Course website: will be set up in the HKU system.

Sessions will take place twice per week on Monday and Thursday evenings from 6:45pm-9:45pm. In advance of each of the lectures a pdf of the presentation will be posted to the course website.

PRE-REQUISITES
Familiarity with intermediate level statistics is preferable.

COURSE DESCRIPTION AND LEARNING OBJECTIVES (CLOs)
1. Identify common errors and traps that prevent optimal decisions
2. Understand the intellectual challenges that money has historically posed to humans
3. Control the emotional aspects of economic decisions
4. Understand the role of intuition in high-level decisions, and develop your own intuition
5. Influence others’ decisions
6. Know and leverage your own decision-making style
7. Manage group decisions
8. Understand how politics is played: choose to play, defend against it or avoid it
9. Understand, build and leverage power
10. Strategize around market bubbles and other mass phenomena
11. Understand how financial and economic history tends to repeat itself
12. Detect future economic trends with scenario planning

The CLOs are covered through readings, lectures, class discussions, psychological tests, decision exercises, in-class competitions, and teamwork.

COURSE CONTENT AND BACKGROUND

Science: From the mid-1990s, economists inspired by psychologists started exploring the true nature of economic and later financial, decisions. Discoveries about how humans make decisions undermined but also enriched the traditional model of the rational, self-interested decision-maker. Researchers started to examine cognitive limitations, social aspects of decision-making, the impact of emotion (such as fear and greed) and many other ways in which humans fail to make optimal economic decisions. Behavioral Economics, Behavioral Finance, and Strategic Thought emerged as new disciplines. They are now about to link up with economic history and political economy. -Why? It’s because humans are an evolved species with a specific (and limited) behavioral repertoire that, generation after generation, is
bound to repeat the same mistakes when it comes to money, strategic decision-making, and most other things.

The 2008 financial crisis moved this new research into mainstream. Experts in finance and economics turned to behavioral and historical perspectives to understand why it had happened yet again: Why economic systems go through bubbles and crashes and will do so in the future.

A novel and still fringe (but promising) topic in decision-making is intuition for which there is now sound scientific evidence, and which can be very helpful in competitive environments.

**Applied perspective**: Discoveries of systematic human decision flaws have impacted the practice of governance, strategy, management and finance. High-level decision-makers and those who inspire to such positions increasingly realize that technical (e.g. mathematics, accounting) skills or knowledge (e.g., familiarity with regulations or law) are of limited use unless their thinking and decision-making is unbiased, and free from irrelevant emotion and herd behavior. Fortunately, we now know how to correct, or at least improve, economic decisions. Additionally, humans as a species have a specific set of behavioral tendencies: knowing the mistakes others tend to make allows an informed agent (including yourself if you so choose) to exploit these weaknesses for a competitive advantage.

The course is taught in 11 modules, not quite of equal length, but each roughly corresponding to a three-hour class. The list of course readings further below provides a loose overview of the scheduling.

The class is interactive. Students learn from readings and lectures but and each other. Speaking up and sharing insights that are helpful to other participants is part of the grade.

**TEACHING AND LEARNING ACTIVITIES (TLAs)**

<table>
<thead>
<tr>
<th>Teaching and Learning Activity</th>
<th>Expected hours</th>
<th>Load</th>
</tr>
</thead>
<tbody>
<tr>
<td>TLA 1. Lectures &amp; in-class activities (group work, competitions)</td>
<td>36</td>
<td>27%</td>
</tr>
<tr>
<td>TLA 2. Homework: decision-tasks, introspection, short group</td>
<td>6</td>
<td>5%</td>
</tr>
<tr>
<td>assignments.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TLA 3. Group project</td>
<td>40</td>
<td>31%</td>
</tr>
<tr>
<td>TLA 4. Reading of literature, preparation for tests</td>
<td>48</td>
<td>37%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>130</td>
<td>100%</td>
</tr>
</tbody>
</table>
ALIGNMENT OF PROGRAM AND COURSE LEARNING OUTCOMES

