Consumer Science 901

Advanced Consumer/Household Finance

Wed 2:00 - 5:00 PM

Room: 2417 Sterling Hall

Syllabus (Jan 3, 2012)

Instructor: J. Michael Collins, 360 Middleton Bldg; 7401 Soc Sci, Phone: 616-0369 jmcollins@wisc.edu

Office Hours: 9:15-9:55 AM Monday, 8:45-9:45 AM (both at 7401 Soc Sci) and by appointment.

Resources: Learn at UW (learnuw.wisc.edu) will be your resource for this course. All readings will be posted here and assignments shall be uploaded using the ‘dropbox’ feature.

Prerequisites: Graduate student status and at least one course in intermediate microeconomic theory (ECON 301 or equivalent) is required. A recommended background text is The economic organization of the household, 2nd Ed. by W. Keith Bryant, Cathleen D. Zick (2006, or Bryant’s original 1991 1st edition if you can find it). For background on causal inference see: Angrist and Pischke’s Mostly Harmless Econometrics.

Course Overview: This course is designed for advanced masters and PhD students to provide an overview of major theories in household finance, financial literacy/capability and the evaluation of programs and strategies designed to improve financial behaviors, as well as asset building policy and the regulation of consumer financial markets. Topics include time preferences, self-control problems, financial decision making, credit management, and the role of financial information, education, planning, coaching and counseling.
Students are expected to be familiar with microeconomic theory and econometric techniques at the introductory graduate level. This is a reading and discussion course with a 3 written projects and 1 written exam. This course will not cover risk and uncertainty (see instructor for other course options at UW) but will focus on topics drawn from economics and social psychology including intertemporal choice, cognition and decision making, information economics as well as the role of public policy and regulation.

Each session will begin with an overview of the topic provided by the instructor, followed by a discussion of four to five assigned readings. Each paper discussion will be led by one student, who will prepare in advance. Every student will lead the discussion several times during the semester depending on class size.

Article Reviews: Each student will be responsible for readings each class. Read the article and help the class understand the contributions of the paper. Help us understand who the authors are and how the paper has been cited since it was first released. Present in a brief but careful way, including what the authors did well, as well as what might be improved upon in future work.

Assignments: In addition to article reviews and in-class discussions, assignments include two policy memos, each on an assigned topic. These are 1,000 word briefs designed to summarize a position, based on the extant literature. This is an important exercise that requires synthesizing information and then communicating your understanding of the material in such a way that a non-academic reader can use the information to take action. You will have about a week to complete each memo. The midterm is a written take-home exam, designed to cover the first half of the course material. You will have 48 hours to complete the mid-term. The final paper will be an applied analysis exercise designed to use the concepts from the course to examine the FINRA Financial Capability Survey (2009). The focus of this project will be on crafting a well-designed research question including a careful literature review. The FINRA data captures a range of potential topics; the goal of these projects is to use the data to explore your hypotheses. You are expected to present some empirical evidence but are not expected to develop a sophisticated econometric model (although to the extent you can use this paper as a working paper or journal article please consider how you might expand the paper in the future with these or other data). Projects must
be proposed by at least 6 weeks before the end of the term; meeting with the
instructor prior to the proposal submission is strongly encouraged. You
may work alone or with one (1) co-author from the class (both partners will
receive the same grade). Your paper and *.do file are both to be submitted.

The final paper and mid-term are each worth 30 percent of the course
grade. Each policy paper is worth 15 percent of the course grade. Attendi-
dance, presentations, and in class participation will make up the remaining
10 percent. You may re-submit memos with revisions based on instructor
feedback for re-grading.

**Assignment Submission Policy:** Work must be submitted to the dropbox
by midnight on the date due. Hard copies may also be submitted in addition.
All work must be completed using \LaTeX. This is a highly useful means of
writing technical papers and you are strongly encouraged to gain experience
using \LaTeX. There are courses at DOIT and through SSCC, as well as
online tutorials (including at cfs.wisc.edu). Do not fear Tex. There are
graphical versions such as Lyx (free) and Scientific Word (At SSCC). There
are extensive online resources. The learning curve is steep but short.

**Grading Policy:** In this class we will adhere to University grading standards
and policies of academic misconduct. See students.wisc.edu.

Key for such a writing-intensive course, students must be cautious to
avoid plagerism defined in the UW bylaws as ‘using another person’s ideas,
words, or research and presenting it as one’s own by not properly crediting
the originator.’ For more information on what is considered plagerism and
how to avoid it, see The Writing Center’s handout at students.wisc.edu.

**Accommodations:** Your success in this class is important to me. If there
are circumstances that may affect your performance in this class, please let
me know as soon as possible so that we may work together to develop strate-
gies for adapting assignments to meet both your needs and the requirements
of the course. The McBurney Disability Resource Center provides resources
for students with disabilities. You will need to provide documentation of
disability to them in order to receive official university services and accom-
mmodations. 263-2741 and location of McBurney Center, 702 W. Johnson,
hours if you require assistance or accommodations and we can work to meet
your learning goals.

**Communication:** Do not hesitate to come to my office during office hours. In general I will not reply to individual emails regarding course questions or material, but may incorporate comments by email into class discussion.

**Course Outline:**
- Week 1 Course Introduction
- Week 2 Background on Household Finance
- Week 3 Time Preferences
- Week 4 Self-Control and Impatience
- Week 5 Behavioral Models
- Week 6 Psychological Models
- Week 7 Mechanisms, Defaults, and Constraints
- Week 8 Financial Literacy: Diagnosis
- Week 9 Financial Literacy: Evaluation
- Week 10 Financial Advice
- Week 11 Goals and Coaching
- Week 12 Retirement, Savings and Asset Building
- Week 13 Credit Choices and Mortgages
- Week 14 Disclosures and Information
- Week 15 Unbanked and Financial Services

**Week 1: Course Introduction**


Week 2: Background on Household Finance


Recommended:


Week 3: Time Preferences

Recommended:


**Week 4: Self-Control and Impatience**


Recommended:


**Week 5: Behavioral Models**


Recommended:


**Week 6: Psychological Models**


**Week 7: Mechanisms, Defaults, and Constraints**


Recommended:


**Week 8: Financial Literacy: Diagnosis**


Recommended:


**Week 9: Financial Literacy: Evaluation**


Recommended:


**Week 10: Financial Advice**


**Recommended:**


**Week 11: Goals and Coaching**


**Recommended:**


Week 12: Savings


Recommended:


Week 13: Credit Choices and Mortgages


Recommended:


**Week 14: Disclosures and Information**


Recommended:

Week 15: Unbanked and Financial Services


Recommended:


- FDIC National Household Survey of Unbanked and Underbanked Households Website: [http://www.economicinclusion.gov](http://www.economicinclusion.gov)
Note: all readings subject to change. Suggestions for required or recommended readings are encouraged.