PADM-GP 2139: BEHAVIORAL ECONOMICS AND POLICY DESIGN
Fall Semester 2017, Monday 4:55-6:35
194 Mercer, Room 203

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COURSE DESCRIPTION
Standard economic theory assumes that individuals are fully rational decision-makers; however, that is often not the case in the real world. Behavioral economics uses findings from lab and field experiments to advance existing economic models by identifying ways in which individuals are systematically irrational. This course gives an overview of key insights from behavioral science and identifies ways in which these findings have been used to advance policies on education, health, energy, taxation, and more. Additionally, this course will review how government agencies and non-profit organizations have used behavioral insights to improve social policy.

PREREQUISITES
CORE-GP 1011: Statistics and CORE-GP 1018: Microeconomics (or equivalent).

REQUIRED READING

LEARNING OUTCOMES
1. Learn key theories from the field of behavioral economics.
2. Learn how economists apply insights from lab and field experiments to policy design.
3. Interpret empirical results from research papers for a policy audience.

GRADING
Writing Assignments (5 assignments): 40%
Group presentations: 20%
Final Exam: 30%
Attendance and Participation: 10%

WRITTEN ASSIGNMENTS
Roughly every other week students will read an academic research article and summarize the findings in an opinion piece or a policy brief. See descriptions below.

IN-CLASS EXAM
A final written exam will take place during finals period. Any students with disabilities requiring special exam procedures should contact me as soon as possible.

GROUP PRESENTATIONS
Teams of 5 students will give a roughly eight minute presentation for the class. The first topic will be presenting research on a specific cognitive bias (i.e., summarizing research of others) and the second will be a creative policy design project.
## COURSE SCHEDULE

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<th>Lecture</th>
<th>Topics</th>
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<th>Assignments: Due at class start</th>
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<tr>
<td>1</td>
<td>Sept 11</td>
<td>Intro to Prospect Theory</td>
<td>TFS ch.25-26</td>
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<td>2</td>
<td>Sept 18</td>
<td>The Endowment Effect</td>
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<td>3</td>
<td>Sept 25</td>
<td>Econometrics Review; Loss Aversion Applications</td>
<td>Econometrics review; Nudge ch.1</td>
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<td>4</td>
<td>Oct 2</td>
<td>Presentation Preparation*</td>
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<td>Oct 9</td>
<td><strong>FALL BREAK</strong></td>
<td>Memo 1</td>
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<td>5</td>
<td>Oct 16</td>
<td>Loss Aversion and Education; Probability Weighting</td>
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<td>Oct 23</td>
<td>Present Bias; Commitment Devices</td>
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<td>Oct 30</td>
<td>Defaults and Choice Overload</td>
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<td>Nov 13</td>
<td>Intrinsic vs. Extrinsic Motivation</td>
<td>Predictably Irrational, ch.4</td>
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<td>10</td>
<td>Nov 20</td>
<td>Social Comparison</td>
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<td>Scarcity</td>
<td>Scarcity ch. 1&amp;5, NYT article</td>
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<td>Dec 4</td>
<td>Salience and Attention</td>
<td>Chetty Senate Testimony</td>
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<td>Dec 12</td>
<td><strong>Group Presentations</strong>: Policy Proposals</td>
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<td>15</td>
<td>Dec 18</td>
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*I will be out of town on October 2nd. Please use this time to meet with your presentation groups.*
WRITTEN ASSIGNMENT GUIDELINE

Researchers working in public policy must frequently adapt their writing style turning a technical, academic journal article into a policy brief for government officials, a New York Times article, a National Public Radio spot, or a tweet. One of the main goals of this class is to learn to digest academic research to make economics insights understandable to a policy audience. We will focus on two types of policy writing:

1) Opinion Editorial (“Op-ed”) Piece
2) Policy Briefs

All assignments should be one page maximum (roughly 500 words).

