

Research Seminar in Empirical Household Finance

Prof. Johannes Stroebel (NYU Stern) -- FINC-B40.2309

Meeting time and Target Audience:

Fridays, 1.30pm – 4.30pm, 9/7/2018 - 12/15/2018, Room KMC 3-80 (NYU Stern).

Interested students from all years and departments are welcome. I welcome auditors to the class, conditional on them being willing to participate as if they were registered.

Please email me if you have any questions about the class (johannes.stroebel@nyu.edu).

Overview:

This PhD course presents research topics in the growing area of household finance. Each week, we will read a number of papers in one research area within household finance. Most of the papers will be empirical, and in most weeks our discussions will highlight how the papers use various empirical strategies (instrumental variables, differences-in-differences, regression discontinuity, structural estimation, and field experiments) to identify causal effects.

The topics are chosen to give students a taste of the types of research done under the “household finance” umbrella, rather than to provide a comprehensive overview of household finance research. The papers on the reading list include both seminal and current research papers in the area. As a result, the list will be highly incomplete – please email me if you want directions for further research in any area of household finance, even if not explicitly covered on the syllabus.

In the first class, I will give an introductory lecture to provide an overview of the field. In each of the following weeks, we will discuss two of the papers marked with a (*) in detail. All students are expected to have read at least two of the starred papers closely. As you read the papers, I want you to pay particular attention to the following questions: What questions did the papers leave unanswered? What might be other analyses that you could do?

In class, I will start by presenting one of the assigned papers. This paper will usually be part of my own research agenda in household finance. When presenting my own work, I will also discuss the process of writing the paper (how did we come up with the idea, what were the challenges we faced, what happened in the refereeing process, what did people like/dislike about the paper, how does the paper fit into the broader literature, and what are other things we’d like to do going forward)? I found those discussions the most useful parts of my own PhD topics classes, and hope you will find them equally useful.

After that, the one of the other papers will be presented by a student. This presentation should cover the following topics:

- What is the research question?
- Which open questions in the literature is the paper addressing?
- What is the data and research design?
- What are the main findings, and how do they answer the question discussed?
- What are potential concerns with the results?

These presentations should aim to be around 30 minutes in length if presented uninterrupted. However, we will hopefully have a lively discussion about these papers as they are presented. The assignments of paper presentations will be done after the first class.

If you are not presenting a paper in a given week, you are expected to write a referee report on one of the starred papers – this referee report should briefly address the same questions as the presentation. Each report should also include a **short** section at the end on one idea for additional research on the week's topic. These research ideas should include:

- What is the research question?
- What research design would I employ?
- What data I would need for this? Do the data exist?

These reports should be emailed to me by 11am of the day of the class. Writing these reports ensures that we all benefit maximally from the discussion in the class.

As you will see, many of the most exciting empirical research projects use large and novel data sets. One of the things I will focus on in this class is to introduce students to the process of working and collaborating with companies and regulatory agencies (e.g., Trulia, Facebook, Vanguard, the OCC) to obtain access to such data sets.

Grading will be done based on the quality of students' presentation (50%), class participation (20%), and referee reports (30%).

Week 1: Overview of Household Finance (September 7, 2018)

Campbell, J. Y. (2006). [Household Finance](#). *The Journal of Finance*, 61(4), 1553-1604.

Zinman, J. (2015). [Household Debt: Facts, Puzzles, Theories, and Policies](#). *Annual Review of Economics*, 7(1), 251-276.

Beshears, J., J.J. Choi, Laibson, D., Madrian, B., (2018). [Behavioral Household Finance](#), Handbook of Behavioral Economics

Week 2: Household Preferences (September 14, 2018)

Barberis, N., Huang, M. & Thaler, R. (2006). [Individual Preferences, Monetary Gambles, and Stock Market Participation: A Case for Narrow Framing](#). *American Economic Review*, 96, 1069-1090.

Calvet, L., J. Campbell, J., Gomes, F., & Sodini, P. (2017). [The Cross-Section of Household Preferences](#). *Working Paper*.

