

# Behavioral Economics and Welfare Analysis

## Course information

**Course numbers:** ECON 11850

**Class times:**

Lectures Tues/Thurs 12:30-1:50 and 2:00-3:20 in Rosenwald Hall 015.

Sections Mon 6:30-7:20 (SHFE 021) and 7:30-8:20 (SHFE 146)

**Canvas site:** [Link](#)

**Prerequisites:** Principles of Microeconomics (ECON 10000 or ECON 20000 or ECON 20010) and Introduction to Statistical Methods in Economics (STAT 22000 or STAT 23400 or STAT 24400 or ECON 11010)

## Course overview

This course studies economic approaches to welfare analysis when people do not choose what is best for themselves. Students will extend standard economic models to accommodate psychological phenomena like overoptimism and inattention, focusing on implications for welfare analysis. They will also learn about modern empirical methods for measuring these phenomena in the real world. The course applies these theoretical and empirical methods to the welfare analysis of several policies, including: the taxation of sugary beverages, bans on so-called "junk fees," and compulsory savings programs (like the U.S. social security system). Students may use this course to satisfy the microeconomics method requirement for the business economics specialization.

## Teaching team

**Professor:** Matthew Brown

Website: [mattbrownecon.github.io](http://mattbrownecon.github.io)

Email: [mattbrownecon@uchicago.edu](mailto:mattbrownecon@uchicago.edu)

Please call me "Professor Brown." After you graduate, please call me "Matt."

Office hours: Fridays 9:00-11:00 in SHFE 433

**Teaching Assistants:** Santiago Perez-Cardona and Sündüz Divle

Emails: [sperezcardona@uchicago.edu](mailto:sperezcardona@uchicago.edu) and [sdivle@uchicago.edu](mailto:sdivle@uchicago.edu)

Office hours:

- Santiago: Mondays 11:00-12:00 in SHFE 201
- Sündüz: Wednesday 10:00-11:00 in Harper Center Winter Garden

## Learning Goals

1. Articulate key normative issues in behaviorally motivated policy analysis.
2. Analyze the strengths and weaknesses of empirical strategies in applied positive behavioral economics.
3. Qualitatively describe the tradeoffs policymakers face when implementing behaviorally motivated policies, including taxes, nudges, and bans.
4. Apply rigorous normative and positive analytical approaches to specific policy debates.
5. Build new connections and friendships with a community of people interested in economics, psychology, and public policy.

## Course Organization

The course is fundamentally about extending economic models to accommodate psychologically realistic phenomena and the policy implications of these extensions. There is no textbook for the course, since there is currently no textbook about these issues. Instead, we'll use recent journal articles combined with lectures, TA sections, and slides as the course materials. I will post slides to Canvas after presenting them in class.

Here are three optional reference materials:

- [Bernheim and Taubinsky \(2018\)](#)'s handbook chapter is the best review of normative issues in evaluating behavioral public policy. It is pitched at the graduate student level.
- The [NBER's Mini-course](#) in Behavioral Public Economics has good self-study materials covering many of our topics at the graduate level. Those materials are a bit more readable than the handbook chapter, but less comprehensive.
- [DellaVigna \(2009\)](#) is a readable literature review about many positive behavioral models and results that we will study in this class.

Throughout the quarter you will have to complete three homework assignments, worth a total of 17% of your grade. These assignments complement but do not overlap our class activities. Homework assignments are meant to challenge you in different ways. Sometimes you will be faced with a mathematical or graphical model that is harder than what we did during class time. Sometimes you will have to analyze real-life examples of specific models. You may find these homework assignments challenging, though you will be able to work with other students and go to office hours to help you learn and complete these activities. The more (smart) effort you put into these assignments, the more you will learn from them.

We encourage you to work with other students on the problem sets. However, you must submit an individual writeup with answers in your own words. We also ask that you acknowledge the students that you worked with in a note at the beginning of your final submission.

