

Seminar zum Thema „Household Finance“

Sommersemester 2020

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„Household Finance“

Inhalt: In this course, we will discuss some parts of the vast academic literature on household financial decision-making. In particular, we will focus on the theoretical and quantitative advancements that have been motivated by the inability of the classical permanent income hypothesis to explain consumption patterns observed in the data. Throughout the course, our goal will be to study different models of the underlying decision-making, the empirical evidence for and against them, as well as their policy implications. A substantial part of the course will be devoted to a new research area of behavioural household finance, which considers departures from the traditional rational-agent model. The course is aimed at Master-level students.

Organisation: Two introductory lectures in the beginning of the semester, after the selection of topics by course participants. Individual work and consultations during the semester, with presentations delivered during the block seminar at the end of the semester (early- to mid-July). Deadline for submission of the term papers is 31st August 2020.

Lehrsprache: The course will be conducted in English (literature, presentations, seminar papers).

Voraussetzungen: MV01, MV03

Prüfung: Term paper (60%), presentation (30%), participation in general discussion (10%).

Umfang: 2 SWS (4 ECTS)

Fachliteratur:

Intrudiction to the field

- Attanasio, O.P. & Weber, G. (2010), “Consumption and Saving: Models of Intertemporal Allocation and Their Implications for Public Policy”, *Journal of Economic Literature*, vol. 48, pages 693-751.
- Campbell, J.Y. (2006), “Household Finance”, *The Journal of Finance*, vol. 61 (4), pages 1553-1604.
- Campbell, J. Y. (2016), “Restoring rational choice: The challenge of consumer financial regulation”, *American Economic Review*, vol. 106(5), pages 1-30.

Term paper topics

- 1) Failures of consumption smoothing
Kaplan, G., & Violante, G. L. (2014), “A Model of the Consumption Response to Fiscal Stimulus Payments”, *Econometrica*, vol. 82 (4), pages 1199-1239.

Parker, J. A. (2017), "Why Don't Households Smooth Consumption? Evidence from a \$25 Million Experiment", *American Economic Journal: Macroeconomics*, vol. 9(4), pages 153-83.

2) Hyperbolic discounting in a life cycle model

Laibson, D., Maxted, P., Repetto, A. & Tobacman, J. (2017), "Estimating Discount Functions with Consumption Choices over the Lifecycle", *Working Paper*.

3) Patience and wealth accumulation

Epper, T., Fehr, E., Fehr-Duda, H., Kreiner, C. T., Lassen, D. D., Leth-Petersen, S., & Rasmussen, G. N. (2020), "Time Discounting and Wealth Inequality", *American Economic Review*, vol. 110 (4), pages 1177-1205.

4) Heterogenous returns and wealth inequality

Fagereng, A., Guiso, L., Malacrino, D. & Pistaferri, L. (2020), "Heterogeneity and Persistence in Returns to Wealth", *Econometrica*, vol. 88 (1), pages 115-170.

5) Financial market non-participation

Vissing-Jorgensen, A. (2003), "Perspectives on Behavioral Finance: Does "Irrationality" Disappear with Wealth? Evidence from Expectations and Actions", *NBER Macroeconomics Annual*, vol. 18, pages 139-194.

Hong, H., Kubik, J. D., & Stein, J. C. (2004), "Social interaction and stock-market participation", *The Journal of Finance*, vol. 59 (1), pages 137-163.

6) Financial knowledge accumulation

Jappelli, T. & Padula, M. (2013), "Investment in financial literacy and saving decisions", *Journal of Banking & Finance*, vol. 37, pages 2779-2792.

Lusardi, A., Michaud, P.C. & Mitchell, O.S. (2017), "Optimal Financial Knowledge and Wealth Inequality", *Journal of Political Economy*, vol. 125 (2), pages 431-477.

7) Consumer naivete and the design of financial products

C el erier, C., & Vall e, B. (2017), "Catering to investors through security design: Headline rate and complexity", *The Quarterly Journal of Economics*, vol. 132(3), pages 1469-1508.

Egan, M. (2019), "Brokers versus Retail Investors: Conflicting Interests and Dominated Products", *The Journal of Finance*, vol. 74(3), pages 1217-1260.

8) Regulatory interventions in financial markets

Agarwal, S., Chomsisengphet, S., Mahoney, N., & Stroebel, J. (2015), "Regulating Consumer Financial Products: Evidence from Credit Cards", *The Quarterly Journal of Economics*, vol. 130(1), pages 111-164.