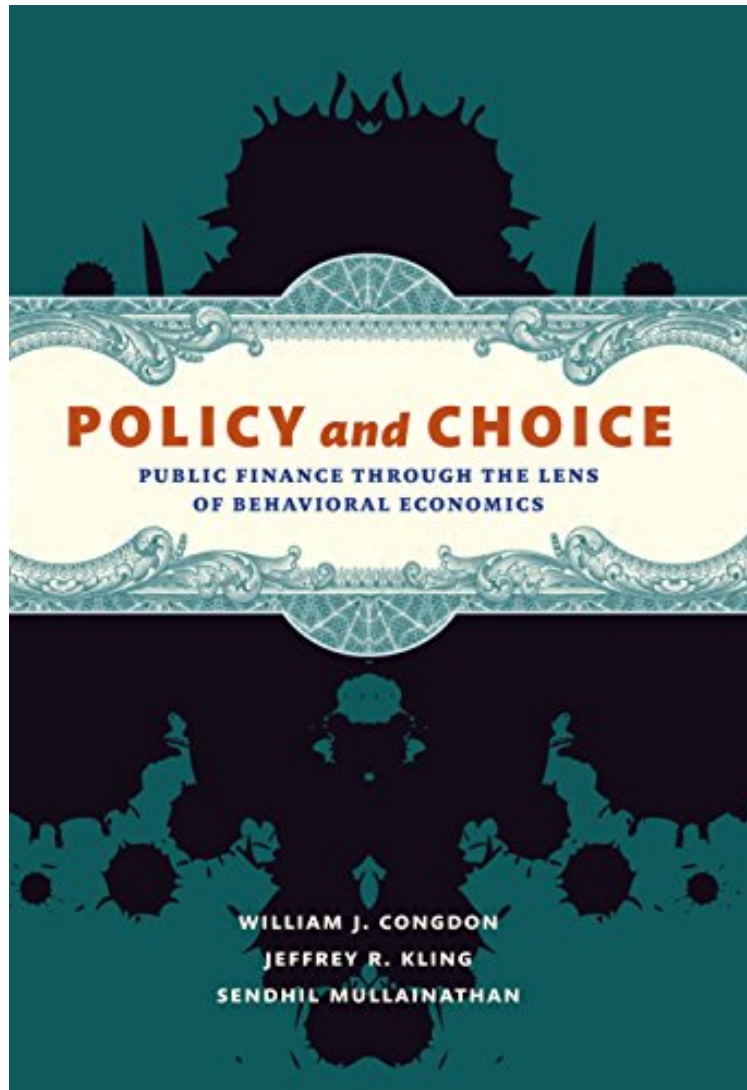


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Policy and Choice: Public Finance through the Lens of Behavioral Economics

William J. Congdon, Jeffrey R. Kling, Sendhil Mullainathan
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William J. Congdon, Jeffrey R. Kling, Sendhil Mullainathan : Policy and Choice: Public Finance through the Lens of Behavioral Economics before purchasing it in order to gauge whether or not it would be worth my time, and all praised Policy and Choice: Public Finance through the Lens of Behavioral Economics:

14 of 16 people found the following review helpful. Great Ideas Poorly Presented By Ken McCormick There is much to like about this book. It attempts to use the insights of behavioral economics to improve the field of public finance. Behavioral economics presents people as they really are, with all their flaws. This is in sharp contrast to standard neoclassical economics that assumes that people are rational and self-disciplined. The authors first present the basic

findings of behavioral economics: people have limited capacity to calculate, they have biases in their thinking that systematically lead to incorrect decisions, they have bounded self-control, and sometimes they care about others. The authors then explain how these things alter the standard analysis of market failures due to asymmetric information, externalities, and public goods. They also address poverty and conclude with a discussion of taxation. For the most part they provide excellent insights into how to improve policy. If one studies how people actually behave, one has a better chance of achieving one's policy goals. Economists and policy makers should both read this book. So then why only three stars? The answer is that the book is a chore to read, and it did not have to be that way. It is standard academic prose. To cite just one example, rather than say, "People have selective memories," they actually write, "There are systematic deviations between experienced well-being and recalled well-being." Worse yet, they repeat themselves far too much. The authors have important things to say. But if they want to reach a broad audience, they should read McCloskey's little book "Economical Writing." Clear prose will earn them a bigger audience. 2 of 3 people found the following review helpful. horrible writing for an already dry subject By RRR Horrible writing... I can't really say how good the textbook was because I could barely make it thru the paragraphs. I had to keep going back to. Re read what I just went over. The response in my class was negative towards this book 2 of 3 people found the following review helpful. Hard to read By Jeffrey F Tucker Oh my god how many commas can you use in one sentence. Very hard to read

Traditional public finance provides a powerful framework for policy analysis, but it relies on a model of human behavior that the new science of behavioral economics increasingly calls into question. In *Policy and Choice* economists William Congdon, Jeffrey Kling, and Sendhil Mullainathan argue that public finance not only can incorporate many lessons of behavioral economics but also can serve as a solid foundation from which to apply insights from psychology to questions of economic policy. The authors revisit the core questions of public finance, armed with a richer perspective on human behavior. They do not merely apply findings from psychology to specific economic problems; instead, they explore how psychological factors actually reshape core concepts in public finance such as moral hazard, deadweight loss, and incentives. Part one sets the stage for integrating behavioral economics into public finance by interpreting the evidence from psychology and developing a framework for applying it to questions in public finance. In part two, the authors apply that framework to specific topics in public finance, including social insurance, externalities and public goods, income support and redistribution, and taxation. In doing so, the authors build a unified analytical approach that encompasses both traditional policy levers, such as taxes and subsidies, and more psychologically informed instruments. The net result of this innovative approach is a fully behavioral public finance, an integration of psychology and the economics of the public sector that is explicit, systematic, rigorous, and realistic.