In the final week of the class, we will hold a *policy symposium*. You will work in groups of three to five to analyze a specific, concrete issue in behaviorally motivated policy. You will complete a policy brief (“white paper”) about your issue, present your proposal to the class, and comment on your peers’ proposals.

We will have a midterm exam and a final exam. These exams will each be worth 25% of your grade. The purpose of the exams is to assess your overall ability to understand, analyze, and apply behavioral economics in policy evaluation, as opposed to the policy symposium that allows you to dig deep into one very specific aspect of behavioral economics and policy evaluation.

## Community building and support

In addition to covering the material, one of our goals for the quarter is to build a community of undergraduates, grad students, and faculty interested in behavioral economics. We hope you’ll come to regular office hours, even if you don’t have a specific question.

Weather permitting, we will occasionally have a different version of office hours that I call *coffee hours*. I will send an announcement stating times and locations where I will be grabbing a coffee, in the hopes that a few of you might join me to talk about economics and life.

## Grading and deadlines

The table below summarizes the work and contribution to the overall course grade. All deadlines listed below are at 11:59PM. There will be a midterm exam and a final exam.

Category	% of grade	Notes
Class participation	10%	<ul style="list-style-type: none"><li>• A fundamental (and fun) part of the class is to discuss problem sets and readings in class. I will sometimes choose students at random (via an automated randomizer) to ask questions about their submissions in class.</li><li>• I expect your answers to show that you’ve thought about the assignment. I don’t care if the answer is “right,” I just want to make sure we’re having an informed discussion.</li></ul>

Category	% of grade	Notes
		<ul style="list-style-type: none"> <li>You can ask me not to randomly call on you for these discussions for exactly one class in the quarter. You must ask me <i>before class</i>.</li> <li>Constructive participation in class discussions and in Monday's sections will be reflected in the class participation score.</li> </ul>
Problem sets	17%	<ul style="list-style-type: none"> <li>There will be three problem sets. When computing final grades, we will downweight the problem set for which you received the lowest grade. Specifically, the lowest grade problem set will be worth 3% of the final grade, while the other two are worth 7% of the final grade.</li> <li>When a problem set is turned in late, there is a penalty equal to 50% of the total points. This penalty occurs even if the problem set is turned in one minute late, or if there are technical difficulties on Canvas. To avoid these issues, we recommend submitting the problem set to Canvas well before the deadline.</li> <li>Any problem sets submitted more than 24 hours late will receive a zero.</li> <li>It is your responsibility that the uploaded files are legible and can be opened in a computer – we strongly recommend compiling all your answers into one PDF file.</li> </ul>
Midterm exam	25%	In-person, written exam.
Final exam	25%	In-person, written exam.
Policy symposium	23%	<p>The 23% is divided into:</p> <ul style="list-style-type: none"> <li>3% for the issues memo.</li> <li>3% for draft briefs</li> <li>2% for your feedback on others' draft briefs.</li> <li>10% for the final policy brief.</li> <li>5% for the in-class final presentation.</li> </ul> <p>See below for details on the policy symposium.</p>

## Technology Policy

**In class:** There are many legitimate uses of personal screens in the classroom. But it is easy to distract ourselves with messages, news, and other things on our smartphones and computers. In the classroom, any tabs open on any of your devices should be related to the class. Repeated violations of this policy will be reflected in the participation grade.

**Online Resources and AI:** We encourage you to use online resources including google, Stack Exchange, and artificial intelligence (AI) tools such as ChatGPT and GitHub

Copilot to brainstorm and challenge ideas. However, all text you submit (e.g., comments in code, problem set writeups and reading reactions, and final project writeup) should be initially written in your own words. You may use AI tools to check your grammar or word choice. You also must be prepared to explain and defend any sentences that you write verbally in class discussions.

If you quote or paraphrase text from another source, you must [cite](#) that source. To omit relevant citations is unethical. This applies both to text written by humans and text generated by AI.

