conduct: 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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<thead>
<tr>
<th>DATE</th>
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<tbody>
<tr>
<td>W August 30</td>
<td>Course introduction: what is behavioral economics?</td>
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<td>F September 1</td>
<td>A framework for applying behavioral insights</td>
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<td>M September 4</td>
<td>No Class: Labor Day</td>
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<td>W September 6</td>
<td>Today vs. tomorrow: present bias and procrastination</td>
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<td>M September 11</td>
<td>Is the glass half empty or half full? Reference points, gains vs. losses, and anchoring</td>
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<td>Applications to the labor market</td>
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<td>M September 18</td>
<td>Decision-making when outcomes are uncertain</td>
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<td>W September 20</td>
<td>Salience</td>
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<td>M September 25</td>
<td>Guest Speaker: Michael Sanders (UK Behavioral Insights Team)</td>
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<td>W September 27</td>
<td>Preferences: why you do the things you do</td>
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<td>M October 2</td>
<td>Choice architecture: designing the decision environment</td>
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<td>W October 4</td>
<td>That was easy...or was it? The consequences of complexity</td>
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<td>M October 9</td>
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<td>Getting things done by default</td>
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<td>M October 16</td>
<td>Getting things done: active choice, planning, reminders</td>
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<td>M October 23</td>
<td>Mental Accounting</td>
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<td>W October 25</td>
<td>How do others influence us?</td>
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<td>M October 30</td>
<td>Behaviorally informed incentives: Part I</td>
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<td>W November 1</td>
<td>Behaviorally informed incentives: Part II</td>
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<td>M November 6</td>
<td>Applications: lotteries and public policy</td>
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<td>IN CLASS EXAM</td>
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<td>Firm responses to behavioral consumers</td>
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<td>W November 15</td>
<td>Behaviorally informed regulation</td>
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<td>M November 20</td>
<td>Behaviorally informed disclosure</td>
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<td>W November 22</td>
<td>No Class: Thanksgiving Break</td>
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<td>M November 27</td>
<td>The ethics of applying behavioral insights to policy problems</td>
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<td>W November 29</td>
<td>Wrap-up</td>
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<td>FINAL PAPER/PROJECT DUE at NOON</td>
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READINGS

Wednesday, August 30
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 1
A Framework for Applying Behavioral Insights


Monday, September 5
NO CLASS: LABOR DAY HOLIDAY

Wednesday, September 6
Today vs. Tomorrow: Present Bias and Procrastination


Monday, September 11
Is the glass half empty or half full? Reference points, gains vs. losses, and anchoring

Wednesday, September 13
Applications: The Labor Market

Monday, September 18
Decision-Making When Outcomes are Uncertain

Wednesday, September 20
Salience

Monday, September 25
Guest Speaker: Michael Sanders (UK Behavioral Insights Team)

Wednesday, September 27
Preferences: Why You Do the Things You Do

Monday, October 2
Choice Architecture

Wednesday, October 4
That Was Easy...Or Was It: The Consequences of Complexity

Monday, October 9
NO CLASS: COLUMBUS DAY HOLIDAY

Wednesday, October 11
Getting Things Done by Default

Monday, October 16
Getting Things Done: Active Choice, Planning, Reminders
Wednesday, October 18  
Temptation and Commitment

Monday, October 23  
Mental Accounting

Wednesday, October 25  
How do others influence us?

Monday, October 30  
Behaviorally Informed Incentives: Part I

Wednesday, November 1  
Behaviorally Informed Incentives: Part II

Monday, November 6  
Applications: Lotteries and Public Policy

Wednesday, November 8  
IN-CLASS EXAM

Monday, November 13  
Firm Responses to Behavioral Consumers

Wednesday, November 15  
Behaviorally Informed Regulation

Monday, November 20  
Behaviorally Informed Disclosure

Wednesday, November 22  
NO CLASS: THANKSGIVING BREAK
Monday, November 27
The Ethics of Applying Behavioral Insights to Policy Problems

Wednesday, November 29
FINAL CLASS: Wrap-Up

Friday, December 15
FINAL PAPER/PROJECT DUE (at noon)