Applications of Behavioral Economics

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Global Pensions Programme

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“The world is a tough place”
Overconfidence
Time inconsistency / present bias
Loss Aversion
Availability Heuristic
Choice overload
Choice overload
Confirmation bias
Social Norms
We suffer from many biases

**BEHAVIORAL ECONOMICS**

- Loss aversion
- Short-termism
- Endowment effect
- Time inconsistency
- Social norms
- Reciprocity
- Status Quo bias

**Preferences**

**Beliefs**

**Availability**
- Overconfidence
- Optimism bias
- Representativeness heuristic

**Information processing**

**Concepts**

- Framing effect
- Hassle factors
- The dual process theory
- Salience
- Cognitive overload
“Our mistakes are systematic”
Toolkit to nudge behavioral change
More than 60 interventions in 16 countries in LAC

This is not a comprehensive list. Contact the team for more examples.
Cognitive Ability

Source: Castro and Scarlascini (2015)
2\% 
$1000 = 
$268

Source: Castro and Scartascini (2015)
and obtained a tax collection increase of almost 10%.
Cognitive Help
Cognitive Help
Why don’t we save enough?

Present Bias

Loss Aversion

Social Norms

Choice complexity

Limited attention

Hassle Factors
Where else do we see this biases?
The case of COVID-19

Present bias

Social Norms

Limited attention

Choice complexity
Behaviorally informed communications
Introducing a reference point to visualize and normalize a unit, 6ft in this case.
During the pandemic, follow the SMART principles:

- Six feet apart
- Mask on
- Al fresco interactions
- Report your symptoms
- Take 20 seconds when handwashing

Using an acronym as a short reminder (heuristic) to simplify people’s cognitive process
The use of a visual heuristic to draw attention at the right time and place can correct an erroneous behavior.
USE A FACE MASK:
And show everyone that you too are helping **fight the coronavirus.**

Signaling the social norm
Online Behavioral Economics Course

English, Spanish, Portuguese

NEXT EDITION: EARLY 2021
BEHAVIORAL ECONOMICS CAN HELP FIGHT CORONAVIRUS

THANK YOU

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HOW TO IMPROVE COMMUNICATION DURING COVID-19
A PRACTICAL GUIDE

Thank you!