## Other course policies

1. **Questions and discussion board:** The best way for us to answer questions about the course is live in office hours or in class. The second best way is through the discussion board on Canvas. In particular, we are more likely to answer questions related to problem sets that are posted on Canvas discussion boards much more quickly than we will answer questions over email. Remember, many others may have the same questions, so your questions benefit everyone!
2. **Academic honesty:** As a University of Chicago student, you have agreed to abide by the University's academic honesty policy. All academic work must meet the standards described in [Academic Integrity & Student Conduct](#), as well as in the Student Manual of University Policies & Regulations. Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.
3. **Attendance at classes:** We hope to make the class time useful and fun. We expect that everyone will attend class (including Mondays) except in exceptional circumstances, such as an interview, a competition, or because you are sick.
4. **Attendance at exams:** It is essential that you are present to complete the midterm and the final. Following department policy, job interview, personal-related conference, personal travel plans, student organization activities, unverified absence, missing an assignment by choice, or negligence of schedule do not constitute as extenuating circumstances, are not considered "unplanned emergencies" and will result in zero points for any missed exams.
5. **Regrading:** If a member of the teaching team has made an obvious clerical error (e.g., we incorrectly summed the points from subparts of an assignment), we can correct the error on the spot. To request a correction for a substantive grading error, you must follow the following procedures:
  - Summarize your request in an email to [mattbrownecon@uchicago.edu](mailto:mattbrownecon@uchicago.edu). Concisely describe the specific error you have found. Do NOT approach a TA or professor in person before sending the email. All requests must be made within a week of receiving the grade.

- Grades will only be changed to correct specific and unambiguous errors, not to such items as disputes over grading policies, protests about the form or content of an examination, or claims of learning not displayed in the work.
  - Upon your request, the ENTIRE assignment may be re-graded. Note that there is no guarantee that your grade will be revised upwards. Sometimes, graders will find additional errors that result in the grade being revised downwards.
6. **Emergencies:** The teaching team wants to do everything we can to accommodate diverse personal situations. The teaching team can extend assignment deadlines or modify course requirements in exceptional situations, such as the death of a family member or a medical emergency. Please email the TA, cc'ing Professor Brown, if such a situation arises.
- In any given quarter, many of us will have other personal events that are less severe than these two examples. It can be hard to assess the severity of these situations in a way that is fair to everyone, so we almost never extend deadlines or otherwise modify course requirements. However, the teaching team stands ready to support you and help you catch up on the materials.
7. **Accessibility:** If you have accommodations as provided by the SDS office, please discuss with the instructor as soon as possible to ensure the timely provision of accommodations. **10 days advance notice** of your SDS accommodation is required for the accommodation to be implemented.
8. **Group work:** We encourage you to do the problem sets in groups. However, all work you submit must be your own individual work, with the exception of the policy symposium. Within the policy symposium, we will field a survey at the end of the quarter to verify that all group members contributed adequately to the project. If, in the survey, we discover that a student has not contributed adequately to the group, that person may have their grade for the policy symposium section reduced.
9. **Pass-fail and withdrawal:**
- You have until before the start of your final exam to exercise the options to take the course as Pass/Fail qualitative grade, using the form on the final exam cover sheet or by emailing the instructor in advance. Once your final exam has started, this option expires. Before exercising the option for Pass/Fail grading, please speak with your College Adviser, and the Undergraduate Student Affairs Administrator, Julie Wong, to fully understand the ramifications of your choice of Pass/Fail grading.
  - You may request for Withdrawal with W recorded on your transcript by speaking to your academic advisor and finishing the requests with the Registrar before 5:00pm on the Monday of the 9th Week of the quarter. Per College regulations, you cannot request for Withdrawal by emailing the instructor.

