

Research Project

Coercion, Rationality and Public Goods

Project funded by own resources

Project title Coercion, Rationality and Public Goods

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Organisation / Research unit

Departement Wirtschaftswissenschaften / Public Economics / Public Finance (Hintermann)

Project start 01.02.2010

Probable end 01.12.2014

Status Completed

We develop a theory of social planning with a concern for economic coercion, which we define as the difference between consumers' actual utility, and the "counterfactual" utility they expect to obtain if they were able to set policy themselves. Reasons to limit economic coercion include protecting minorities, preventing disenfranchised groups from engaging in socially costly behavior, or political economy considerations. If consumers are fully rational, we show that limiting coercion is equivalent to placing more welfare weight on coerced consumers at the expense of others. If, however, consumers' rationality is bounded, counterfactual utility becomes endogenous to current policy, and the welfare loss associated with limiting coercion increases. We set up a numerical version of our model and find that the bias-related welfare loss can be substantial.

Keywords Coercion, taxation, public goods, rationality, behavioral public economics

Financed by

University funds

Add publication

Published results

3653019, Hintermann, Beat; Rutherford, Thomas F., Social planning and coercion under bounded rationality with an application to environmental policy, 0927-5940 ; 1573-6970, International tax and public finance, Publication: JournalArticle (Originalarbeit in einer wissenschaftlichen Zeitschrift)

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|--------|---------------------|-------------------------------|---------------------------------------|-------------------|-------------------|
| 978094 | Hintermann, Beat | Rutherford, Thomas, Professor | University of Wisconsin at Madison | 01.02.2010 | 31.12.2013 |