Behavioral Economics and Policy Analysis
Fall 2020

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Class meets: Mondays, 2-5pm.

Overview

Behavioral economics now has a long history of criticizing the fully rational actor model and providing some alternatives grounded in psychology. Say you have been persuaded by this literature. What now? How does this knowledge influence the way we approach economic problems?

In this course, I will be surveying the ways in which behavioral economics ideas are influencing economic analysis in different “applied micro” fields. A guiding focus of the course will be studying the role of behavioral economics when conducting welfare or policy analysis. The course will begin with a high-level overview of the common themes seen across all the fields we’ll discuss, and then we will proceed through a series of modules in which we examine the specifics in different applications. Over the course of the semester, we’ll dive into public finance, health economics, market design, labor economics, and industrial organization.

When covering so much ground it is impossible to be fully comprehensive, and that will not be the goal. Instead, I aim to communicate my own (admittedly subjective) assessment of the most impactful and promising research frontiers within the field. The focus of our readings will be papers written in the very recent past. While we will of course at least briefly discuss the history behind the ideas we consider, I’ll be relying on your prerequisites to have done the deep dives into that more distant literature.

My hope is that by the end of the class, students will have a good sense of the conceptual and empirical approaches that are currently used in successful behavioral economics research. In short, this course is meant to bring aspiring researchers up-to-speed on what it looks like to bring behavioral economics to bear on classic economic questions.
Prerequisites

The official prerequisite for this course is Econ 703 (with a B or better). If you have not satisfied that prerequisite but would like to take this course, you must communicate with me to discuss your background and whether it is ok for you to take the course.

Class Structure

Class will take a common format every week. I will lecture for approximately 1.5 hours on the topic of the day. This will typically include a period of relatively broad and high-level discussion of the topic, followed by deep dives into several leading papers. At the end of this syllabus, I provide lists of papers associated with each topic area.

To provide students with the opportunity to more deeply engage with a paper (and to practice presentation skills) every class will also contain a brief student presentation. The presenter will take approximately 30 minutes to teach the class one of the papers from the “additional readings” list. This will be followed by a period of approximately 10 minutes of Q and A, in which the presenter will moderate a class discussion of the paper in question.

Expectations Before Each Class

This course has very little formally assigned work. Don’t let that fool you. To get the most out of this class, you will need to be working to read and understand a fair amount of research every week. Before every class I expect students to read and understand the ~3 papers I have listed for the day. The “additional papers” are optional, but you certainly should read them if you intend to work in that area.

Grading

Midterm: 30%
Final exam: 30%

There will be a relatively standard midterm and final. While there will be some technical elements to these exams, primarily they will be testing conceptual understanding of the ideas of the papers we discuss.

Presentation: 30%
As noted above, every class will have an approximately 30-minute presentation by a student, followed by a 10 minute Q&A. In this presentation, you will walk the class through the details of a paper from the day’s additional readings. Your goal should be to come to deeply understand the paper in question and to teach the class what you have learned. You should also use this as a chance to practice presenting papers.

Your grade will be determined by two sub-components: 20% will be for the quality of the presentation itself. 10% will be for preparing the slides you use for the presentation. These must be emailed to me by 4pm the day before your presentation.

Class participation: 10%

You are expected to be an engaged and active participant in class. While it is not necessary for you to constantly have questions or comments to get a good grade, it is necessary for you to speak up every now and then. I value quality over quantity. You must additionally be attentive and respectful to other students’ presentations (and ideally mine as well).

Academic Integrity

Each student in this course is expected to abide by the Penn Code of Conduct. You can find the full text of these policies at the following links: https://catalog.upenn.edu/pennbook/code-of-student-conduct/

Any work submitted by a student in this course for academic credit will be the student’s own work. You are encouraged to study together and to discuss information and concepts covered in lecture with other students. You can give “consulting” help to or receive “consulting” help from other students. This consulting should not occur during the tests in this course, however.

Penalty for violation of this Code can also be extended to include failure of the course and University disciplinary action. In addition to copying, please also be aware of two other prohibitions:

- Videotaping, photographing, audiotaping, or otherwise making any picture or sound recording of an instructor is not permitted without the instructor’s written consent.
- Students are not authorized to buy or sell course materials; violations of the above constitute academic misconduct as described in the Code of Academic Integrity. This prohibition also applies to “derivative” materials, including your own class notes that are based on course materials.
Schedule for the Semester, with Readings

Behavioral Public Finance 1: Tax Salience


Additional papers:


Behavioral Public Finance 2: Behavioral Economics and Tax Compliance


Additional papers:


Behavioral Public Finance 3: Optimal Taxation with Behavioral Agents

Non-behavioral background:


Behavioral papers:


Additional papers:


Behavioral Environmental/Energy Economics


Additional papers:


Behavioral Health Economics


Additional papers:


Behavioral Market Design


Additional papers:


Behavioral Labor Economics 1: Self Control in Job Search and Job Performance


Additional Papers:


Behavioral Labor Economics 2: Labor Supply, Primarily of Taxi Drivers


Additional papers:


Behavioral Labor Economics 3: Discrimination


Additional papers:


Behavioral Industrial Organization


Additional papers:


