

**35850 Behavioral Public Economics**

<b>module number</b>
35850
<b>module title</b>
Behavioral Public Economics
<b>module coordinator</b>
Prof. Dr. Stefan Bauernschuster

<b>examination number</b>	<b>credit points (ECTS)</b>	<b>hours per week (SWS)</b>
274160	5	2+2
<b>availability</b>	<b>duration</b>	<b>recommended semester</b>
Every winter semester	1 semester	3

<b>workload</b>
Lecture 2 SWS (30 hours class instruction; 45 hours self-study) Uebung 2 SWS (30 hours class instruction; 45 hours self-study)
Calculation is based on: every hr./sem.-week corresponds to 60 minutes. One semester is presumed to be 15 weeks, i.e. 14 course + 1 exam week
<b>module applicability</b>
Modulgruppe D: Governance, Institutions and Development
<b>reference to the LPO I</b>
<b>recommended requirements</b>
Solid knowledge in (undergraduate) microeconomics and statistics/econometrics Solid knowledge in (undergraduate) public economics
<b>obligatory requirements</b>
<b>language</b>
English

<b>content</b>
The model figure of homo economicus, a rational perfectly informed and self-interested individual who maximizes her utility, is a simple yet powerful tool in theoretical economic models. However, sometimes it fails to provide an adequate picture of individual decision-making processes. In this lecture, we complement the standard approach with insights from behavioral economics to analyze which (new) implications can be drawn from this perspective for the field of public economics. Amongst the topics covered in the lecture are time-inconsistent behavior (hyperbolic discounting) and its implications for the taxation of sin goods such as alcohol or unhealthy food, mental accounting and its implications for labelling social transfers, the salience of information and its implications for attitudes and behavior, reference points and loss aversion and its implications for labor supply, and the role of default options for retirement and health insurance.
Table of contents: Chapter 1: Neoclassical vs. behavioral economics?

Chapter 2: Hyperbolic discounting and sin taxes Chapter 3: Reference points and loss aversion Chapter 4: Mental accounting and narrow bracketing Chapter 5: Limited attention and lack of information Chapter 6: Status quo bias and default options Chapter 7: Debating soft paternalism
<b>intended learning outcomes (ILOs)</b>
Students who have successfully participated in the module “Behavioral Public Economics” are able to <ul style="list-style-type: none"> <li>• demonstrate a clear understanding of the main features and assumptions of neoclassical public economics</li> <li>• identify situations in which individuals’ behavior deviates from the predictions of neoclassical theory and explain these deviations with the help of behavioral economic concepts</li> <li>• develop suggestions in which way insights from behavioral economics might improve policy decisions,</li> <li>• use this knowledge to assess applied research papers, interpret the findings and critically discuss the policy conclusions with their peers</li> </ul>
<b>teaching methods</b>
Classroom lecture with interactive elements (Vorlesung mit Seminarcharakter) Uebung with tutorials and student presentations
<b>required attendance</b>
<b>examination (type of examination, scope)</b>
final exam (90 minutes) or portfolio (final exam (90 minutes) and oral presentation)
<b>overall grade relevance</b>
100% final exam or 80% final exam and 20% oral presentation
<b>possibility of retake exam</b>
<b>reading list</b>
<ul style="list-style-type: none"> <li>• Abadie, A., Gay, S. (2006), The Impact of Presumed Consent Legislation on Cadaveric Organ Donation: A Cross-Country Study, <i>Journal of Health Economics</i>, 25, 599-620.</li> <li>• Abeler, J., Marklein, F. (2017), Fungibility, Labels, and Consumption, <i>Journal of the European Economic Association</i>, 15(1), 99–127.</li> <li>• Allcot, H. (2011), Social Norms and Energy Conservation, <i>Journal of Public Economics</i>, 95, 1082-1095.</li> <li>• Allcot, H., Lockwood, B., Taubinsky, D. (2019), Should We Tax Sugar-Sweetened Beverages? An Overview of Theory and Evidence, <i>Journal of Economic Perspectives</i>, 33(3), 202-227.</li> <li>• Angner, E. (2012), <i>A Course in Behavioral Economics</i>, New York: Palgrave MacMillan.</li> <li>• Angrist, J., Azoulay, P., Ellison, G., Hill, R., Feng Lu, S. (2017), Economic Research Evolves: Fields and Styles, <i>American Economic Review: Papers&amp;Proceedings</i>, 107(5), 293–297.</li> <li>• Bauernschuster, S., Rekers, R. (2022), Speed Limit Enforcement and Road Safety, <i>Journal of Public Economics</i>, 210, 104663.</li> <li>• Benhassine, N., Devoto, F., Duflo, E., Dupas, P., Pouliquen, V. (2015), Turning a Shove into a Nudge? A Labeled Cash Transfer for Education, <i>American Economic Journal: Economic Policy</i>, 7(3), 86-125.</li> <li>• Bernheim, D., Rangel, A. (2005), Behavioral Public Economics: Welfare and Policy Analysis with Non-Standard Decision-Makers, NBER Working Paper 11518.</li> <li>• Blumenstock, J., Callen, M., Ghani, T. (2018), Why Do Defaults Affect Behavior? Experimental Evidence from Afghanistan, <i>American Economic Review</i>, 108(10), 2868-2901.</li> </ul>

