

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):

Richard H. Thaler and Cass R. Sunstein. 2009. *Nudge: Improving Decisions about Health, Wealth, and Happiness* (Updated Edition). Penguin Books. (ISBN-10: 014311526X)

Daniel Kahneman. 2013. *Thinking Fast and Slow*. Farrar, Strauss and Giroux. (ISBN-10: 0374533555)

COURSE OUTLINE

1. September 5: Introduction

PART 1: THE SCIENCE

2. September 10: What is Behavioral Economics?

Kahneman. *Thinking, Fast and Slow*. Chapter 1.

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

Kahneman. *Thinking, Fast and Slow*. Chapters 14, 15.

Hardin, C., and M. Banaji. [The Nature of Implicit Bias](#). In *The Behavioral Foundations of Public Policy*. E. Shafir (ed). Princeton.

5. September 19: Present Bias and Procrastination

Ariely, D. and K. Wertenbroch. 2002. [Procrastination, Deadlines, and Performance](#). *Psychological Science*, 13(3):219-224.

6. September 24: Temptation and Self Control

Thaler and Sunstein. *Nudge*. Chapter 2

7. September 26: Habit and “Mindless Choosing”

Duhigg, C. 2012. [The Power of Habit](#). *Slate*. February 28.

Wansink et al. 2005. [Bottomless Bowls](#), *Obesity Research* 13(1):93-100.

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.

Gneezy U., and A. Rustichini. 2000. [A Fine Is a Price](#). *The Journal of Legal Studies* 29 (1): 1-17.

10. October 10: Altruism and Fairness

Andreoni, J. et al. 2007. [Altruism in Experiments](#). New Palgrave Dictionary of Economics.

PART II: THE PRACTICE

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

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

UK Cabinet Office, Behavioural Insights Team. 2014. [EAST: Four Simple Ways to Apply Behavioural Insights](#). UK Government.

12. October 17: Mid-term Exam

13. October 22: Personal Finance I

Thaler and Sunstein. *Nudge*. Chapter 6.

Beshears, J., et al. 2008. [The Importance of Default Options for Retirement Savings Outcomes: Evidence from the United States](#). In S.J. Kay T. Sinha, *Lessons from Pension Reform in the Americas* (New York: Oxford University Press), pp. 59-87.

14. October 24: Personal Finance II

Bertrand, M., and A. Morse. 2011. [Information Disclosure, Cognitive Biases, and Payday Borrowing](#). *Journal of Finance*, 66(6): 1865-1893.

Agarwal, S et al. 2015. [The Impact of Consumer Financial Regulation: Evidence from the CARD Act](#). Microeconomic Insights. December 15.

15. October 29: Healthcare I

Hallsworth, M., et al. [Provision of Social Norm Feedback to High Prescribers of Antibiotics in General Practice](#). *The Lancet*. 387 (10029): 1743-1752.

UK Cabinet Office Behavioural Insights Team. 2013. [Applying Behavioural Insights to Organ Donation](#).

Hanoch, T., et al. 2009. [How Much Choice Is Too Much? The Case of the Medicare Prescription Drug Benefit](#). *Health Services Research*, 44(4): 1157-1168.

16. October 31: Healthcare II

King, et al. 2014. [Redesigning the 'choice architecture' of hospital prescription charts](#) *BMJ Open*, 4: e00547

Haynes, A., et al., 2009. [A Surgical Safety Checklist to Reduce Morbidity and Mortality in a Global Population](#), *New England Journal of Medicine*. 360:491-499.

17. November 5: Preventive Health

Milkman, K. et al. 2011. [Using implementation intentions prompts to enhance influenza vaccination rates](#), *Proceedings of the National Academy of Sciences*, 108 (26): 10415-10420.

Hanks, A., et al. 2012. [Healthy Convenience: Nudging Students Toward Healthier Choices in the Lunchroom](#). *Journal of Public Health*. 34(3):370-6

Volpp, K., et al. 2009. [A randomized, controlled trial of financial incentives for smoking cessation](#), *New England Journal of Medicine*. 12;360(7):699-709.

18. November 7: Welfare and Poverty Alleviation

Bhargava, S. and D. Manoli. 2015. [Psychological Frictions and the Incomplete Take-up of Social Benefits](#) *American Economic Review*. 105(11): 3489–3529.

Datta, S., and Mullainathan, S. (2014). [Behavioral Design: A New Approach to Development Policy](#). *The Review of Income and Wealth*. 60 (2): 7-35.

19. November 12: Education

Levitt, S., et al. 2016. [The Behavioralist Goes to School](#). *American Economic Journal: Economic Policy*. 8 (4): 183-219.

Bettinger, E., et al. 2012. [The Role of Application Assistance and Information in College Decisions](#) *Quarterly Journal of Economics* 127(3): 1205-1242.

20. November 14: Discrimination

Hiscox, Michael, and Lilia Arcos-Holzinger. 2018. [Going Blind to See More Clearly: The Effects of de-Identifying Job Applications in the Australian Public Service](#). Harvard working paper.

Bohnet, Iris, Alexandra van Geen, Max Bazerman. 2016. [When Performance Trumps Gender Bias: Joint vs. Separate Evaluation](#). *Management Science* 62(5):1225-1234.

21. November 19: Environment

Ayres, I. et al. 2013. [Evidence from Two Large Field Experiments that Peer Comparison Feedback Can Reduce Residential Energy Usage](#). *Journal of Law, Economics and Organization* 29(5): 992-1022.

Cialdini, R. 2003. [Crafting Normative Messages to Protect the Environment](#). *Current Directions in Psychological Science*. 12 (4):105-109.

22. November 26: Taxes

Hallsworth, M., et al. 2014. [The Behaviouralist as Tax Collector](#). NBER Working Paper 20007.

Wenzel. 2006., [A Letter from the Tax Office: Compliance Effects of Informational and Interpersonal Justice](#). *Social Justice Research*. 19: 345–64.

Shu et al. 2012. [Signing at the beginning makes ethics salient and decreases dishonest self-reports in comparison to signing at the end](#). *Proceedings of the National Academy of Science* 109 (38):15197.

23. November 28: Crime and the Law

Haider-Markel, Donald P., and Mark R. Joslyn. 2001. [Gun Policy, Opinion, Tragedy, and Blame Attribution](#). *Journal of Politics* 63, 2: 520-543.

Heller, et al. 2015. [Thinking Fast and Slow? Some Experiments to Reduce Crime and Dropout in Chicago](#). NBER Working Paper 21178

24. December 3: Voting and Donating

Bond et al., 2012. [A 61-Million-Person Experiment in Social Influence and Political Mobilization](#). *Nature*. 489: 295-298.

Nickerson & Rogers (2010), [Do You Have a Voting Plan?](#) *Psychological Science*. 21(2): 194-199.

Croson, R., Shang, J., 2008. [The Impact of Downward Social Information on Contribution Decisions](#). *Experimental Economics*, 11(3), pp. 221-233.

PART III: DEBATES AND LIMITS

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

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

Camerer, Colin, Samuel Issacharoff , George Loewenstein & Ted O'Donoghue. 2003. [Regulation for Conservatives: Behavioral Economics and the Case for Asymmetric Paternalism](#), *University of Pennsylvania Law Review*. 1211.