(*) Calvet, L., & P. Sodini (2014). [Twin Picks: Disentangling the Determinants of Risk Taking in Household Portfolios](#). *Journal of Finance*, Vol. 69(2), 867-906

(*) Giglio, S., Maggiori, M., & Stroebel, J. (2015). [Very Long-Run Discount Rates](#). *The Quarterly Journal of Economics*, 130(1), 1-53.

Kuchler, T. & Pagel, M. (2018). [Sticking to Your Plan: The Role of Present Bias for Credit Card Paydown](#). *Working Paper*.

Tanaka, T., Camerer, C. & Nguyen, Q. (2010). [Risk and Time Preferences: Linking Experimental and Household Survey Data from Vietnam](#). *The Quarterly Journal of Economics*, 100(1), 557-71.

Week 3: Unsecured Credit & Regulation of Consumer Financial Products (September 21, 2018)

Empirical Strategy: Differences-in-Differences

(*) Agarwal, S., Chomsisengphet, S., Mahoney, N., & Stroebel, J. (2014). [Regulating Consumer Financial Products: Evidence from Credit Cards](#). *The Quarterly Journal of Economics*, 130(1), 111-164.

Agarwal, S., Chomsisengphet, S., Mahoney, N., & Stroebel, J. (2014). [A Simple Framework for Estimating Consumer Benefits from Regulating Hidden Fees](#). *The Journal of Legal Studies*, 43(S2).

Ausubel, L. M. (1991). [The Failure of Competition in the Credit Card Market](#). *American Economic Review*, 81, 50-81.

Campbell, J. Y., Jackson, H. E., Madrian, B. C., & Tufano, P. (2011). [Consumer Financial Protection](#). *Journal of Economic Perspectives*, 25(1), 91-115.

Campbell, J. Y. (2016). [Restoring Rational Choice: The Challenge of Consumer Financial Regulation](#). *Richard T. Ely Lecture, American Economic Association Annual Meeting*.

Gabaix, X., & Laibson, D. (2006). [Shrouded Attributes, Consumer Myopia, and Information Suppression in Competitive Markets](#). *The Quarterly Journal of Economics*, 121(2), 505-540.

(*) Nelson, S. (2018). [Private Information and Price Regulation in the US Credit Card Market](#). *Working Paper*.

Madrian, B. C., & Shea, D. F. (2001). [The Power of Suggestion: Inertia in 401 \(k\) Participation and Savings Behavior](#). *The Quarterly Journal of Economics*, 116(4), 1149-1188

(*) Melzer, B. (2011). [The Real Costs of Credit Access: Evidence from the Payday Lending Market](#). *The Quarterly Journal of Economics*, 126(1), 517-555.

Stango, V. & Zinman, J. (2016). [Borrowing High versus Borrowing Higher: Price Dispersion and Shopping Behavior in the U.S. Credit Card Market](#). *The Review of Financial Studies*, 29(4), 979-1006

Week 4: Information Frictions in Consumer Credit Markets (September 28, 2018)

Empirical Strategy: Field Experiment

Ausubel, L. M. (1999). [Adverse Selection in the Credit Card Market](#). *Working Paper*.

(*) Einav, L., Jenkins, M., & Levin, J. (2012). [Contract Pricing in Consumer Credit Markets](#). *Econometrica*, 80(4), 1387–1433.

Einav, L., Jenkins, M., & Levin, J. (2013). [The Impact of Credit Scoring on Consumer Lending](#). *The RAND Journal of Economics*, 44(2), 249-274.

(*) Karlan, D., & Zinman, J. (2009). [Observing Unobservables: Identifying Information Asymmetries With a Consumer Credit Field Experiment](#). *Econometrica*, 77(6), 1993-2008.

Kurlat, P. & Stroebel, J. (2015). [Testing for Information Asymmetries in Real Estate Markets](#). *The Review of Financial Studies*, 28(8), 2429–2461.

Lieberman, A., Neilson, C., Opazo, L., & Zimmerman, S. (2018). [The Equilibrium Effects of Asymmetric Information: Evidence from Consumer Credit Markets](#). *Working Paper*.

(*) Stroebel, J. (2016). [Asymmetric Information about Collateral Values](#). *The Journal of Finance*, 71(3), 1071-1112.