<table>
<thead>
<tr>
<th>Program learning outcome (PLO)</th>
<th>Course learning outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLO1. Understanding of fundamental theories and new development in economics</td>
<td>1, 2, 4, 8, 9, 10, 11, 12</td>
</tr>
<tr>
<td>PLO2. Mastering of skills in analyzing economic data</td>
<td>1, 2, 3, 4</td>
</tr>
<tr>
<td>PLO3. Demonstration of ability to apply economic knowledge and analytical skills to address policy and business problems</td>
<td>1, 2, 3, 4, 8, 9, 10, 11, 12</td>
</tr>
<tr>
<td>PLO4. Awareness of ethical concerns in economic issues</td>
<td>6, 8, 9, 10</td>
</tr>
<tr>
<td>PLO5. Mastering of communication skills</td>
<td>3, 5, 6, 7, 12</td>
</tr>
</tbody>
</table>

ASSESSMENT TASKS (ATs)

<table>
<thead>
<tr>
<th>Task</th>
<th>%</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AT 1. Five closed-book multiple-choice exams</strong> of ten questions each. Guidance is given in advance about the content of each test.</td>
<td>35%</td>
<td>About weekly during the class period, exact dates will be announced</td>
</tr>
<tr>
<td><strong>AT 2. Group project</strong>. The maximum group size will be determined by the size of the class. Students self-select into groups and choose their topic within the frame given. Groups present their topic and respond to relevant questions from the instructor and the class. Details below.</td>
<td>35%</td>
<td>Last week of classes</td>
</tr>
<tr>
<td><strong>AT 3. Class participation</strong>. Details below.</td>
<td>5%</td>
<td>TBA/final exam period</td>
</tr>
<tr>
<td><strong>AT 4. Final exam</strong>. 45-minute exam, 20 multiple-choice questions. Closed book. Readings and materials will be specified by the instructor based on the needs of the class.</td>
<td>25%</td>
<td>TBA/final exam period</td>
</tr>
</tbody>
</table>

Total 100%
ASSESSMENT DETAILS

Group project

During the last week of class, students make in class presentations about their group project.

**Purpose:** Thinking deeply and creatively about the course material and applying it to a substantial topic of personal interest to the student group. Deep familiarity with a classic book in the field. Exchanging ideas within the team, application of course material about managing group processes.

The group chooses one of the four important books listed here below. They select a specific aspect of the reading, link it to the class content (one or more of the class modules), and present their thoughts and findings in a manner that helps the audience learn about economic and financial decision-making. The presenting group also responds to theme-relevant questions from the instructor and the audience. The length of the presentations will be determined by the class size. All group members need to be familiar with the chosen book and the subject the group is presenting. Audience members can direct their questions at the or at individual group members to probe familiarity with the reading. It is not expected that group members can respond to every question but they all need to demonstrate knowledge of their topic.

The presentation will be graded by the audience in terms of how much students have learned, demonstrated knowledge, originality, clarity of the presentation and ability to maintain the audience’s attention, and so on. Grading criteria will be posted on the class web site. The instructor reserves the right to moderate any grade in the unlikely case of unfairness.


3. Weatherford, Jack (1997/2009). *The History of Money*. NY: Crown Publishing. (This book is well suited for those with little background in finance. It goes deeply into what money is and how it started. However, it is also an interesting read for students who think they have good background knowledge precisely because Weatherford revisits and challenges many currently held assumptions; Also a good read for students interested in politics). See, e.g., http://www.amazon.com/History-Money-Jack-Weatherford-ebook/dp/B002PYFW5W/ref=sr_1_1_twi_2?ie=UTF8&qid=1419971921&sr=8-1&keywords=history+of+money+weatherford

**In-class multiple choice quizzes**

**Purpose**: You need to be well familiar with past course content to benefit from the advanced topics of later classes.

Five ten-minute multiple-choice closed-book quizzes occur weekly during the class period, dates to be announced.

The quiz topics will be some course readings (for each quiz the instructor will specify which), and the content of past classes (the instructor will specify which).

Each quiz consists of ten questions. The total quiz grade is the mean of all your quizzes.

**Class participation**

**Purpose**: The course is a group effort. It is designed so that each student gains personal growth and improved decision-making. To benefit you need to be involved: actively think through the topics, apply them to yourself, and help others learn through your contributions.

This grade component consists of the following four factors:

1) *Attendance*. Full and timely attendance is expected. Absences affect the participation grade.

2) *Preparedness*. At a minimum you should prepare the readings assigned for a given class. Guidance is provided as to which readings you need to cover for each class. Students will be called at random and should be able to broadly discuss assigned reading(s).

3) *Active participation*. Participation in the class discussions. Quality matters much more than quantity. Comments and answers that offer new perspectives and help others learn are particularly valuable.

