A better understanding of the behavioural constraints that people face will help policy makers to more effectively target public policy interventions that aim to change their actions.

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Government interventions often have very different outcomes to those desired by policy makers. **Joan Costa Font** *argues that the development of behavioural economics offers a means to more thoroughly examine the behavioural constraints faced by those who are targeted by specific policies. Behavioural economics is not only better equipped to account for failures but if applied to public policy, it could also give rise to more effective public sector interventions.*

Evidence has been gathering that shows that the rationality assumptions held by economists fail to explain a variety of different behaviours ranging from financial behaviour to altruistic blood donation and rational addiction to substances. Behavioural economics attempts to address this failure in conventional economics.

At its core, behavioural economics re-evaluates underlying behavioural assumptions that have been held sacred in economic studies for decades. More specifically, it questions the validity of commonly held economics axioms such as people are 'rational and forward looking' or 'expected utility maximisers'. On closer examination, it is clear behaviour does not always reveal people's choices.

Behavioural market failure and political failures matter

Constraints to behaviour are remarkable in policy examples including the challenge of cutting crime rates, tackling the obesity epidemic, convincing smokers to quit, stimulating old age savings or solving the long-term care-financing puzzle. Behavioural economics can offer a new rationale for government intervention, such as a new form of libertarian paternalism to counterbalance "behavioural market failures".

There is some evidence that behavioural political failures can proliferate when voters are persuaded by a candidate's looks, instead of studying his/her political programs in detail. This raises a question about whether the policies that governments make and implement will actually interact with how people think about their welfare in the way that a government envisages. In a similar fashion, the effectiveness of government intervention depends on how much individuals are actually influenced by the incentives and costs of government persuasion. Bans on smoking and tobacco advertisement are successful examples of the latter.

Government interventions can also "nudge" citizens into new ways of acting by going with the grain of how we think and act. In efforts to nudge citizens, government often turns to less coercive, and sometimes very effective, measures, such as incentives (e.g. excise duty) and information provision. Ed Glaeser distinguishes between soft-paternalism, hard-paternalism and persuasion as different forms of intervention. However, in almost every case, they can be used to attain undesirable ends. Government interventions in regulating the fashion industry (e.g., specifically small size clothing) and the influence of that celebrities have as role models for young people are still in their infancy in liberal societies like Britain.

Policy makers must give more consideration to behavioural constraints

Public policy ought to incorporate behavioural constraints by explicitly incorporating existing cognitive biases, failures, defaults, identities, anchors, adaptation, and social norms in the way that policy makers consider people's behavioural restrictions or in how they determine their own welfare. For instance, if one evaluates a public policy project that brings competition to public services, it is important to take into account the anxiety that comes with furthering competition between providers, and whether it pays off the efficiency improvements that competition entails. Similarly, new schemes to fund care for old age and childcare need to accommodate familistic attitudes that today constrain the reform of child benefit and caring schemes. A government needs to account for strong " ageing in place" choices even when more suitable housing alternatives are available.

Rather than replacing standard economic analysis, behavioural economics points out a new set of constraints on behaviour that can help to sharpen public policy making tools – interventions based on this concept might be able to help to balance out potential forms of behavioural market and political failure. It is now up to policy makers to incorporate behavioural constraints into their frameworks for policy evaluation.

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