

## Research Project

### Coercion, Rationality and Public Goods

#### Project funded by own resources

**Project title** Coercion, Rationality and Public Goods

**Principal Investigator(s)** [Hintermann, Beat](#) ;

**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)

#### Add documents

#### Specify cooperation partners

ID	Kreditinhaber	Kooperationspartner	Institution	Laufzeit - von	Laufzeit - bis
978094	Hintermann, Beat	Rutherford, Thomas, Professor	University of Wisconsin at Madison	01.02.2010	31.12.2013