

Read the relevant sections in Costa et al (2016) and answer the following questions. **Bring the completed worksheet** to the seminar.

- 1. Outline the general case the BIT makes for using behavioural economics as the basis for designing regulation of consumer markets. What is an 'internality'? [see: Exec summary, section 1]**

- 2. What interactions might there be between 'behavioural market failure' (and the policy responses to it) and 'traditional' market failure? [see Exec summary, section 1 (pp8-12)]**

- 3. Select two behavioural biases from the first seven listed in section 2 (A–G) and, for each, explain its impact on consumer behaviour, using examples, and outline the regulatory response(s). [see section 2 (pp13-29) and Appendix A (pp47-52)]**

- 4. What is the significance of a 'scarcity mindset' in terms of consumer decision-making and what regulatory conclusions does the BIT draw in relation to it? [see section 2 (pp27-29) and Appendix A (p52)]**