Op-ed Articles
Think New York Times, The Economist, The Atlantic, etc. This type of article describes the policy context and findings from academic research, but also expresses the opinions of the author. These articles are aimed at an audience with little-to-no economics or policy experience and are meant to be informative, but also engaging. Make sure to include the following:

- Description of the policy context
- Related research (mention at least one other article from the literature review)
- Summary of the policy being evaluated and how the policy relates to behavioral economics
- Key finding(s) from the evaluation
- Your personal critique: Do you think this is a good policy? What are your reservations, if any? Can you suggest any other policies based on these findings? Be creative!

Policy Brief
Imagine you just completed an evaluation of a pilot program for a new behaviorally-informed policy and you want to encourage the government to roll-out the program nationwide. If you could only give this government official a one-page summary of the program – what would it say? These briefs differ from op-eds in that they are intended for a more informed audience, but one that may only have a few minutes to read your research. Additionally, they are only interested in your findings, not your opinions. Make sure to include the following (and use these as section headings):

- Policy Objective – goal of intervention
- Behavioral Insight – which behavioral economics theory is being applied?
- Background – policy context
- Methods – sample population, details of policy
- Results – describe results and include one graphical depiction of the main finding
- Conclusion

Examples
   - Op-ed: NYT Article
   - Policy Brief: SBST Annual Report
   - Op-ed: The Conversation
   - Policy Brief: World Bank Blog
WRITTEN ASSIGNMENTS

Assignment #1: Op-ed for “Enhancing the efficacy of teacher incentives through loss aversion: A field experiment” by Fryer, Levitt, List, and Sadoff

Assignment #2: Policy Brief for "Put Your Money Where Your Butt Is: A Commitment Contract for Smoking Cessation" by Gine, Karlan, and Zinman

Assignment #3: “Nudging Debate” – Op-ed style piece arguing for or against policies that utilize libertarian paternalism.


Assignment #5: Policy Brief for "Information Disclosure, Cognitive Biases, and Payday Borrowing" by Bertrand and Morse.

GROUP PRESENTATIONS

Presentation 1: Each group will present on one “heuristic or bias”. Carefully describe the bias and present evidence on how individuals have exhibited this behavior (if possible, I recommend testing your audience to see how they behave!). Additionally, present a few examples of how this could impact behavior in meaningful ways outside of the lab, ideally focusing on economic outcomes (consumption, labor supply, tax compliance, health, etc.). Topics include:

- Availability heuristic
- Representativeness heuristic
- Anchoring and Adjustment
- Hot-hand Fallacy
- Left-digit Bias
- Overconfidence
- Confirmation Bias
- Projection Bias

Presentation 2 (December 12th): Acting as members of the White House’s Social and Behavioral Sciences Team, teams will design a behaviorally-informed policy intervention prepared for federal agency partners. Be specific about the agency you will partner with, the policy problem you are addressing, and evidence from behavioral science that suggests that your policy could be effective at achieving your goal.
ADDITIONAL READINGS

Lecture 1: Loss Aversion

Lecture 2: The Endowment Effect

Lecture 3: Loss Aversion Applications

Lecture 4: Loss Aversion and Education; Probability Weighting

Lecture 5: Present Bias & Commitment Devices

**Lecture 6: Defaults**

**Lecture 7: Choice Overload & Libertarian Paternalism**
• Iyengar, Sheena S., and Mark R. Lepper. "When choice is demotivating: Can one desire too much of a good thing?." *Journal of personality and social psychology* 79.6 (2000): 995.

**Lecture 8: Intrinsic vs. Extrinsic Motivation**
• **Gneezy, U., and A. Rustichini (2000) “Pay enough or Don't pay at All” Quarterly Journal of Economics, 791-810.**

**Lecture 9: Social Comparison**
Lecture 10: Scarcity


Lecture 11: Salience and Attention


Lecture 12: Behavioral Economics and Government

- **Executive Order 13707 Guidance Document
- World Development Report, “Mind, Society, and Behavior”