- Should extenuating and unplanned circumstance or emergency warrants, and in consultation with your College Adviser, you may request for Incomplete in order to fulfill the requirements at the latter date according to the agreement as noted on the Incomplete form. Per College regulations, to be eligible for Incomplete request, you must have (1) regularly attended the classes, and (2) completed significant (50% or more) portion of the assignments and evaluations items at the passing quality.

**10. Title IX statement:** Faculty members, instructors, and TAs are designated as “Individuals with Title IX Reporting Responsibilities,” which are required to report all incidents of sexual misconduct (including sexual harassment), dating violence, domestic violence, and stalking to the Title IX Coordinator for the University. For more information, see <https://harassmentpolicy.uchicago.edu/>.

## Policy Symposium

The final project will help to achieve all four learning goals described above: it will help you to qualitatively describe the tradeoffs and quantitatively evaluate the policy area of your choice, build data analysis skills on the dataset of your choice, and foster community through group discussions of research ideas and your progress.

The final project has five components, as described below.

### Assignment 1: Policy Issues Memo

#### Description:

This short assignment is designed to help you accomplish two goals:

- Form teams of three to five in which you will complete the symposium project.
- Arrive at an interesting, feasible, and concrete policy area for the project.

The policy issues memo consists of three short sections about distinct policy areas.

Each section should begin with a simple question, for example: *How should we regulate the market for sugary beverages?* Then, with three bullet points, you should explain why there is a debate about behaviorally motivated policy and give some examples of policy instruments that are available. For example:

- Some say that we should help people improve their health by reducing the attractiveness of sugary beverages.
- On the other hand, restricting sugary beverage consumption would stop some people from consuming beverages that they enjoy.
- The government can control taxes on sugary beverages. They could also require sugary beverages to come with warning labels, or impose standards such that stores cannot sell beverages above a threshold sugar content.

You should submit the assignment in a group of three to five.

Every group should discuss their policy issues with Professor Brown or a TA before proceeding. We will set up extended office hours for those discussions. We also encourage you to discuss your ideas with your classmates. After those discussions, choose the one research question that interests you the most.

**Due date:** 11:59 PM on October 25. You can submit the file as a member of a canvas “group.” Your submitted PDF should have the name of each group member.

Here is a list of issues that you might consider. Many of these policy areas have been studied by the economics literature, but others do not. You are not required to choose an option from this list. In fact, we encourage you to include at least one issue not on this list!

**List of possible issues:**

- Price transparency in markets like:
  - Healthcare
  - Insurance products
  - Online shopping
  - Airlines
  - Hotels
- Issues in household finance
  - How should we design public and private retirement savings plans?
  - Are there other things we can do to help people manage their money better?
- Paternalistically motivated taxation, subsidization, or regulation of various activities, like:
  - Addictive substances like tobacco, alcohol, or other drugs
  - Adaptation to environmental risks (like wildfires and floods)
  - Apps for trading cryptocurrency
  - Apps for trading financial products
  - Credit products like credit cards and payday loans
  - Education choices
  - Energy-efficient products (like EVs)
  - Extended warranties and “insurance” for things like air tickets
  - Gambling
  - Individually-targeted advertisements
  - Internet pornography
  - LLMs
  - Location and housing choices
  - Social media platforms



- Video games
- Health choices, like:
  - Exercise
  - Foods and beverages
  - Vaccinations
  - Preventative care
  - Mental health treatment
  - Wellness supplements
- “Dark patterns” on online platforms, like:
  - Auto-renew for subscription services
  - Potentially misleading privacy policies
  - Infinite scroll
  - Buy Now Pay Later
- ... and **many more!**
- Grab-bag
  - What we should do (if anything) to help people understand various features of the tax code (income taxes, sales taxes, etc)?
  - How should we design eligibility requirements and intake procedures for public benefit programs (like SNAP and Medicaid)?
  - Do people work too much, too little, or just right? Why? What does that mean for the income tax code?

## Assignment 2: Draft Policy Briefs

In this assignment, you’ll submit your first draft of the policy brief.

