Behavioral Insights and Public Policy: Nudging for Good
Government 1759

Professor Michael J. Hiscox
Office Hours: Tue. 1-2pm
CGIS K-210

Fall Semester 2018-19
Meetings: MW 3-4:15pm
Room: Harvard Hall 103

DESCRIPTION

The aim of the course is to provide an introduction to behavioral economics and a practical guide to applying behavioral insights to improve government programs, policies, and administration.

The field of behavioural economics focuses on the many ways in which people are typically not like rational, calculating machines pursuing their maximum material self-interest. We all have limited attention spans and find it cognitively taxing dealing with complicated choices with uncertain consequences, and our decisions thus tend to reflect a variety of biases and reliance on simple heuristics or rules of thumb. We often find it especially difficult to do things that are costly or inconvenient in the present moment, even though we know they will pay off for us by leading to better outcomes in the future. We wrestle with emotions and imperfect self-regulation of our actions, especially when we experience anger, frustration, sadness, or excitement. We care about other people too, and what others think of us, which means that we often adjust our behavior in line with social norms and expectations about what is appropriate or estimable. These are not occasional aberrations or minor deviations from rationality, these are systematic and predictable patterns in human behavior.

Recent books such as Nudge, by Richard Thaler and Cass Sunstein, and Thinking, Fast and Slow, by Daniel Kahneman, have discussed these insights and how they can be used to improve decisions and design more effective government policies, programs, and administrative procedures. Many governments around the world have created behavioral insights teams to rethink traditional approaches to design and develop new solutions to policy problems in a range of key areas, including healthcare, retirement savings, consumer credit, energy conservation, provision of welfare, employment, education and training, tax payments, and foreign aid.

We will examine the key insights revealed by behavioural economics to date, and how these insights are being applied and tested by governments addressing critical policy problems.
COURSE REQUIREMENTS

1. Participation (20%): Attendance in classes is required. Students are expected to come to each meeting having read the assigned material and to contribute to the class discussions.

2. Presentation (40%): Students will choose an example of the application of behavioural economics to public policy from the list of readings in meetings 13-24 and make a presentation describing that study to the class on the assigned day.

3. Midterm Exam (10%): There will be an in-class mid-term exam that will be 45 minutes long.

4. Final Exam (30%): There will be a final exam administered during the examination period.

POLICY ON COLLABORATION

Students are encouraged to collaborate with fellow classmates on joint class presentations, but to do so in each case students must request explicit approval from Professor Hiscox.

TEACHING FELLOW

Mr. Chris Corcoran (Head TF, MBA/JD Candidate, Harvard Business School/Harvard Law School)  
Email: ccorcoran@jd20.law.harvard.edu

COURSE WEBSITE

We will post the syllabus, lecture slides and notes, readings, and any other course-related information and materials on the course website.

READINGS

Reading assignments are listed below. All materials are available online at the course website except for the assigned portions of the following books which you may wish to purchase (these books are on reserve at Lamont Library):


COURSE OUTLINE

1. September 5: Introduction

PART 1: THE SCIENCE

2. September 10: What is Behavioral Economics?

3. September 12: Cognitive Limits, Shortcuts, and Anchors
Thaler and Sunstein. *Nudge*. Chapter 1
Kahneman. *Thinking, Fast and Slow*. Chapters 2, 3, 11, 12, 13.

4. September 17: Implicit bias

5. September 19: Present Bias and Procrastination

6. September 24: Temptation and Self Control
Thaler and Sunstein. *Nudge*. Chapter 2

7. September 26: Habit and “Mindless Choosing”

8. October 1: Loss Aversion and Framing

Kahneman. *Thinking, Fast and Slow*. Chapter 26, 34.

9. October 3: Social Norms and Identity

Thaler and Sunstein. *Nudge*. Chapter 3.


10. October 10: Altruism and Fairness


PART II: THE PRACTICE

11. October 15: How to Design and Test a Behavioral Intervention?

Thaler and Sunstein. *Nudge*. Chapters 4-5.


12. October 17: Mid-term Exam


14. October 24: Personal Finance II


15. October 29: Healthcare I


16. October 31: Healthcare II


17. November 5: Preventive Health


18. November 7: Welfare and Poverty Alleviation


19. November 12: Education


20. November 14: Discrimination


21. November 19: Environment


22. November 26: Taxes


23. November 28: Crime and the Law


24. December 3: Voting and Donating


PART III: DEBATES AND LIMITS

25. December 5: Ethics (and Politics) and the Future of Nudging

Thaler and Sunstein. *Nudge*. Chapters 17-18