

SYLLABUS

JSB743 - Nudging People in Societies: a Behavioral Economics Perspective

Brief characteristics of the course

“Does nudging have the potential to tackle social challenges?” “Why (not) nudge?” The compulsory elective course “Nudging People in Societies: a Behavioral Economics Perspective” provides answers to these fundamental questions. The aim is to acquaint students with the key principles and concepts of behavioral economics and its theory of nudge, understanding and analyzing the ways in which we process information and make decisions. Students will deepen their knowledge of subjects based on neoclassical economics and illustrate how nudging can help to achieve more effective societal outcomes. The focal point is the perspective of limited rationality, self-control and selfishness of people that complements classical economic models of human behavior with more realistic psychological assumptions on decision-making, behavior and public and social policy processes. Critical views of behavioral economics and its application in public policy will also be considered.

The graduate of the course can:

- explain mental abbreviations and heuristics and use them to propose solutions to achieve more effective societal output,

- critically evaluate and identify areas in which the application of behavioral concepts can or cannot contribute to the improvement of with regard to their implementation, efficiency or redistribution;

Graduates will use the acquired skills when working in both the public and private or non-profit sector. For a full understanding of the subject matter, continuous home preparation for each lecture is recommended (reading selected chapters of elementary literature).

Course structure and contents:

The course consists of three main parts - lectures, home reading of recommended literature, seminars, processed assignments, discussion / presentation - and is not factually focused on a specific public policy or sector.

Elementary literature:

THALER, R.H., SUNSTEIN, C.R. (2008). Nudge: Improving Decisions About Health, Wealth, and Happiness. New Haven: Yale University Press. [česky: Nudge (Šťouch) Jak postrčit lidi k lepšímu rozhodování o zdraví, majetku a štěstí. Albatros Media a.s., 2010]

KAHNEMAN, D. (2011). Thinking, Fast and Slow. New York: Farrar, Straus and Giroux. [česky: KAHNEMAN, D. 2012. Myšlení rychlé a pomalé, Jan Melvil Publishing, ISBN 978-80-87270-42-4]

SUNSTEIN and THALER, 2003, Libertarian Paternalism Is Not an Oxymoron, The University of Chicago Law Review, Vol 70, No.4.

Recommended literature

ARIELY, D. (2008). Predictably Irrational: The Hidden Forces That Shape Our Decisions. New York, NY: Harper. [česky: ARIELY, D. 2009. Jak drahé je zdarma : proč chytrí lidé přijímají špatná rozhodnutí : iracionální faktory v ekonomice i v životě. Vyd. 1. Praha: Práh, 2009. ISBN 978-80-7252-239-2]

Behavioral Insights Team (2014). EAST: Four simple ways to apply behavioral insights. https://38r8om2xjhhl25mw24492dir-wpengine.netdna-ssl.com/wp-content/uploads/2015/07/BIT-Publication-EAST_FA_WEB.pdf.

CAMERER C. (2000): Prospect theory in the wild: Evidence from the field, In: Choices, Values, and Frames. Contemporary Psychology. No.47. American Psychological Association, Washington, DC, pp. 288-300. ISBN 9780521621724.

DHAMI, Sanjit S. (2019). The foundations of behavioral economic analysis. Volume 1, Behavioral economics of risk, uncertainty, and ambiguity. Oxford: Oxford University Press. ISBN 9780198835608.

DOLAN, P. et al. (2010). Mindspace: Influencing Behaviour through Public Policies. London: Cabinet Office and the Institute for Government.

HOWLETT, M. (2008). Managing the “Hollow State”: Procedural Policy Instruments and Modern Governance. Canadian Public Administration. 43. 412 - 431. 10.1111/j.1754-7121.2000.tb01152.x.

HOWLETT, M. and Ramesh, M. (2014). The two orders of governance failure: Design mismatches and policy capacity issues in modern governance, Policy and Society, Volume 33, Issue 4, December 2014, Pages 317–327, <https://doi.org/10.1016/j.polsoc.2014.10.002>

KAHNEMAN, D., KNETSCH, J.L., THALER, R.H. (1991). Anomalies: The Endowment Effect, Loss Aversion, and Status Quo Bias, The Journal of Economic Perspectives, 5(1), pp. 193-206, Winter.

