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: T/R 10:15-11:30AM, Littauer 230

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:  
Asma Farooq asma_farooq@hks16.harvard.edu  
Victoria Jones victoria_jones@hks16.harvard.edu  
Noshad Irshad noshadirshad@g.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/4568

If you are a non-HKS student interested in taking the class for credit, cross-registration begins on Monday, August 24, at noon.

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

https://knet.hks.harvard.edu/dp_student_affairs/registrar/Pages/Cross-Registration.aspx

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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<tr>
<td>Assignments</td>
<td>20%</td>
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<tr>
<td>Participation</td>
<td>10%</td>
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<tr>
<td>Mid-term (Thursday, November 12)</td>
<td>40%</td>
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<tr>
<td>Final Project/Paper (Friday, December 10, noon)</td>
<td>30%</td>
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Assignments: Several assignments will be distributed throughout the semester (approximately one every week or two). Your lowest grade will be dropped. Because you get one freebie, 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 exercises.
**Mid-term exam:** An in-class midterm will be given in class on Thursday, November 12.

**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 10.

**Code of Conduct:** All course activities, including class meetings, homework assignments, and exams, are subject to the HKS academic code and code of conduct. Please be on time and make sure that your cell phone is turned off during class time.
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
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<tbody>
<tr>
<td>R September 3</td>
<td>Course Framework/Introduction</td>
</tr>
<tr>
<td>T September 8</td>
<td>Foundations of Behavioral Economics: Present Bias</td>
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<tr>
<td>R September 10</td>
<td>Guest speaker: Donald Low How Tian, Associate Dean and Senior Fellow at the Lee Kuan Yew School of Public Policy on &quot;Opportunities and Risks in Applying Behavioural Insights in Singapore&quot;</td>
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<td>T September 15</td>
<td>Foundations of Behavioral Economics: Prospect Theory</td>
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<td>R September 17</td>
<td>Foundations of Behavioral Economics: Prospect Theory</td>
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<td>T September 22</td>
<td>Choice Architecture</td>
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<td>R September 24</td>
<td>Complexity</td>
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<td>T September 29</td>
<td>Simplifying heuristics</td>
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<td>R October 1</td>
<td>Defaults</td>
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<tr>
<td>T October 6</td>
<td>Inattention: Active Choice, Planning, Reminders</td>
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<td>R October 8</td>
<td>Temptation and Commitment</td>
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<td>T October 13</td>
<td>Mental Accounting</td>
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<td>R October 15</td>
<td>Peer Information/Social Norms</td>
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<td>T October 20</td>
<td>Peer Information/Social Norms/Perceptions of Self</td>
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<tr>
<td>R October 22</td>
<td>Salience</td>
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<td>T October 27</td>
<td>Guest speaker: Mandy Young, Executive Director at the NSW Department of Family and Community Services, on &quot;Applying Behavioral Interventions to Child Protection, Social Housing, and Early Intervention Programs in Australia&quot;</td>
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<tr>
<td>R October 29</td>
<td>Anchoring/Framing/Cues</td>
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<td>T November 3</td>
<td>Availability Bias/Illusion of Control</td>
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<td>R November 5</td>
<td>Reason-based choice/learning/feedback</td>
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<td>T November 10</td>
<td>Incentives</td>
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<tr>
<td>R November 12</td>
<td>IN CLASS EXAM</td>
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<td>T November 17</td>
<td>Incentives</td>
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<td>R November 19</td>
<td>Incentives</td>
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<td>T November 24</td>
<td>Firm responses to behavioral consumers</td>
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<td>R November 25</td>
<td>No Class: Thanksgiving Break</td>
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<td>T December 1</td>
<td>Behaviorally informed regulation</td>
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<td>R December 3</td>
<td>Disclosure</td>
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<td>F December 10</td>
<td>FINAL PAPER/PROJECT DUE at NOON</td>
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<td><strong>10/13 (T)</strong></td>
<td><strong>12/10 (F)</strong></td>
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READINGS

Thursday, September 3 (What Is Behavioral Economics?)


Tuesday, September 8 (Present Bias)


Thursday, September 10 (Guest Speaker)

Guest speaker: Donald Low How Tian, Associate Dean and Senior Fellow at the Lee Kuan Yew School of Public Policy on "Opportunities and Risks in Applying Behavioural Insights in Singapore"


Tuesday, September 15 (Prospect Theory)


Thursday, September 17 (Prospect Theory in Practice: Reference Points in the Labor Market)


Tuesday, September 22 (Choice Architecture)


Either one of the two following:


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

One of the following three articles depending on your interests:


Thursday, September 24 (Complexity)


**Tuesday, September 29 (Simplifying heuristics)**


**Thursday, October 1 (Defaults)**


**Tuesday, October 6 (Inattention: Active Choice, Planning, Reminders)**


**Thursday, October 8 (Temptation and Commitment)**


**Tuesday, October 13 (Mental Accounting)**


**Thursday, October 15 (Peer Information/Social Norms)**


*All in OCM and posted to here*

**Tuesday, October 20 (Social Norms/Perceptions of Self/Perceptions of Others)**


**Thursday, October 22 (Salience)**


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

**Tuesday, October 27**

Guest speaker: Mandy Young, Executive Director at the NSW Department of Family and Community Services, on "Applying Behavioral Interventions to Child Protection, Social Housing, and Early Intervention Programs in Australia"

Readings TBD

**Thursday, October 29 (Anchoring/Framing/Cues)**

*Thinking Fast and Slow*. Chapter 11: “Anchors” and Chapter 34: “Frames and Reality”


**Tuesday, November 3 (Availability Bias/Illusion of Control)**


Friday, November 6 (Reason-based Choice)


Tuesday, November 10 (Incentives)


Thursday, November 12—In-Class Exam

Tuesday, November 17 (Incentives)


Thursday, November 19 (Incentives)


Tuesday, November 24 (Firm Responses to Behavioral Consumers)

Tuesday, December 1 (Behaviorally Informed Regulation)


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

Thursday, December 3 (Disclosure)

