

Mini-Series: Topics in Behavioral Public Economics

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Note: this course's materials draw content and inspiration from lectures and slides by Raj Chetty ([link](#)), David Laibson, and, in particular, the "Behavioral Public Economics" short course designed by my coauthors Dmitry Taubinsky and Hunt Allcott ([link](#)).

Course overview

This 3-lecture short course provides an overview of the methods of behavioral public economics, with an emphasis on optimal taxation, and with extensions to current topics and research.

In the neoclassical economic framework, the role of government is to raise welfare through the correction of externalities and spillovers, the provision of public goods, and other regulations to address market failures. Standard approaches rely on the assumption that welfare can be measured via revealed preference. Yet many public policies are motivated by concerns that people do *not* always act in their own best interest, including taxes on goods like cigarettes, alcohol, and sugary drinks, and subsidies on energy efficiency and retirement savings.

This course will discuss economic strategies for extending the welfare maximization objectives from the neoclassical domain to cover settings in which people make mistakes or have other behavioral biases. Lecture 1 will provide an introduction to behavioral economics and strategies for behavioral welfare analysis. Lecture 2 will present a deeper analysis of the theory and empirics of optimal taxation in the presence of behavioral frictions. Lecture 3 will discuss extensions to non-tax policy instruments and other recent research advances.

Reading List

Asterisks indicate highest priority readings.

Lecture 1: Introduction and behavioral welfare analysis

* Bernheim, B. Douglas, and Dmitry Taubinsky (2018). "Behavioral Public Economics." *Handbook of Behavioral Economics*.

* Chetty, Raj (2015). "Behavioral Economics and Public Policy: A Pragmatic Perspective." *American Economic Review*.

Bernheim, B. Douglas, and Antonio Rangel (2009). "Beyond Revealed Preference: Choice-Theoretic Foundations for Behavioral Welfare Economics." *Quarterly Journal of Economics*.

Lecture 2: Optimal taxation with behavioral biases

* Allcott, Hunt, Benjamin B. Lockwood, and Dmitry Taubinsky (2018). Regressive Sin Taxes, with an Application to the Optimal Soda Tax." *Quarterly Journal of Economics*.

* Chetty, Raj (2009). "Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods." *Annual Review of Economics*.

Farhi, Emmanuel, and Xavier Gabaix (2019). "Optimal Taxation with Behavioral Agents." *American Economic Review*.

Lockwood, Benjamin B. "Optimal Income Taxation with Present Bias." *American Economic Journal: Economic Policy*.

Lecture 3: Extensions and current topics

* Lockwood, Benjamin B. (r) Hunt Allcott (r) Dmitry Taubinsky (r) Afras Sial. "What Drives Demand for State-Run Lotteries? Evidence and Welfare Implications." Working paper.

* Allcott, Hunt, Matthew Gentzkow, and Lena Song. "Digital Addiction." *American Economic Review* (forthcoming).

Ambuehl, Sandro, Douglas Bernheim, and Annamaria Lusardi. "Evaluating Deliberative Competence: A Simple Method with an Application to Financial Choice." Working paper.