There is no upper or lower bound for the length of your policy brief, but we expect most briefs to be between 8 and 10 pages (12 point font, 1.5 pt spaced). Note that longer briefs are not better. It is worth taking the time to make your argument as concisely as possible, while still making the evidence and your arguments clear.

**Due date:** November 12 at 11:59 PM. The PDF submission should include a title as well as the names of each team member.

We recommend that your draft conform to the following structure.

### *Section 1: Introduction*

Briefly introduce the policy area, motivate the reader about its importance, set up the debate, and summarize your recommendation. This section is the most important part of your document. It should be about one page. Here is an algorithm for writing a draft introduction.

Paragraph 1: Motivate the importance of your policy issue. For example, you might say: *Americans drink X million liters of soda per year.*

Paragraph 2: Explain the policy controversy. Why do people disagree about whether to implement behaviorally motivated policy in this area? For example, you might say: *While some believe that people mainly consume sugary beverages because they enjoy it, others say that sugary beverage consumption is driven by self-control problems and misperceptions of health costs.*

Professor Brown's 2025 [paper on sports betting](#) is one example of what the first two paragraphs might look like

Paragraph 3: State your policy recommendation and summarize why you are recommending it. This paragraph will operate basically as a summary of the rest of the document, especially the sections 3 and 5 (see below). You can also include a sentence or two about proposals for new research, but this is optional.

#### *Section 2: Background and Status Quo Policy*

Set the stage. What is the nature of consumption for your product? What are the existing policies that regulate the market?

You can refer to Section 2 of Professor Brown's 2025 [paper on sports betting](#) as an example of what this section might look like.

#### *Section 3: Conceptual Framework*

Building off section 2, you will now describe what a policymaker should be thinking about if they try to intervene. You can think of the Allcott et al (2019) [soda tax review](#) as a guide. Here are a few questions that might guide your analysis.

If you are thinking about a corrective tax or subsidy, how would someone compute the optimal rate? If you are thinking of multiple policies, perhaps including nudges or bans, how can we choose the intervention(s) that would work best? In general, how would someone measure the overall costs and benefits of your proposed policies? Which agents bear the costs and benefits of the policies? Are there distributional considerations in your setting?

This might be a good place to include supply and demand diagrams.

#### *Section 4: Existing evidence*

What do we already know about your context? Focus especially on any economics papers. But, since the economics literature may be sparse, you can also use other resources, as long as they are credible.

As you write this section, make sure you remind your reader about why each fact is relevant for the overall policy memo – do NOT waste our time with a “laundry list” of disconnected facts!

Here are some questions you might consider:

- Is there direct evidence on the psychology of decision-makers in your context?
- Is there evidence of choice irregularities?
- What evidence could you use to determine which choices are “welfare-relevant” versus mistaken?
- Is there any evidence for “standard” economic parameters that would be important for policy analysis? E.g., the elasticity of demand, substitution patterns, market power, etc.

#### *Section 5: Open questions and proposals for new research*

It is likely that when you finish the “literature review” for Section 3, you will still have important questions that are unanswered. In this part of the project, you will propose concrete empirical studies to answer them.

You should only propose experiments or analyses that would be feasible given a budget of \$100,000. So, for example, you’d be welcome to propose an experiment like the one from Chetty, Looney, and Kroft (2009). But you could not propose an experiment like “let’s shut off Facebook for half of the country for a month.”

#### *Section 6: Recommendation.*

This is the part where you must use your judgement. Given the evidence, what are your policy recommendations?

To make your policy recommendations, a first step is to return to Section 2: what are the natural tools at the policymaker’s disposal? The usual answers include various forms of taxes, nudges, and bans. Explain how and why these interventions are likely to have different consequences, drawing on theory and evidence. Then, decide which mix of policies to recommend.

