

Eco4932: Topics in Theory
— Household Consumption, Housing Market and the Economy
Fall 2017
(tentative and subject to revision)

Instructor: Sheng Guo, (305) FIU-2735, Sheng.Guo@fiu.edu

Course website: <http://fiu.blackboard.com> (if you have registered for this course, enrollment into Blackboard course shell is automatic.)

Class time and classroom: M/W/F, 3p-3:50p, PC 447

Office hours: M/W 2p-2:45p, DM 318A

Teaching Assistant: TBA

TA office hours: TBA

Objective

The objective of this course is to empower students to narrate the status of an economy with one of the theoretical foundations of macroeconomics that addresses the relationship between income, consumption, and savings/investments. We will introduce the basic theoretical underpinnings and empirical elements, and use them as lens to interpret real-world data, mostly from household surveys. In particular, we will examine the housing market and its impact on household consumption and savings, and especially the link between these two sectors during the Great Recession. The integration of one of the canonical macroeconomic theories with tangible empirical evidence is the hallmark of this course.

Textbook

Mian, Atif and Amir Sufi, House of Debt: How They (and You) Caused the Great Recession, and How We Can Prevent It from Happening Again, University of Chicago Press, 2015.

Outline (lecture slides and reference readings will be available and linked inside Bb course shell.)

Module 1: Household Income, Spending, Assets, and Liabilities

1.1: Review of GDP and its Components in Macroeconomics

1.2: Measurements of Household Income and Spending

1.3: Measurements of Household Assets and Liabilities

Guiso, Luigi, and Paolo Sodini. “Household Finance: An Emerging Field,” Section 2, 2012.

Module 2: The Housing and Mortgage Market

2.1: The Housing Market and Buy/Rent Decision

2.2: Mortgage Basics

2.3: GSEs and The Mortgage Market

Module 3: Life-Cycle Consumer Theory

3.1: The Benchmark Theory

3.2: Borrowing Constraint and Precautionary Saving

3.3: Wealth Effects on Consumption

Module 4 (student presentation): House of Debt

The course grade will be based on the following components with their weights in the course grade listed below. There will be no makeup for missed assignments, quizzes, presentations, or tests.

Homework Assignments (lowest score dropped) — 15%

Midterm Exam — 15%

Quizzes (lowest score dropped) — 30%

Presentation — 20%

Take-home Final Exam — 15%

Peer review — 5%

Students can form a group of at most 3 persons to work on the homework assignments, presentation, and take-home final exam. Students have to finish the midterm exam and quizzes individually. **The take-home final exam is due by the end of the final week (Saturday, 12/9, 11:59p). Presentations are scheduled a couple of weeks before. Each student of a group will get a chance to evaluate other group members' inputs and contributions to the project. The evaluation will be kept confidential and will affect your peer review points.**

Evaluation of the presentation (total—15 pts): I have 10 pts at my disposal to evaluate. TA has 5 pts. In addition, for each presentation, I will randomly call 3 students in class to anonymously evaluate the quality of the presentation on the scale from 0 to 5, and take the average of their assessments to add onto TA and my evaluations to form the final score of this part.