4) *Games and competitions*. There will be in-class games, team competitions and similar activities. Your performance in those impacts the class participation grade.

Class participation is assessed for each class: for very poor participation or unjustified absences 0 points are given. Since the participation is graded on a range from 0% to 100% the participation grades have large variance and weigh relatively heavily in the final grade.

**Final exam**

**Purpose**: Cementing the course material in your mind for the future, making linkages between the readings, helping students apply the course material going forward.

The final exam is closed-book and consists of 20 multiple-choice questions and takes about 45 minutes. It is not a general exam of all course topics. Rather, the exam topics will be selected
by the instructor based on the needs of the class and will consist of a pre-specified set of course readings and class material.

READINGS

Not all readings listed here below are of equal importance. Some are optional. Guidance will be given as to which readings students need to focus on based on the needs and interests of the class.

Module 1 Decision-making principles and limitations

Module 2 Understanding and controlling emotion

Module 3 Framing, risk, gains & losses

Module 4 Debiasing yourself and exploiting biases in others

Module 5 Developing and using your intuition
Module 6  Uncovering and controlling unproductive hidden motivation

Module 7  New directions in behavioral economics: culture, values, GDP growth and utility
7-1 Happiness Institute: *An introduction to signature strengths*.

Module 8  Teams, groups, crowds, mobs & masses
8-4 De Bono, E.: *Six Thinking Hats*.

Module 9  Escalation, herds, bubbles and crashes
Module 10  Scenario planning for the economy of the future

Module 11  Overviews and some complex questions
11-1  Byrne, A., & S. Utkus (2013). *Behavioural Finance: Understanding how the mind can help or hinder investment success*. Vanguard Asset Management UK.
11-2  Thaler, Richard (1999). The End of behavioral finance. *Financial Analysts Journal* 55(6), 12-17. (This seminal article about behavioral finance was considered borderline subversive at the time and therefore did not appear in a top journal. The issues Thaler raised remain current today).
11-4  Peden J. (1984). Inflation and the fall of the Roman empire. Mises Institute. [https://mises.org/print/5200](https://mises.org/print/5200). Retrieved 28 Nov. 2017. This transcript of a talk has no references but many similar written and referenced academic papers can be found. This topic is currently experiencing a revival.

COURSE POLICY

**Attendance.** Attendance is required. Absences affect the class participation grade.

**Quizzes and Final Examination**
There will be no make-up for the in-class quizzes. If you do not attend you will automatically get zero mark for the test. However, if there is a legitimate medical reason that you miss the test, you will need to inform the teacher and provide medical certificate **within 72 hours** of the test. In such case, your quiz grade will be the mean of the quizzes you actually took.
All quizzes as well as the final exam are closed book and closed notes.

**Academic Conduct**
The University Regulations on academic dishonesty will be strictly enforced! Please check the University Statement on plagiarism on the web: [http://www.hku.hk/plagiarism/](http://www.hku.hk/plagiarism/)
Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

a. Plagiarism - The representation of someone else’s ideas as if they are one’s own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one’s own work. Paraphrasing of someone else’s ideas is still using someone else’s ideas and must be acknowledged.
b. Unauthorized Collaboration on Out-of-Class Projects - The representation of work as solely one’s own or solely one’s group when in fact it is the result of an unauthorized and undeclared joint effort. Where a candidate for a degree or other award uses the work of another person or persons without due acknowledgement:

1. The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence;
2. The relevant Board of Examiners may report the candidate to the Senate, where there is prima facie evidence of an intention to deceive and where sanctions beyond those in (1) might be invoked.

**GRADING CRITERIA**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+, A, A-</td>
<td>Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis</td>
</tr>
<tr>
<td>B+, B, B-</td>
<td>Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.</td>
</tr>
<tr>
<td>C+, C, C-</td>
<td>Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply but not at high levels of learning such as evaluate and synthesis.</td>
</tr>
<tr>
<td>D, D-</td>
<td>Evidence of basic familiarity with the subject.</td>
</tr>
<tr>
<td>F</td>
<td>Little evidence of basic familiarity with the subject.</td>
</tr>
</tbody>
</table>

Grades for single deliverables will initially be given on a 0-10 scale. The table above is for the final course grades, which will be awarded keeping in mind final grade distribution recommended by the MEcon program.