There is almost never an obvious right answer that resolves controversial policy debates. That is why the debates are controversial! Nevertheless, we are asking you to take a stand about what to do. The need to make decisions with incomplete information reflects the challenges that real policymakers and business leaders face.

The key is to be very clear about which facts and arguments lead you to make your recommendation. Overall, you should strive to write your report such that even

someone who disagrees with you about the final conclusion would respect the reasoning. This reader might say, “Well, I don’t agree with the author about how we should tax soda. But I do understand why the author thinks that, and I appreciate that the author took the time to engage with my arguments.”

One way to be clear about why you are making recommendations is to explain your recommendation with respect to specific economic “policy motives.” In general, we consider two kinds of motives in this course:

- Efficiency motives: we want to mitigate costs from overconsumption or underconsumption. In the graphs, we want to remove the deadweight loss triangles.
  - Efficiency motives include reducing deadweight loss from both internalities and externalities. In your report, you should distinguish between the two – make sure we know whether you’re proposing paternalistic intervention or just an externality-reducing intervention.
- Distributive motives: many policymakers want to move resources from rich people to poor people. For example, depending on the consumption good, we may weigh producer and consumer surplus differently.

The nonprofit organization Open Philanthropy has a [useful guide](#) for ensuring that writing exhibits “reasoning transparency,” which might help you make your arguments clear.

### Assignment 3: Feedback on Peer’s Policy Brief

You will be randomly assigned to another student. You will each provide a one-page critical report of the other’s draft, uploaded as a PDF to Canvas.

Highlight places where the draft is especially insightful and places where the arguments are weak. Be constructive. Try to come up with concrete suggestions for how to improve the draft. Take your time as you do this – the goal of this assignment is to raise the overall level of policy analysis for the final briefs and the Symposium.

**Due date:** November 15 at 11:55 PM

**If you meet the peer to whom you are assigned and discuss the feedback in person, you will receive extra credit** (1% of your final grade). This extra credit is in service of our fifth learning goal about building community.

To document your meeting, please upload the following into Canvas

- A photograph of you two meeting.
- A one-paragraph summary of the insights that arose from conversation.

## Assignment 4: Final Policy Brief

You will now submit your final draft of the white paper.

**Due date:** November 29 at 11:55 PM.

You are required to revise your submission in response to the feedback you received in peer review and from members of the teaching team. **Please use footnotes to indicate where you have made revisions in response to feedback.** Here are some examples of footnotes.

- “We added this sentence in response to peer feedback that the nature of the status quo tax was not clear.”
- “We added this definition of present bias based on the TA’s comments that we need to define this term well.”
- “A peer reviewer noted that a tax would disproportionately harm poor consumers. We agreed. Therefore, we have added a full paragraph about incidence, and changed our overall final recommendation to be more skeptical of high corrective taxes.”

Note that you do not have to necessarily revise a section solely based on feedback. If you have a good reason for keeping your original version, cite the feedback, and explain why your original ideas are valid and better.

A big part of the grade of your final project will depend on how well you have addressed all feedback, and how you have documented your revisions. As such, it is critical that you address feedback in footnotes.

## Assignment 5: Symposium Week

Full description to come.

**Due date for slides:** 9:00 PM on Monday, December 1.

## Schedule

### Week 1: Introduction and normative foundations

**The goals for this week are:**

- 1) Get excited about the course and understand the course requirements and expectations.

- 2) Consider the philosophical foundations of economic welfare analysis and the challenge behavioral economics poses to those foundations
- 3) Understand the foundations of Bernheim's approach to behavioral welfare analysis.
- 4) Discuss the pros and cons of self-reported well-being as a welfare measure.

#### **Required readings:**

- For Thursday: [Bernheim \(2016\)](#) on behavioral welfare. Read Section 1, Section 2, and the part of section 5 from pages 46-50.

