

ECON6110G - Behavioral Economics

Spring 2019/2020

Department of Economics

Hong Kong University of Science and
Technology

Updated Feb 18, 2020

Lecture Time:	Feb 20 to May 14, 2020 Th 04:00PM - 05:50PM
Venue:	Online: Zoom (until further notice, see more details below) Classroom: Rm 1027, LSK Bldg
Course Website:	https://canvas.ust.hk/
Instructor:	LI, Xuan
Office:	LSK6042
Email/Phone:	xuanli@ust.hk / (852)2358-7597
Office Hours:	TBA, and by appointment
Teaching Assistants:	ZHOU, Yue
Office:	LSK4063
Email/Phone:	yzhouad@connect.ust.hk
Office Hours:	By appointment

1 Course Description

In this course, we emphasize the psychological evidence as the basis for sound economic analysis. We will also insist on the importance of neoclassical theory as a successful benchmark that you are required to know. This course has largely an empirical orientation, and I will present empirical papers drawn from a variety of fields (here in alphabetical order): asset pricing, corporate finance, consumption, development economics, environmental economics, health economics, industrial organization, labor economics, political economy, and public economics. Integrated with the research topics, you will also be trained in empirical techniques in data analysis.

2 Textbook

- “Psychology and Economics: Evidence from the Field” by Stefano DellaVigna (Journal of Economic Literature 2009) + reading list + lecture slides.

3 Course Website

All course materials and announcements will be posted on CANVAS: <http://canvas.ust.hk>. You should visit CANVAS frequently to receive the latest announcement, obtain class material and verify your personal grading record.

4 Online Teaching via Zoom

- Lectures and tutorials will be delivered online using Zoom until further notice. You can access Zoom via CANVAS (“Zoom Meeting” sidebar)
- Lecture meeting ID: 861363206 (<https://hkust.zoom.us/j/861363206>)
- OH meeting ID: TBA
- Lectures on Zoom will be recorded, with links to download posted on CANVAS.
- [University Guidance](#) on Zoom for your reference. Please contact cchelp@ust.hk should you need any technical help on using Zoom.

5 Requirements and Grades

Grades will be determined based on the following allocation:

- Problem sets (30%): 3 out of 4 problem sets with the highest scores will be counted in grades
- Final exam (20%): open-book exam
- Final project (25%): take-home empirical problem set
- Presentation (15%): 30 minutes in-class group presentation of a paper
- Participation (10%): including both class attendance and active in-class and/or after-class communication

Subject to time constraint, an alternative option is to omit paper presentation, and assign 40% to problem sets and 25% to final exam. The instructor reserves the right to make small adjustments to final total grade score.

Problem sets:

- There will be 4 problem sets. 3 of them will be “conceptual”, and designed to help you better understand the topics we cover in class. Another problem set will be an empirical problem set asking you to conduct guided data analysis. The preferred software for data analysis is Stata.
- You have to turn in your problem set answer on or before the deadline. Problem set submission would be done by uploading your answer through CANVAS. NO late submission will be accepted.
- You are encouraged to form small study groups to work on the problem sets, but you should submit your individual answers.
- Suggested solution will be posted on CANVAS. If you have any questions about the problem sets, feel free to seek help from me or TA.

Final Exam:

- The final exam is an open-book exam with a time limit.
- May 23 to Jun 2, 2020 (To be announced by ARO).

Final Project:

- The Final Exam is an open-book take-home data analysis task. The format is similar to the empirical problem set. The task shall take you around 6 to 8 hours to complete.
- You will have 3 weeks to complete the exam (dates TBA). No request for deadline extension is allowed, therefore please arrange your time with reasonable foresight.
- You are encouraged to work on the exam individually. Communication and collaboration with your classmates are allowed, but you should write down your own code. Plagiarism is strictly prohibited.

Presentation:

- We plan to have 8-9 papers presented by students. Whether the presentations are by individual or by group (and the group size) will be determined after the class size is set.
- Please pick one of the starred papers in the reading list for presentation. If you would like to present a paper not in the reading list, please email me first. Papers for presentation should be decided by March 17.
- Presentations will be after-class, and we will schedule two or three time slots along the semester that work for everyone. Each presentation is 30 minutes long.

Participation:

- Participation will be a combined assessment of class attendance and in-class participation. You are also welcome to discuss course materials and research ideas with during OHs or by appointment, and after-class communication might receive bonus points.

6 Academic Honesty and Integrity

Academic integrity and honesty are one of the key values of HKUST. Please read the information on academic integrity carefully. It is your responsibility to be familiarized with the Academic Honor Code and the content on the Academic Integrity website. The site address is <http://ugadmin.ust.hk/integrity/student-1.html>. The Code will be STRICTLY enforced. I will report any violation cases to the University without exception and punishment will be imposed accordingly.

7 Tentative Schedule

Part I -- Non-Standard Preferences

Lecture 1

Introduction
Psychology and Economics: The Methodologies
Psychology and Economics: The Fields
Present-Biased Preferences, Part 1

Lecture 2

Present-Biased Preferences, Part 2

Lecture 3

Present-Biased Preferences, Part 3

Lecture 4

Present-Biased Preferences, Part 4
Reference Dependence, Part 1

Lecture 5

Reference Dependence, Part 2

Lecture 6

Reference Dependence, Part 3

Lecture 7
Social Preferences, Part 1
Workplace Relations
Gift Exchange in the Lab and Field

Lecture 8
Social Preferences, Part 2
Charitable Giving
Social Pressure
Evolution of Social Preferences

Part II -- Non-Standard Beliefs

Lecture 9
Overconfidence
Law of Small Numbers
Projection Bias
Introducing Limited Attention

Part III -- Non-Standard Decision-Making

Lecture 10
Limited Attention
Shipping Costs Taxes
Left-Digit Inattention
Financial Market Evidence

Lecture 11
Framing
Menu Effects
Persuasion
Emotions: Mood

Lecture 12
Happiness
Mental Accounting
Emotions: Arousal

Part IV – Market Response to Biases

Lecture 13
Behavioral IO
Behavioral Corporate Finance
Behavioral Labor
Behavioral Political Economy
Behavioral Welfare Economics