KAHNEMAN, D., KNETSCH, L.J. and THALER, R. (1990). "Experimental Tests of the Endowment Effect and the Coase Theorem." Journal of Political Economy 98 (6): 1325-1348.

KR PAN D, GALIZZIM M and DOLAN P. (2019). Looking at Spillovers in the Mirror: Making a Case for “Behavioral Spillunders” Front Psychol 10:1142doi: 103389/fpsyg201901142

SAMSON, A. (2016). The Behavioral Economics Guide. Behavioral economics.

SCHMIDT, AT, ENGELEN, B. (2020). The ethics of nudging: An overview. Philosophy Compass. 2020; 15: e12658. <https://doi.org/10.1111/phc3.12658>

SUNSTEIN, Cass R. (2020). Behavioral Science and Public Policy. Cambridge University Press, number 9781108972789.

THALER, R. H. (2015). Misbehaving: The Making of Behavioral Economics. W W Norton & Co. [česky: THALER, R. H. (2017) Neočekávané chování: příběh behaviorální ekonomie. Argo]

WILKINSON, N. - KLEAS, M. (2012). An Introduction to Behavioral Economics. Palgrave.

Form of study control (requirements for completing the course)

Prerequisites for completing the course are (1) preparation for lectures and active participation in teaching activities. Students must have read articles and processed assignments intended for discussion. Part of the duties is (2) elaboration and submission of the final seminar paper on the topic of the selected presentation in the range of 10 standard pages of continuous text (upload to the Moodle course page).

Ad 1) Preparation for lectures

A list of compulsory and recommended home study literature is prepared for each lecture. The selection of literature seeks to cover key aspects of the topic. The texts will be discussed; therefore, it is absolutely necessary to read them in advance and prepare any questions and suggestions for discussion. It is not necessary to read all the case studies, they mainly serve as illustrations of the discussed topic and inspiration for the processed presentation and seminar paper.

Ad 2) Seminar paper

Elaboration of homework into a seminar paper is highly recommended. The project shall span no less than 6 pages or 12 pages in case of a pair of students.

The structure should run along the following points:

1. A brief introduction of the problem and its relevance
2. A formulation of a “research question(s)” or lines of forwarded arguments
3. An exposition of employed theoretical and methodological approach(es)
4. A formulation of answers to the selected “research question(s)” or individual’s arguments

If required by the selected subject, arguments and conclusions are to be supported and complemented by quantitative data, e.g., tables, figures and charts

5. A “summary” of forwarded arguments and conclusions as well as suggestions of solutions to the selected problematics

The seminar paper must be submitted in electronic form to the address radek.kovacs@fsv.cuni.cz. The subject of the email must contain the course code in square brackets, i.e [XXXXXX], otherwise it will not be entered correctly. The final version will be analyzed by plagiarism detection software.

Deadlines

Submission of homework: 48 hours before the seminar at the most.

Submission of seminar paper: 15.5.2023

Failure to meet the deadlines by less than 3 days means a 20% reduction in the number of points, a longer delay is evaluated as non-submission (0 points). A total of three deadlines are available for submitting the final version of the project. The first two can be used to obtain feedback, the third deadline is possible to submit the final version of the paper and meet the conditions for completing the course.

Course Schedule

Block 1: Lecture: Introduction. Modern Governance and Persistent Problems

- Modern Governance
- Traditional and Procedural Policy Instruments and Mechanisms
- A cross-sectoral and multi-actor dimension of problems
- Identifying and unravelling persistent problems

Delimitation of behavioral economics. Concept of limited rationality I (heuristics, biases, and so-called irrational behavior)

- homo economicus and maximizing utility
- cognitive biases and limited rationality
- Kahneman's system 1 and system 2

- heuristics and cognitive biases (decision making in conditions of uncertainty)

Homework 1: read the paper below and propose a solution to any public and social policy problems

Literature:

Howlett, M. and Ramesh, M. (2014). The two orders of governance failure: Design mismatches and policy capacity issues in modern governance, *Policy and Society*, Volume 33, Issue 4, December 2014, Pages 317–327, <https://doi.org/10.1016/j.polsoc.2014.10.002>

Howlett, M. (2008). Managing the “Hollow State”: Procedural Policy Instruments and Modern Governance. *Canadian Public Administration*. 43. 412 - 431. 10.1111/j.1754-7121.2000.tb01152.x.