Week 5: Household Beliefs & Behavior I (October 5, 2018); Guest Lecture by Theresa Kuchler

Das, S., Kuhnen, C. M., & Nagel, S., 2017. [Socioeconomic Status and Macroeconomic Expectations](#). *Working Paper*.

(*) Greenwood, T., & Shleifer, A. (2014). [Expectations of Returns and Expected Returns](#). *Review of Financial Studies*, 27(3):714–746.

Kaustia, M., & Knüpfer, S. (2008). [Do Investors Overweight Personal Experience? Evidence from IPO Subscriptions](#). *The Journal of Finance*, 63(6):2679–2702.

Koudijs, P., & Voth, H. J. (2014). [Leverage and Beliefs: Personal Experience and Risk Taking in Margin Lending](#). *American Economic Review*, forthcoming.

(*) Kuchler, T., & Zafar, B. (2015). [Personal Experiences and Expectations about Aggregate Outcomes](#). *Federal Reserve Bank of New York Staff Reports* (748).

Kuhnen, C. M. & Miu, A., 2017. [Socioeconomic Status and Learning from Financial Information](#). *Journal of Financial Economics*, 124 (2), 349-372.

(*) Malmendier, U., & Nagel, S., 2016. [Learning from Inflation Experiences](#). *The Quarterly Journal of Economics*, 131(1), 53-87.

Malmendier, U., Nagel, S., & Yan, Z., 2017. [The Making of Hawks and Doves: Inflation Experiences on the FOMC](#). *Working Paper*.

Week 6: Household Beliefs & Behavior II (October 19, 2018)

Empirical Strategy: Survey Design

Adam, K., Marcet, A. & Beutel, J. (2017). [Stock Price Booms and Expected Capital Gains](#). *American Economic Review*, 107(8), 2352-2408.

(*) Burnside, C., Eichenbaum, M., & Rebelo, S. (2016). [Understanding Booms and Busts in Housing Markets](#). *Journal of Political Economy*, 124(4), 1088–1147.

Dominitz, J. & Manski, C. F. (2007). [Expected Equity Returns and Portfolio Choice: Evidence from the Health and Retirement Study](#). *Journal of the European Economic Association*, 5(2-3), 369-379.

Giglio, M., Maggiori, M., & Stroebel, J. (2016). [No-Bubble Condition: Model-Free Tests in Housing Markets](#). *Econometrica*, 84(3), 1047-1091.

Harrison, J. M., & Kreps, D. M. (1978). [Speculative Investor Behavior in a Stock Market with Heterogeneous Expectations](#). *Quarterly Journal of Economics*, 92(2), 323–336.

Hong, H. & Stein, J. C. (2007). [Disagreement and the Stock Market](#). *Journal of Economic Perspectives*, 21(2), 109–128.

(*) Malmendier, U. & Nagel, S., 2011. [Depression Babies: Do Macroeconomic Experiences Affect Risk Taking?](#) *The Quarterly Journal of Economics*, 126(1), 373-416.

(*) Scheinkman, J. A. & Xiong, W. (2003). [Overconfidence and Speculative Bubbles](#). *Journal of Political Economy*, 111(6), 1183–1220.

Week 7: Peer Effects & Economic and Financial Decision Making I (October 26, 2018)

Note: The data provided by “Social Connectedness: Measurement, Determinants, and Effects” might be very helpful in your own research projects.

(*) Bailey, M., Cao, R., Kuchler, T., & Stroebel, J. (2017). [The Economic Effects of Social Networks: Evidence from Housing Markets](#). *The Journal of Political Economy*, forthcoming.

Bailey, M., Cao, R., Kuchler, T., Stroebel, J. & Wong, A. (2018). [Social Connectedness: Measurement, Determinants, and Effects](#). *The Journal of Economic Perspectives*, 32(3), 259-280

(*) Hong, H., Kubik, J. D., & Stein, J. C. (2004). [Social Interaction and Stock-Market Participation](#). *Journal of Finance*, 59, 137-63.

Hong, H., Kubik, J. D., & Stein, J. C. (2005). [Thy Neighbor’s Portfolio: Word-of-mouth Effects in the Holdings and Trades of Money Managers](#). *The Journal of Finance*, 60(6), 2801–2824.

