



“Managing expectation”

(in English)



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Time: 4:30 - 5:30 pm

Venue: WYL314, Dorothy Y. L. Wong Building

Abstract:

Empirical and experimental evidence suggests that an outcome exceeding (falling short) the expectation can increase (lower) a person's utility. I propose frameworks to incorporate these psychological effects into product innovation. In particular, I develop models in which a firm introduces a new product with an uncertain value and consumers with expectation-based preferences form exogenous or endogenous expectation about the product valuation and prices. I study the effect of expectation-based consumer preferences on the firm's pricing decision and innovation incentive in a personal equilibrium (Kőszegi and Rabin, 2006) where outcome implied by optimal behavior conditional on expectations coincides with expectations. The analysis focuses on the interactions between profit-maximizing firms and consumers. However, it can be applied to other relationships such as election candidates and voters, policy-makers and the public, parents and children, teachers and students, etc., as well.

Biography:

Dr. Tianle Zhang is an Assistant Professor at the Department of Economics of Lingnan University. He received his PhD in Economics from the University of Colorado at Boulder, USA, in 2010. He had been a lecturer in the Hong Kong Polytechnic University before he joined Department of Economics. His research area includes Information Economics and Economics of Innovation and Patents.

All Are Welcome

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