Block 2: Seminar: Discussion on Solutions to Public and Social Policy Problems proposed by students

Block 3: Lecture: The concept of limited rationality II (heuristics, distortions and so-called irrational behavior)

- heuristics and cognitive biases

Literature:

KAHNEMAN, D. (2011). *Thinking, Fast and Slow*. New York: Farrar, Straus and Giroux.

Homework 2: based on the literature from the two previous lectures, propose an application of heuristics and cognitive biases in public and social policy problems

Prospect theory and its application in public and social policy. Choice architecture, default settings, pledges. Regulatory and behavioral tools in public policy. Nudges

- prospect theory, loss aversion, choice architecture, priming, labeling, positioning, proximity, size nudges, decoy effect, defaults, framing, monetary nudges, salience effect, social norms, multi-component nudges

Literature:

THALER, R.H., SUNSTEIN, C.R. 2008. *Nudge: Improving Decisions About Health, Wealth, and Happiness*. New Haven: Yale University Press.

Literature: KAHNEMAN, D. (2011). *Thinking, Fast and Slow*. New York: Farrar, Straus and Giroux

Homework 3: based on the literature from the lecture, propose an unorthodox BE application in public and social policy problems

Block 4 : Seminar: Presentation and Discussion on applications of heuristics and cognitive biases in public and social policy problems

Presentation and Discussion on unorthodox BE applications in public and social policy problems

Block 5: Lecture: (Un)attainable goals of human endeavor

- social comparison
- hedonic adaptation
- prosocial behavior
- Game Theory (selfishness, perfect and imperfect altruism, reciprocity, aversion to inequality)

Homework 4: based on the literature from the lecture, propose an application of game theory in public and social policy problems

Dark nudges, sludges, spillovers and spillunders. Ethical aspects of the use of behavioral knowledge in public and social policy making. Libertarian paternalism and its critique.

Homework 5: based on the literature from the lecture, propose a case, where nudging has undesirable (ethical, practical) consequences

Literature:

SCHMIDT, AT, ENGELEN, B. 2020. The ethics of nudging: An overview. *Philosophy Compass*. 2020; 15: e12658. <https://doi.org/10.1111/phc3.12658>

Literature:

KAHNEMAN, D. (2011). *Thinking, Fast and Slow*. New York: Farrar, Straus and Giroux.

Block 6: Seminar: Presentation and discussion of an application of game theory in public and social policy problems

Presentation and discussion of cases, where nudging has undesirable (ethical, practical) consequences

Final summary. Discussion of topics for term papers.

Research and Study Ethics

In line with the tradition of the university and the nature of the subjects taught, the Institute of Sociological Studies of the Faculty of Social Sciences, Charles University places great emphasis on the ethical and responsible behavior of all students. In particular, the following are considered to be significant violations of ethics:

- a) plagiarism – i.e., the use of someone else’s sentences, data or ideas (or parts of one's own work presented in another subject) without specifying the source;
- b) manipulation of data and information (e.g., their modification or arbitrary creation);
- (c) fraud of any kind.

Violations of the rules will be strictly resolved according to the FSV UK Disciplinary Code (available on the FSV Disciplinary Committee website).

Grading and Classification Scale:

Activity / Output	Max. points	Min. points	Grade	Points
Active participation in teaching activities	10	5	A	91–100
Homework / Presentations	50	25	B	81– 90
Seminar paper	40	20	C	71- 80
			D	61- 70
			E	51- 60
Total	100		F	0- 50

A - outstanding performance with only minor errors, B - above the average standard but with some errors, C - generally sound work with a number of notable errors, D - fair but with significant shortcomings, E - performance meets the minimum criteria, F - fail – considerable further work is required