Kaustia, M. & Knüpfer, S. (2012). [Peer Performance and Stock Market Entry](#). *Journal of Financial Economics*, 104(2), 321–338.

Shiller, Robert J. (1984). [Stock Prices and Social Dynamics](#). *Brookings Papers on Economic Activity*, 1984(2), 457–510.

Week 8: Peer Effects & Economic and Financial Decision Making II (November 2, 2018)

Arrondel, L., Calvo-Pardo, H., Giannitsarou, C., & Haliassos, M. (2017). [Informative Social Interactions](#). *Discussion Papers in Economics and Econometrics*, 1702.

(*) Bailey, M., Johnston, D., Kuchler, T., Stroebel, J., & Wong, A. (2018). Peer Effects in Product Adoption. *Working Paper*.

Beshears, J., Choi, J. J., Laibson, D., Madrian, B. C. & Milkman, K. L. (2015). [The Effect of Providing Peer Information on Retirement Savings Decisions](#). *The Journal of Finance*, 70(3), 1161–1201.

(*) Duflo, E., & Saez, E. (2002). [Participation and Investment Decisions in a Retirement Plan: The Influence of Colleagues' Choices](#). *Journal of Public Economics*, 85, 121-48.

(*) Han, B., Hirshleifer, D. A., & Walden, J. (2018). [Social Transmission Bias and Investor Behavior](#). *Working Paper*.

Kuhn, P., Kooreman, P., A. Soetevent, & Kapteyn, A. (2011). [The Effects of Lottery Prizes on Winners and Their Neighbors: Evidence from the Dutch Postcode Lottery](#). *American Economic Review*, 101, 2226-47.

Week 9: Mortgage Choice, Refinancing, Default, and Mortgage Design (November 9, 2018)

Andersen, S., Campbell, J. Y., Nielsen, K. M., & Ramadorai, T. (2018). [Inattention and Inertia in Household Finance: Evidence from the Danish Mortgage Market](#). *Working Paper*.

(*) Bailey, M., Davila, E., Kuchler, T. & Stroebel, J. (2017). [House Price Beliefs and Mortgage Leverage Choice](#). *Review of Economic Studies*, forthcoming

Campbell, J. Y. & Cocco, J. F. (2015). [A Model of Mortgage Default](#). *The Journal of Finance*, 70(4), 1495–1554.

Flavin, M. & Yamashita, T. (2002). [Owner-Occupied Housing and the Composition of the Household Portfolio](#). *American Economic Review*, 92(1), 345-62.

Floetotto, M., Kirker, M., & Stroebel, J. (2016). [Government Intervention in the Housing Market – Who Wins, Who Loses?](#) *Journal of Monetary Economics*, 80, 106-123.

Greenwald, D. L., Landvoigt, T., & Van Nieuwerburg, S. (2018). [Financial Fragility with SAM?](#) *Working Paper*.

(*) Guiso, L., Sapienza, P., & Zingales, L. (2011). [The Determinants of Attitudes Towards Strategic Default on Mortgages](#). *The Journal of Finance*, 68(4), 1473-1515.

Guren, A., Krishnamurthy, A., & McQuade, T.J. (2018). [Mortgage Design in an Equilibrium Model of the Housing Market](#). *Working Paper*.

Gurun, U. G., Matvos, G., & Seru, A. (2016). [Advertising Expensive Mortgages](#). *The Journal of Finance*, 71(5), 2371-2416.

(*) Keys, B. J., Pope, D. G., & Pope, J. C. (2016). [Failure to Refinance](#). *Journal of Financial Economics*, 122(3), 482-499.

Week 10: Housing Wealth and Household Decision Making (November 16, 2018)

Empirical Strategy: Instrumental Variables Estimation

Adelino, M., Schoar, A., & Severino, F. (2015). [House Prices, Collateral, and Self-Employment](#). *Journal of Financial Economics*, 117(2), 288–306.

(*) Berger, D., Guerrieri, V., Lorenzoni, G., & Vavra, J. (2018). [House Prices and Consumer Spending](#). *Review of Economic Studies*, 85(3), 1502–1542.

(*) Guren, A., McKay, A., Nakamura, E., & Steinsson J. (2018). [Housing Wealth Effects: The Long View](#), *Working Paper*.

