

Summary:

In recent years, behavioral economics has become one of the main areas of research in economics. Its foundations can be seen in Herbert Simon's seminal paper in 1955 on the bounds of rationality (over 23,000 citations), and Daniel Kahneman and Amos Tversky's famous 1979 paper on prospect theory and decision-making under risk (the most cited paper in economics, with more than 75,000 citations according to Google scholar). It has already produced three Nobel laureates in economics: Herbert Simon in 1978, Daniel Kahneman in 2002, and Richard Thaler in 2017. By acknowledging possible bounds on rationality, and creating a taxonomy of the systematic biases in decision-making that emerge as a result, behavioral economics has built models of decision-making that are richer, and more psychologically descriptive, than those that preceded them.

Despite its success in enriching economic models, behavioral economics has had only limited success in its ability to affect economic policy. While Sunstein and Thaler's work on nudges inspired governments around the world to quickly set up behavioral units to improve the effectiveness of policy, the impact of these units has since waned to some extent. This is, at least in part, due to: (i) some of behavioral economics' findings having since been found to be less robust in the policy orbit, (ii) doubts that have arisen about the possible long-term effects of nudges, and (iii) the realization that behavioral economics may not always offer the right tools to address the important questions that economic policy raises. To illustrate, it is telling that during the pandemic, behavioral economists were mostly quiet, despite this being a situation that closely corresponded to one of their most important areas of research: decision under ambiguity. Similarly, the role of behavioral economists has been limited in the extent to which it has addressed important societal issues of our time, such as the effects of climate change, how to keep financing our health care systems in the face of rapidly rising costs, and how to best organize development policies.

The aim of our program is to do research that helps increase the role of behavioral economics, not only in addressing the important challenges that individual members of a society face in their everyday lives, but also the organizational challenges that society faces as a whole. Over the past decade, Alicante has created a group in behavioral economics that is among the best in Europe. Its members have published in top international academic journals, such as *Econometrica*, the *American Economic Review*, the *Journal of Economic*

Perspectives, the *Journal of Economic Theory*, *Management Science*, *Quantitative Economics*, the *Review of Economics and Statistics*, and many others. This research, in turn, has been written about in top media outlets such as the *New York Times*, *Wall Street Journal*, *The Economist*, and *El País*, among many others. In order to use the accumulated knowledge both within and beyond our group to develop more effective policies, and improve the welfare of society and all its members, we plan on continuing to produce high-level research, but while at the same time developing tools and insights that governments can use directly when formulating policies. With this objective in mind, we plan on concurrently training the policy makers of the future. To this end, we are currently in discussions with the Universities of Heidelberg (Germany) and Lille (France), to set up a joint international master that will be specifically targeted to the topic of Behavioral Economics and Future Societal Challenges.

The following research proposal reflects the above aim. It is centered around two general themes: (1) Information processing, complexity, and choice, and (2) Health, welfare, and the environment. Each of these two themes, in turn, is broken into several separate project descriptions. Finally, each of these projects is meant to produce at least one publication.