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- Chetty, R. (2015), Behavioral Economics and Public Policy: A Pragmatic Perspective, *American Economic Review: Papers & Proceedings*, 105(5), 1-33.
- Chetty, R., Looney, A., Kroft, K. (2009), Salience and Taxation: Theory and Evidence, *American Economic Review*, 99(4), 1145-1177.
- Choi, J., Laibson, D., Madrian, B., Metrick, A. (2004), For Better or for Worse: Default Effects and 401(k) Savings Behavior, in: Wise, D. (ed.), *Perspectives on the Economics of Aging*, Chicago: University of Chicago Press.
- Congdon, W., Kling, J., Mullainathan, S. (2011), *Policy and Choice – Public Finance through the Lens of Behavioral Economics*, Washington D.C.: Brookings Institution Press
- DellaVigna, S. (2009), Psychology and Economics: Evidence from the Field, *Journal of Economic Literature*, 47(2), 315-372.
- DellaVigna, S., Malmendier, U. (2006), Paying Not to Go to the Gym, *American Economic Review*, 96(3), 694-719
- Dhami, S. (2016), *The Foundations of Behavioral Economic Analysis*, Oxford: Oxford University Press
- Dolls, M., Doerrenberg, P., Peichl, A., Stichnoth, H. (2018), Do Retirement Savings Increase in Response to Information about Retirement and Expected Pensions?, *Journal of Public Economics*, 158, 168-179.
- Fryer, R., Levitt, S., List, J., Sadoff, S. (2022), Enhancing the Efficacy of Teacher Incentives through Framing: A Field Experiment, *American Economic Journal: Economic Policy*, 14(4), 269-299.
- Gabaix, X. (2019), Behavioral Inattention, in: *Handbook of Behavioral Economics*, edited by Bernheim, D., DellaVigna, S., Laibson, D., vol. 2, Elsevier, pp. 261-343.
- Gruber, J., Mullainathan, S. (2005), Do Cigarette Taxes Make Smokers Happier, *Advances in Economic Analysis & Policy* 5(1), Article 4.
- Kooreman, P. (2000), The Labeling Effect of a Child Benefit System, *American Economic Review*, 90(3), 571-583.
- Laibson, D. (1997), Golden Eggs and Hyperbolic Discounting, *Quarterly Journal of Economics*, 112(2), 443-477.
- O'Donoghue, T., Rabin, M. (2003), Studying Optimal Paternalism, Illustrated by a Model of Sin Taxes, *American Economic Review, Papers & Proceedings*, 93(2), 186-191.
- Seiler, S., Tuchmann, A., Yao, S. (2021), The Impact of Soda Taxes: Pass-through, Tax Avoidance, and Nutritional Effects, *Journal of Marketing Research*, forthcoming.
- Sunstein, C. (2013), *The Storrs Lectures: Behavioral Economics and Paternalism*, Yale Law Journal.
- Thaler, R., Benartzi, S. (2004), Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving, *Journal of Political Economy*, 112(1), S164-S187.
- Thaler, R., Sunstein, C. (2003), Libertarian Paternalism, *American Economic Review: Papers & Proceedings*, 93(2), 175-179.
- Thaler, R., Sunstein, C. (2009), *Nudge – Improving Decisions About Health, Wealth and Happiness*, London: Penguin.

**additional notes**

Exam question can be answered in English or German