

**Economics 3710**  
**Economic Analysis of Canadian Public Issues**  
**Spring 2012**

**Tuesday, January 31, 2012**

Readings: *Nudge*, Introduction and Chapters 1 through 5.

**Discussion Questions #4**

Introduction

1. What is libertarian paternalism? Think of some examples of this.
2. Why do the authors prefer nudges to commands, regulations and prohibitions?

Chapter 1

3. What are Automatic and Reflective Systems? Think about some examples of these. Why are these important? How do these concepts relate to Humans and Econs?
4. What types of biases can be introduced into our way of thinking? In other words, how does the Automatic System influence our Reflective System?
5. How might mandating better safety on the our highways influence our driving behaviour?
6. Why is opting in versus opting out such an important concept in plan or program design? Give some examples of this.

Chapter 2

7. What is a hot versus cold state and how does this influence decision making? How does a store like Costco profit from this?
8. How can small plates at an all-you-eat-buffet provide you a nudge?
9. How does the loss-gain bias explain why the graduate student in this chapter completed his thesis on time?

Chapter 3

10. Speculate as to why psychopaths can often be very successful when others with otherwise identical abilities may not be?
11. How do politicians successfully use the herd mentality to their advantage?
12. Think of some other examples of how the herd mentality has influenced behaviour?

Chapter 4

13. Why are rare and difficult choices good candidates for nudging? Think of some examples of this.
14. How can irrational beliefs result in market failure?

Chapter 5

15. Using the lessons in this chapter, speculate as to why the iPhone is becoming so much more successful than other competing products such as the Blackberry.
16. Why should we be wary of the default choices made for us?
17. How does a RECAP system work? Why don't you think that we see it more often?