

Summer Term 2019
Master Seminar, 6 CP
Seminar language: English

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Behavioral Public Economics
with Guest Speaker Dr. Luigi Butera (University of Chicago)

Datum
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Introduction: April 8th, 2019, room and time tba
Submit paper: May 13th, 2019
Presentations: May 23rd, 2019, room and time tba

Concepts in Behavioral Economics suggest that choices might not always reflect preferences due to “behavioral market frictions”. These frictions provide a new rationale for government interventions, such as taxes, nudges and legal mandates. There is a young literature that integrates these new behavioral concepts into public economics. Questions at the research frontier include:

- “Should governments tax unhealthy food if consumers have self-control problems?”
- “Should energy-efficient appliances be subsidized if consumers underestimate the associated cost savings?”
- “Do these taxes fall disproportionately on low-income consumers?”
- “Are ‘soft interventions’ such as nudges a more efficient alternative to taxes? How ‘soft’ are these interventions really?”
- “How do nudges affect choices in equilibrium?”

In this course, we will analyze these and related questions. Each student chooses one paper of the list below and scrutinizes it in detail; writes a paper (15 pages) of her/his analysis and presents it in the seminar. Students may study another paper of their choice with the approval of the advisor. Both seminar papers and presentations have to be in **English**.

In addition, we will have a guest lecture by **Dr. Luigi Butera** who is a Postdoctoral Scholar at the University of Chicago. Dr. Butera will present his recent research on the welfare analysis of nudges.

Papers have to be handed in by May 13th 2019. We ask you to register via e-mail. Please indicate your preference (in ascending order) for three papers you could imagine to study. Also indicate your field of study, number of semesters studied, registration number and motivation for taking this course. Topics are assigned on a first come, first served basis. You also have to register yourself at the examination office.

Even though many papers in the list below have an empirical section, all of them require advanced knowledge of microeconomic theory. Please keep this in mind when registering.

Topics

1. Sin Taxes (*theory*)
O'Donoghue, T., & Rabin, M. (2006). Optimal sin taxes. *Journal of Public Economics*, 90(10-11), 1825-1849.
2. Incidence of Sin Taxes (*theory and observational data*)
Allcott, H., Lockwood, B. B., & Taubinsky, D. (2018). Regressive Sin Taxes, with an Application to the Optimal Soda Tax. *Unpublished working paper (R&R at QJE)*.
Gruber, J., & Kőszegi, B. (2004). Tax incidence when individuals are time-inconsistent: the case of cigarette excise taxes. *Journal of Public Economics*, 88(9-10), 1959-1987.
3. Heuristic Perceptions of Income Taxes (*theory and experimental*)
Rees-Jones, A., & Taubinsky, D. (2018). Measuring Schmeduling. *Unpublished manuscript (R&R at Restud)*.
4. Nudging and Phishing (*theory*)
Jimenez-Gomez, D. (2018). Nudging and phishing: A theory of behavioral welfare economics. *Available at SSRN 3248503*.
5. Welfare Effects of Nudges (*theory and experimental*)
Allcott, H., & Kessler, J. B. (2015). The welfare effects of nudges: A case study of energy use social comparisons. *American Economic Journal: Applied Economics*, Vol. 11, No. 1 (January), pages 236-276.
6. Adverse Effects of Nudges in Equilibrium (*theory and observational data*)
Handel, B. R. (2013). Adverse selection and inertia in health insurance markets: When nudging hurts. *American Economic Review*, 103(7), 2643-82.
7. Short- and Long-Run Effects of Nudges (*theory and experimental*)
Allcott, H., & Rogers, T. (2014). The short-run and long-run effects of behavioral interventions: Experimental evidence from energy conservation. *American Economic Review*, 104(10), 3003-37
8. Nudges and Information Frictions (*theory and experimental*)
Ito, K., Ida, T., & Tanaka, M. (2018). Information Frictions, Inertia, and Selection on Elasticity: A Field Experiment on Electricity Tariff Choice.