ECON6110Z - Applications of Psychology and Economics

Spring 2024/2025
Department of Economics
Hong Kong University of Science and Technology
Updated March 31, 2025

Lecture Time:	March 31, April 7,14,28; May 12, 19, 26, June 2 Monday 2:00 - 5:20pm
Venue:	**Rm 2, 31/F, Tower 1, Millennity** (Rm 3 for lectures on May 12)
Course Website:	https://canvas.ust.hk/
Instructor:	LI, Xuan
Office:	LSK 6042
Email/Phone:	xuanli@ust.hk / (852)2358-7597
Office Hours:	Monday 5:20-6:00 pm(after class) Tuesday 10:00-11:00am (LSK 6042) or by appointment
Teaching Assistants:	YU Lei (Adam)
Office:	LSK 4063
Email/Phone:	lyuav@connect.ust.hk
Office Hours:	Wednesday or by appointment

1. Course Description

This course introduces the psychological evidence as the basis for sound economic analysis, building extensions to the neoclassical theories as a benchmark. Our approach will combine elements of applied microeconomic theory and evidence from field, lab and natural experiments, with an emphasis on the empirical studies. We will discuss examples drawn from a variety of fields: asset pricing, corporate finance, consumption, personnel economics, development economics, environmental economics, health economics, political economy, and public economics. Integrated with the research topics, students will also be trained in empirical techniques in data analysis.

2. Prerequisites

Students are required to pass *ECON 5130 Microeconomic Analysis* before taking this course. For exemptions, please contact the instructor.

3. Textbook

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

4. 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.

5. Program Intended Learning Outcomes (PILOs)

3. Construct simple economic models using mathematical methods;
4. Explain firms' and individuals' behaviors in given economic and industry environments using an understanding of theories and knowledge from microeconomics;

6. Evaluate the implications of empirical data analysis using an understanding of theories and tools from empirical data analysis;
7. Explain and apply econometric principles;
8. Decide how to collect and deal with raw data;
9. Construct proper econometric models and use relevant software to conduct empirical analysis on given data;
11. Explain economic models and intuition to academic people using professional language in economics;

6. Examination and Assessment Scheme

Grades will be determined based on the following allocation:

- Problem sets (55%): 4 problem sets will be counted in grades (3 analytical problem sets, 1 empirical problem set)
- Final exam (40%): open-book exam
- Participation (5%): including both class attendance and active in-class and/or after-class communication

The instructor reserves the right to make small adjustments to final total grade score.

Problem sets (PILO # 3, #4, #7, #8, #9, #11)

- There will be 4 problem sets. 3 of them will be "analytical", 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, but you can use other statistical software.
- You have to turn in your problem set answer on or before the deadline. Electronic copies of problem set submission should be submitted on CANVAS. NO late submission will be accepted.
- You are encouraged to form study groups to work on the problem sets. If you submit as a group, please ask only ONE group member to submit a PDF file, with the student name and ID of group members listed on the first page. For the analytical problem sets, you can form a group of at most 4 students (subject to change); for the empirical problem set, you can form a group of at most 2 students.
- Suggested solution will be posted on CANVAS. If you have any questions about the problem sets, feel free to seek help from the instructor or the TA.

Final Exam (PILO #3, #4, #6, #7, #11)

- The final exam is an open-book exam with a time limit. Date and Time TBA.

Participation (PILO #4, #11)

- 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.

7. Rubrics for Final Grade

- Excellent Performance (A range): Demonstrates a good understanding of the topics and methodologies covered in the course both theoretically and empirically. Evaluates research work in a critical and constructive way. Perform data analysis with accuracy and clarity. Active class participation.
- Good Performance (B range): Shows a solid grasp of the topics and methodologies covered in the course both theoretically and empirically. Evaluates research work in a sensible way. Perform data analysis with reasonable competence. Regular class participation.
- Marginal Performance (B-, C+, C): Has basic knowledge of the topics and methodologies covered in the course. Evaluates research work in an acceptable way. Perform data analysis at a basic level. Limited class participation.

8. 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.

9. Tentative Schedule

Lecture	Date	General Topic	Detailed Topics
1	31-March	Introduction	Textbook: DellaVigna (2009)
		Non-Standard Preferences	Reference Dependence (Part 1): model, housing, merger
2	07-April		Reference Dependence (Part 2): disposition effect, labor supply, tax compliance, sports, others
3	14-Feb		Present-Biased Preferences (Part 1): model, default effect, consumption of leisure goods
4	28-Feb		Present-Biased Preferences (Part 2): consumption of investment goods: homework, exercise, work effort
5	12-May		Social Preferences: altruism, inequity aversion, reciprocity
6	19-May		Social Pressure, Social Norms and Social Signaling
		Non-Standard Beliefs	Overconfidence
7	26-May		Law of Small Numbers, Projection Bias
8	02-June	*Non-Standard Decision Making*	Attention, Menu Effects, Mental Accounting, Persuasion, Emotions, etc.