Behavioral Public Policy

Instructor: Lorenz Goette
ecslfg@nus.edu.sg

Fall 2022

A. Course description. This course in behavioral public policy focuses on applications of theory and field experiments to public policy questions. It highlights how experiments can be used to identify behavioral models, and how these techniques can be used for cost-benefit and welfare analysis. Along the way, we also discuss several issues that arise with experimental designs and inference.

B. Learning outcomes. This course will teach students how laboratory and field experiments can be used in research and policy analysis. It enables students to design and analyze experiments, and how to identify key structural parameters of economic models and welfare functions.

C. Assessment. You will write a research proposal based on the content of the course.

F. Research discussions. Each day, one hour is devoted to free-form discussion of research topics. I have some suggested topics, but we can also talk about other issues.

F. Course Schedule. The table below gives an overview of the schedule of the course. Papers marked * are required reading (only the parts discussed in class). The other papers will be covered partially in class, but you need not read the paper.

Meeting

Monday, 5 Sept	**Behavioral welfare analysis**
10h00 - 12h00	Libertarian paternalism. The behavioral Harberger triangle. Sufficient-statistics approaches.
14h00 - 16h00	Salience bias in taxation. Estimating salience bias. The special role of heterogeneity.
16h30 - 17h30	Research discussion
	Readings: Chetty (2009)*, Rodemeier (2020), Blake et al. (2018) Chetty et al. (2009)*, Taubinsky and Rees-Jones (2017)
Tuesday 6 Sept	**Behavioral interventions for resource conservation**
10h00 - 12h00	Salience bias in resource consumption. Home-energy reports. Real-time feedback.
14h00 - 16h00	The welfare effects of feedback. Default effects in electricity contract choice.
16h30 - 17h30	Research discussion
	Readings: Tiefenbeck et al. (2018)*,Tiefenbeck et al. (2019), Jessoe and Rapson (2014), Ebeling and Lotz (2015), Fowlie et al. (2017), Allcott (2011)*, Andor et al. (2017), Fang et al. (2020).
Wednesday, 7 Sept	**Habit formation / defaults**
10h00- 12h00	The habit-stock model. Rational anticipation of habit effects. The automatic-control model. Evidence of habit formation. The policy implications of habit formation.
14h00 - 16h00	Default effects in savings decisions, default effects in environmental behaviors.
16h30 - 17h30	Research discussion
	Readings: Charness and Gneezy (2009)*, Byrne et al. (2020), Yang and Lim (2017), Bruhin et al. (2020), Ebeling and Lotz (2015), Chetty et al. (2014).

References

Allcott, Hunt, "Social norms and energy conservation," *Journal of Public Economics*, 2011, *95* (9–10), 1082–1095.

Andor, Mark Andreas, Andreas Gerster, Jörg Peters, and Christoph M Schmidt, "Social norms and energy conservation beyond the US," Technical Report, Ruhr Economic Papers 2017.

Blake, Thomas, Sarah Moshary, Kane Sweeney, and Steven Tadelis, "Price salience and product choice," Technical Report, National Bureau of Economic Research 2018.

Bruhin, Adrian, Lorenz Goette, Simon Haenni, and Lingqing Jiang, "Oops! I Did It Again: Understanding Mechanisms of Persistence in Prosocial Behavior," Working Paper, National University of Singapore 2020.

Byrne, David, Lorenz Goette, Leslie Martin, Samuel Schoeb, Verena Tiefenbeck, and Thorsten Staake, "The behavioral mechanisms of habit formation: evidence from a field experiment," Technical Report, University of Melbourne 2020.

Charness, Gary and Uri Gneezy, "Incentives to Exercise," *Econometrica*, 2009, *77* (3), 909–931.

Chetty, Raj, "Sufficient statistics for welfare analysis: A bridge between structural and reduced-form methods," *Annu. Rev. Econ.*, 2009, *1* (1), 451–488.

_ , **Adam Looney, and Kory Kroft**, "Salience and taxation: Theory and evidence," *The American Economic Review*, 2009, *99* (4), 1145–1177.

_ , **John N Friedman, Søren Leth-Petersen, Torben Heien Nielsen, and Tore Olsen**, "Active vs. Passive Decisions and Crowd-Out in Retirement Savings Accounts: Evidence from Denmark," *The Quarterly Journal of Economics*, 2014, *129* (3), 1141–1219.

Ebeling, Felix and Sebastian Lotz, "Domestic uptake of green energy promoted by opt-out tariffs," *Nature Climate Change*, 2015.

Fang, Ximeng, Lorenz Goette, Bettina Rockenbach, Matthias Sutter, Verena Tiefenbeck, Samuel Schoeb, Thorsten Staake et al., "Complementarities in Behavioral Interventions: Evidence from a Field Experiment on Energy Conservation," Working Paper, University of Bonn 2020.

Fowlie, Meredith, Catherine Wolfram, C Anna Spurlock, Annika Todd, Patrick Baylis, and Peter Cappers, "Default effects and follow-on behavior: evidence from an electricity pricing program," Technical Report, National Bureau of Economic Research 2017.

Jessoe, Katrina and David Rapson, "Knowledge is (less) power: Experimental evidence from residential energy use," *American Economic Review*, 2014, *104* (4), 1417 – 1438.

Rodemeier, Matthias, "Buy Baits and Consumer Sophistication: Theory and Field Evidence from Large-Scale Rebate Promotions," Working Paper, University of Muenster 2020.

Taubinsky, Dmitry and Alex Rees-Jones, "Attention variation and welfare: theory and evidence from a tax salience experiment," *The Review of Economic Studies*, 2017, *85* (4), 2462–2496.

Tiefenbeck, Verena, Lorenz Goette, Kathrin Degen, Vojkan Tasic, Elgar Fleisch, Rafael Lalive, and Thorsten Staake, "Overcoming salience bias: how real-time feedback fosters resource conservation," *Management Science*, 2018, *64* (3), 1458–1476.

— , **Thorsten Staake, Lorenz Goette, Samuel Schoeb, and Elgar Fleisch**, "Feedback, fast and slow – a field study on live feedback for resource conservation," Working Paper, University of Bonn 2019.

Yang, Nan and Long Yong Lim, "Temporary Incentives Change Daily Routines: Evidence from a Field Experiment on Singapore's Subways," *Management Science*, 2017, *64* (7), 3365–3379.