Kaplan, G., Mitman, K., & Violante, G. (2016). [Non-durable Consumption and Housing Net Worth in the Great Recession: Evidence from Easily Accessible Data](#). *Working Paper*.

Mian, A. & Sufi, A. (2011). [House Prices, Home Equity Based Borrowing, and the U.S. Household Leverage Crisis](#). *American Economic Review*, 101, 2132-2156.

(*) Mian, A., Rao, K., & Sufi, A. (2013). [Household Balance Sheets, Consumption, and the Economic Slump](#). *Quarterly Journal of Economics*, 128(4), 1687–1726.

Sinai, T., & Souleles, N. (2005). [Owner-Occupied Housing as a Hedge Against Rent Risk](#). *The Quarterly Journal of Economics*, 120(2), 763-789.

(*) Stroebel, J., & Vavra, J. (2018). [House Prices, Local Demand, and Retail Prices](#). *Journal of Political Economy*, forthcoming.

Week 11: Financially-Constrained Households & Monetary and Fiscal Policy (November 30, 2018)

Empirical Strategy: Regression Discontinuity Estimation

Agarwal, S., Amromin, G., Chomsisengphet, S., Piskorski, T., Seru, A., & Yao, V. (2015). [Mortgage Refinancing, Consumer Spending, and Competition: Evidence from the Home Affordable Refinancing Program](#). *NBER Working Paper*.

(*) Agarwal, S., Chomsisengphet, S., Mahoney, N., & Stroebel, J. (2018). [Do Banks Pass Through Credit Expansions to Households Who Want to Borrow](#). *The Quarterly Journal of Economics*, 133(1), 129-190.

Auclert, A. (2016). [Monetary Policy and the Redistribution Channel](#). *Working Paper*.

Aydin, D. (2016). [The Marginal Propensity to Consume Out of Liquidity](#). *Working Paper*.

Baker, S. (2018). [Debt and the Consumption Response to Household Income Shocks: Validation and Application of Linked Financial Account Data](#). *Journal of Political Economy*, 126(4), 1504-1557.

Carroll, C.D. (1997). [Buffer-Stock Saving and the Life Cycle/Permanent Income Hypothesis](#). *The Quarterly Journal of Economics*, 112(1), 1–55.

(* Di Maggio, M., Kermani, A., Keys, B., Piskorski, T., Ramcharan, R., Seru, A., and Yao, V. (2017). [Monetary Policy Pass-Through: Mortgage Rates, Household Consumption and Voluntary Deleveraging](#). *American Economic Review*, 107(11), 3550-88.

Johnson, D.S., Parker, J. A. & N. S. Souleles. (2006). [Household Expenditure and the Income Tax Rebates of 2001](#). *American Economic Review*, 96(5), 1589–1610.

(* Parker, J. A., Souleles, N. S., Johnson, D. S., & McClelland, R. (2013). [Consumer Spending and the Economic Stimulus Payments of 2008](#). *American Economic Review*, 103(6), 2530-2553.

Week 12: Climate Change, Financial Markets, and Household Responses (December 14, 2018)

Note: Understanding the economic effects of climate change, and households' responses to them is what I think one of the most important and understudied research topics.

Bakkensen, L., & Barrage, L. (2018). [Flood Risk Belief Heterogeneity and Coastal Home Price Dynamics: Going Under Water?](#) *Working Paper*.

(* Engle, R., Giglio, S., Kelly, B., Lee, H., Stroebel, J. (2018). Hedging Climate Change News, *Review of Financial Studies*, *Forthcoming*

(* Bernstein, A., Gustafson, M., & Lewis, R. (2018). [Disaster on the Horizon: The Price Effect of Sea Level Rise](#). *Journal of Financial Economics* (*forthcoming*).

Choi, D., Gao, Z., & Jiang, W. (2018). [Attention to Global Warming](#). *Working Paper*.

(* Giglio, S., Maggiori, M., Rao, K., Stroebel, J., & Weber, A. (2018). [Climate Change and Long-Run Discount Rates: Evidence from Real Estate](#). *Working Paper*.

Murfin, J., & Spiegel, M. (2018). Is the Risk of Sea Level Rise Capitalized in Residential Real Estate? *Working Paper*.