

## **ELECTIVE COURSE**

### **Course Title:**

BEHAVIOURAL AND EXPERIMENTAL ECONOMICS IN PUBLIC POLICY

### **Course Description:**

This course introduces key contributions of behavioral and experimental economics to investigations of individual decision-making, its implications for welfare, and public policy. The course will first establish fundamental principles in behavioural science and economics, and provide an overview of the methods under experimental economics. The last module of the course will explore contemporary research in behavioral and experimental economics and its implications for public policy.

### **Instructor Information:**

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### **Requisites:**

Ideally, students taking this course should be well versed with theories in microeconomics, essentials of probability, statistical methods, undergraduate-level econometrics, and some real analysis and linear algebra. No prior knowledge of psychology or behavioural science is required or assumed.

### **Course Objectives:**

Successful students:

- Will be able to critically assess existing theories in economics using experimental data and understand behavioural basis for the same.
- Will explore theories in behavioural economics and assess their applicability.
- Will learn how to use behavioral insights to inform individual, household, and social decision-making.
- Will be able to critically review complex public policy problems through the lens of behavioural economics.
- Will be able to analyze data from experiments to evaluate and fine tune policies that would otherwise be difficult to empirically evaluate.

### **Course Content:**

1. Introduction to Behavioural Econ: This unit will introduce fundamental concepts and theories in behavioural economics.
  - Origins of behavioural economics, prospect and regret theory, loss aversion, endowment effect, heuristics,
  - Bounded rationality, reference-dependent preferences, intertemporal choice
  - Stats stats
2. Introduction to Behavioural Econ: In this unit, we will look at more theories and essential concepts in behavioural economics.
  - Risk preferences, trust, social norms and preferences

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- Cognitive biases, mental accounting, consumer behaviour
3. Introduction to Experimental Econ: Here, we introduce principles of experimentation in economics and social sciences, and provide a description of various types of experiments in economics.
    - Principles of experimentation, experimental design
    - Lab, field, lab-in-the-field, natural experiments
  4. Applications of Behavioural Econ: This unit will extend foundational theories and use recent work in behavioural economics to explore new areas.
    - Cross-cultural differences in decision-making
    - Stability in risk and time preferences
  5. Applications in Experimental Econ: Classic and contemporary experiments in economics will be covered in this unit, and critically assessed.
    - Experiments in policy, corporations, civil society
    - Designing experiments in action
  6. Choice Architecture: This unit will deal with contemporary work and issues in nudging (Thaler and Sunstein, 2008).
    - Nudging and libertarian paternalism
    - Designing a nudge, when to nudge, and ethics of nudging
  7. Application to Public Policy: Education and Health
    - Study groups and incentives (List et al.)
    - Mental health, well-being, and health care choices
    - Intra-household bargaining, microfinance, and access to credit
    - Gender differences in behavioural parameters

### **References:**

- This course will draw on a few reference books but mainly rely on research papers. Since this course relies heavily on academic research, it is important to be able to synthesize information from academic work in economics efficiently. Some advice on how to read research papers effectively can be found [here](#). Additional readings and papers will be provided alongside relevant lectures. Some additional references that may be used are provided below:
- Angner, E. A Course in Behavioural Economics. 3rd Ed. MacMillan Palgrave, 2022.
- Friedman, Daniel, Alessandra Cassar, and Reinhard Selten. Economics lab: an intensive course in experimental economics. Psychology Press, 2004.
- Thaler, Richard, and Cass Sunstein. Nudge: Improving decisions about health, wealth, and happiness. Yale University Press, 2008

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It is recommended that you read at least some of the material suggested before class each week so that you are better prepared.