#### **References:**

- [Bernheim and Taubinsky \(2018\) Handbook](#) Section 2.
- [Doug Bernheim's work](#) on behavioral welfare economics.
  - Much of this is quite technical.
  - Doug's website also has [lecture videos](#) covering issues related to Thursday's lecture in more detail.
- [Rees-Jones \(2024\)](#) in the Journal of Economic Perspectives on Behavioral Mechanism Design
- Alternative perspectives on welfare, including:
  - [Sunstein \(2020\)](#)'s account, which is readable and which comments extensively on the Bernheim approach.
  - [Hausman \(2013\) Preference, Value, Choice, and Welfare](#). A philosopher's view on normative issues in welfare economics.
  - [Stanford Encyclopedia of Philosophy article](#) on Amartya Sen's capabilities approach, which is probably the best-known articulation of an "objective goods" welfare criterion in economics.
  - Robert Sugden's work. Sugden is more skeptical than Bernheim, Sunstein, and Hausman about the approach we take in this class. His most comprehensive treatment is the book "The Community of Advantage." [Here](#) is an interview summarizing key ideas.

## **Week 2: Biased beliefs and corrective taxation**

#### **The goals for this week are:**

- 1) Use the example of overconfident beliefs to understand the promises and pitfalls of various research strategies in positive behavioral economics.
- 2) Introduce corrective taxation as a policy instrument and connect sin taxes to classical approaches to pigouvian taxation of externalities.

#### **Required readings:**

- For Tuesday: None

- For Thursday: [Allcott Lockwood and Taubinsky \(2019\)](#), “Should We Tax Sugar-Sweetened Beverages?” Pages 202-215 are required; the rest is enlightening but optional.

### References:

- [Raj Chetty's Ely Lecture \(2015\)](#), “Behavioral Economics and Public Policy: A Pragmatic Perspective”
- [Bernheim and Taubinsky \(2018\) Handbook](#) Section 3

## Week 3: Inattention to Taxes and Intro to Nudges

### The goals for this week are:

- 1) Explore how inattention to tax rates affects traditional conclusions about optimal taxation.
- 2) Introduce nudges. Define them and provide real-world examples. Describe common empirical designs for studying nudges. Introduce the “nudge debate” – why are nudges so popular, and why do some people dislike them?

### Required readings:

- 1) For Tuesday: [Chetty \(2011\)](#)'s report to Congress on salience and taxation.
- 2) For Thursday: Thaler and Sunstein (2008) “Nudge” (Introduction only, on Canvas)

### References:

- [Rees-Jones and Taubinsky](#), “Measuring Schmeduling”
- [Camerer et al \(2003\)](#) “Regulation for Conservatives” intro and Section 1.

### Assessments:

[PS 1](#) due MONDAY night 10/20.

## Week 4: The Welfare Analysis of Nudges

### The goals for this week are:

- 1) Describe how nudges can have direct welfare effects and understand how to measure these welfare effects empirically.
- 2) Engage with critiques of nudges, focusing on political economy.

### Required readings:

- 1) For THURSDAY: [Butera et al \(2022\)](#), “The Welfare Effects of Shame and Pride.” The Introduction, Section 3, and Section 4 are required.
- 2) For Thursday: [Hagmann et al \(2019\)](#), “Nudging out support for a carbon tax” AND [Chater and Loewenstein \(2022\)](#), “The i-frame and the s-frame: How focusing on individual-level solutions has led behavioral public policy astray.” Only section 1 is required for Chater and Loewenstein

## References

- 1) [Allcott et al. \(2025\)](#), “When do nudges improve welfare?”
- 2) [Allcott and Kessler \(2019\)](#), “The Welfare Effects of Nudges.” Here is a readable [policy brief](#).
- 3) A [podcast](#) where Dimitry Taubinsky talks about some of the tradeoffs when choosing between taxes and nudges
- 4) [Glaeser \(2006\)](#) on whether governments can be trusted to implement paternalistic policy appropriately.
- 5) Responses to Chater and Loewenstein, including [Sunstein](#).

## Assessments:

[PS 2](#) due MONDAY night 10/27

Ideas memo due Saturday night 10/25

## Week 5: Introduction to Present Focus (and midterm exam)

### The goals for this week are:

- 1) Take the midterm exam!
- 2) Define time-inconsistency.
- 3) Describe the classic results that economists think provides evidence of present focus.
- 4) Explore normative issues around the interpretation of present focus.

### Required readings:

- 1) For Tuesday: [DellaVigna \(2009\)](#) Journal of Economics Literature Review Article, section 2.1 only (self-control problems)

## References:

- [Laibson \(2015\)](#) “Why Don’t Present Biased Agents Make Commitments?”

## Assessments:

Midterm exam on October 30, during class (no other assignments due).

## Week 6: Present Focus and Addiction

### The goals for this week are:

- 1) Present the Becker and Murphy model of “rational addiction.”
- 2) Compare rational addiction to time-inconsistency. Show how adding present bias and projection bias to the Becker and Murphy model generates “irrational addiction.”
- 3) Discuss empirical evidence on substance addiction and digital addiction.



- 4) Consider commitment devices “in the wild” as an example of how markets can help solve present bias issues, and the limitations of market solutions.

**Required readings:**

- 1) For Tuesday: [DellaVigna and Malmendier \(2006\)](#), “Paying Not To Go To The Gym” Focus on the introduction and Sections 1 and 2.
- 2) For Thursday: [Gruber and Kozsegi \(2001\)](#), “Is addiction Rational?” (Introduction only) [Allcott et al. \(2022\) “Digital Addiction”](#) (focus on the introduction, tables, and figures).

**Assessments:**

No assignments due (but it’s a good idea to get started on PS3 and the draft policy briefs).

## Week 7: Biases in markets

**The goals for this week are:**

- 1) Articulate the conditions under which firms do or do not have an incentive to compete by reducing consumer bias.
- 2) Understand the implications of substitute goods for corrective regulation.
- 3) Explore ideas about whether it make sense to think about firms as “behavioral” consumers

**Required readings:**

- For Tuesday: [Gabaix and Laibson \(2006\)](#) (Introduction only) and [Einav, Mahoney, and Klopach \(2025\)](#) “Selling Subscriptions.”
- For Thursday: [DellaVigna and Gentzkow \(2019\)](#), Uniform Pricing in U.S. Retail Chains.

**References:**

[Allcott and Rafkin \(2022\)](#) on e-cigarettes.

[Finkelstein \(2009\)](#) on how governments respond to salience.

**Assessments:**

Draft policy briefs due WEDNESDAY night.

PS3 due Saturday night.

Feedback on policy briefs due Saturday night

## Week 8: How should we regulate markets for saving and borrowing?

**The goals for this week are:**

- 1) Apply all of the tools we’ve learned so far to saving and borrowing decisions.
  - a) What are the impacts of financial literacy programs? (Nudge evaluation)

- b) Should we subsidize savings? (tax evaluation)
- c) Should we use default options for retirement savings programs?
- d) Should saving for retirement be mandatory?
- e) Should we ban payday loans?

**Required readings**

- For Tuesday: None
- For Thursday: [Allcott et al \(2022\)](#), “Are High Interest Loans Predatory?” Read introduction and section 4.

**References:**

- [Beshears et al. \(2025\)](#), “Optimal Illiquidity.”
- [Ambuehl et al. \(2022\)](#), “Evaluating Deliberative Competence”

**Assessments:**

Final policy briefs due Saturday night Nov 29.

Slides due in Prof Brown’s inbox (PDF format) by 9:00 PM on the night of Dec 1.

## Week 9: Policy symposium

**The goals for this week are:**

1. Learn about your peers’ insights into specific areas of behaviorally motivated policy.
2. Ask thoughtful questions that improve our collective understanding of these important issues

**Assessments:**

In-class presentation