ECON6130D Choice, Bounded Rationality, and Applications

2026 Summer, Department of Economics, HKUST

Time and Arrangement

Time: 2026-June-16 to 2026-July-07 (Tu), 9:30AM-12:50PM and 2:00PM-5:20PM
Classroom: Rm 1009, LSK Bldg
Course Material: Slides and Suggested Books
Course Credit: 2
Enrollment Requirement: N.A.
Teaching and Learning Activities: Lecture and Presentation

Instructor

Rui Tang	email: ruitang@ust.hk
Office Hour	LSK6082, Wed 10:00-11:00

Course Description

This course introduces bounded rationality through a sequence of behavioral mechanisms, formal choice models, and applications to economic design. We begin with nudges and sludge to show how choice architecture, defaults, and administrative frictions shape decisions, then develop reference dependence (loss aversion, the endowment effect, and status quo bias) as a core framework for systematic departures from standard utility maximization. Next we study salience and limited attention, focusing on how what stands out in the environment receives disproportionate weight in evaluation and choice. The course culminates with bounded rationality in economic design, examining how persuasion, disclosure, and contract complexity can exploit or mitigate cognitive limitations, and ends with student presentations where participants apply course concepts to a related topic of their choosing.

Course Objective and Intended Learning Outcome

After taking this course, students are expected to:

(1) Assess the underlying insights of behavioral models.

(2) Explain firms' and individuals' behaviors in given economic and industry environments using an understanding of behavioral models from this course.

Evaluation and Exam Schedule

Group Presentation: 40% (2026-07-07, Morning)

Final Exam: 50% (2026-07-07, Afternoon)

Attendance: 10% (In accordance with Business School and MSc policies, attendance is compulsory for MSc Economics courses. Non-compliance may result in consequences, so please ensure you are familiar with these policies)

Recommended Reading

1. "Nudge" by Richard H. Thaler and Cass R. Sunstein
2. "Thinking, Fast and Slow" by Daniel Kahneman
3. "Noise" by Daniel Kahneman, Olivier Sibony, and Cass R. Sunstein

Course Outline

- Topic 1: Nudge and Sludge
- Topic 2: Reference and Choice
- Topic 3: Attention and Choice
- Topic 4: Bounded Rationality and Economic Design