

Behavioral Public Economics

Summer term 2026

Time schedule

Preliminary meeting
Tuesday, April 14, 2026 at 14.15

Lecture/Seminar

Tuesday: 14.15 – 16.45 (3h/week; starting April 21, 2026)

Reading course

Thursday: 8.30 – 10.00 (2h/week, starting April 23, 2026)

Place

Kaminzimmer (room #202), Boltzmannstr. 20, 14195 Berlin

Aims and scope

Normative questions are central to the field of public economics. We need a set of norms that allow us to judge outcomes and to decide whether or not the government should step in to improve upon these norms. In economics, individual welfare is the norm according to which we judge and compare outcomes. And for standard neoclassical welfare theory, individual welfare is well-defined and is respected as the guide for public economics. With the emergence of behavioral economics, however, public economics requires the formulation and refinement of new paradigms for evaluating economic welfare. In particular, the question arises to what extent individual choices can still provide normative guidance to politics when choices are inconsistent or biased. This short course provides i) an account of the ongoing debate about the normative foundations of Behavioral Public Economics, often called Behavioral Welfare Economics and ii) exemplifies the implications for selected policy applications.

Course outline

1. Aims and scope
2. Individual welfare: concepts and measurement
 - 2.1 Preferences, rational choice, and the utility function
 - 2.2 Neoclassical approach and welfare
 - 2.3 Other-regarding preferences
 - 2.4 Neoclassical approach and other-regarding preferences
3. Heuristics, Biases, and Framing
 - 3.1 Opportunity costs and the sunk cost fallacy
 - 3.2 Endowment effect, loss aversion, and framing
 - 3.3 Time discounting, adaptation and anticipation bias
 - 3.4 Remembered vs decision vs experienced utility
 - 3.5 Context dependency
4. Normative challenges
 - 4.1 What constitutes welfare?
 - 4.2 BE and welfare maximization: A pragmatic approach
 - 4.3 The behavioral public economics approach
 - 4.3.1 Behavioral revealed preferences
 - 4.3.2 The Bernheim-Rangel approach
 - 4.3.3 Subjective wellbeing as a proxy for utility
5. Paternalism
 - 5.1 The paternalistic dictator
 - 5.2 BE and paternalism
 - 5.2.1 Hard paternalism: sin taxes
 - 5.2.2 Asymmetric paternalism and libertarian paternalism
 - 5.2.3 Soft paternalism: nudging
 - 5.2.4 Nudging – a critical assessment
 - 5.2.5 Other policy areas
 - 5.3 Objections to paternalism
6. Policy areas
 - 6.1 Taxation
 - 6.1.1 Sin taxes or a neoclassical justification
 - 6.1.2 Tax salience and tax compliance
 - 6.2 Nudging
 - 6.2.1 Retirement savings
 - 6.2.2 Save Mor Tomorrow™ (SMarT)
 - 6.2.3 Nudges to improve health?
 - 6.3 Salience and consumer protection
 - 6.4 Cost-benefit analysis
 - 6.4.1 Standard instruments and incentive-compatible revelation mechanisms
 - 6.4.2 Reported subjective well-being and environmental goods
 - 6.4.3 Subjective well-being as the government's objective
 - 6.4.4 Fighting unemployment
 - 6.5 The political economy of paternalism