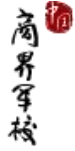




PHBS

北京大学汇丰商学院



Course Code

Course Name: Household Finance (EE &FE) Module 3, Academic Year 2025-2026

Course Information

Instructor: Yicheng Wang

Office: PHBS Building, Room 725

Phone: 86-755-2603- 5290

Email: wangyc@phbs.pku.edu.cn

Office Hour: TBA

Teaching Assistant: TBA

Phone:

Email: TBA

Classes:

Lectures: TBA

Venue: TBA

Course Website:

If any.

1. Course Description

1.1 Context

Course overview:

The main purpose for this elective course includes:

(1) Students will be exposed to various topics related to household finance and financial markets, including using different methodologies and different applications in China and in the US.

(2) At the end of the day, I hope students will be familiar with frontier research topics and different methodologies, and are ready to explore new and different topics related to household finance. Students are expected to be able to start their own research ideas/projects with some specific, narrowed-down topic related to household finance, and I hope this course can help. As a quite standard requirement, students are expected to read papers, discuss, and present papers in class.

In particular, this course will examine households' important financial decisions under different environments. We mostly focus on empirical studies. Topics will include: (1) Households' consumption and saving with uncertainty, with financial market frictions and credit market imperfections (Lectures including Introduction of basic economic theory, Classical Empirical studies and applications on this topic, and also Empirical studies on Chinese Households); (2) Households' decisions of entry into entrepreneurship, starting up new businesses and investing in young firms, with different backgrounds and possible financial market frictions (Empirical applications and studies for related topics from different countries, China empirical applications for households' entrepreneurship; and Quantitative theory as well); (3) Asset market participation and Households' financial portfolio choices in a variety of environments, with

different risk preferences, different background risks, different degree of credit market frictions (Mostly Empirical studies).

Prerequisites:

At least intermediate-level knowledge in Macroeconomics (e.g. Macroeconomics I)

Intermediate-level knowledge in Econometrics

1.2 Textbooks and Reading Materials

There is no required textbook for this course. Mostly, we will be based on lectures and papers. See the following course schedule for more details.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	Problem sets Term paper
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	Presentation
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	Presentation Participation and class discussion
	2.2. Students will be able to apply leadership theories and related skills.	Presentation
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	Lectures and Presentation
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	Problem sets Presentation
	5.3. Our students will demonstrate competency in critical thinking.	Problem sets Presentation

2.2 Course specific objectives

See the Course overview for more details.

2.3 Assessment/Grading Details

Assessment component	Weights and Evaluations
Class Participation	10% of final grading;
Class Discussions	10% of final grading; You are strongly encouraged to discuss and comment in the class.
Homework: including Problem sets and/or paper reading reports	50% of final grading; Teamwork and group discussion are encouraged. Students should submit their own, separate solutions. Home works will be graded by recognizing students' efforts and learning process.
Class Presentation	30% of final grading; Choose from the listed papers (see below) and/or any paper not listed but should send it to me and have my review and permission first.

More details:

Class Presentation:

Evaluation will mainly be based on clarity of the presentation: what's new in this paper? Why is it important to the literature? What are the data sets, methods, and the main message in this paper? You are free to choose your classmates and form a team (less than 3 students for a team).

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or

communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

AI tools requirements:

Using AI tools to complete assignments or assessments without the approval of the course instructor will be regarded as an act of academic dishonesty. Depending on the severity of the situation, penalties will be implemented in accordance with the provisions of the Peking University Graduate Student Handbook.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

3. Topics, Teaching and Assessment Schedule

Time	Class Coverage
Week 1-2	<p>Course introduction/Administration</p> <p>Review/Introduction on Theory for Households' consumption and saving: (Reference: Romer Ch. 8)</p> <ul style="list-style-type: none"> ➤ Permanent income hypothesis ➤ With uncertainty and different preferences ➤ With credit constraint and income shocks ➤ A Two-period model of consumption and saving, with idiosyncratic income shocks and credit constraint. Algorithms and Numerical solutions (Matlab, or any other software for numerical computation).
Week 3-4	<p>Empirical studies on Households' consumption and saving</p> <ul style="list-style-type: none"> ➤ Consumers React to Anticipated Income Changes; Hsieh (2003, AER) ➤ Do Liquidity Constraints and Interest Rates Matter for Consumer Behavior? Gross and Souleles (2002, QJE) ➤ Household Expenditure and the Income Tax Rebates of 2001. Johnson, Parker and Souleles (2006, AER) ➤ Consumer Spending and the Economic Stimulus Payments of 2008 (Johnson, Parker, Souleles and McClelland, 2013 AER)

	<p>Chinese Empirical Applications:</p> <ul style="list-style-type: none">➤ Why are saving rates of urban households in China rising? Chamon, Prasad, (2010, AEJ Macro)➤ Income uncertainty and household savings in China, Chamon, Liu, Prasad (2013, JDE)➤ Breaking the “iron rice bowl:” Evidence of precautionary savings from the chinese state-owned enterprises reform; He, Hui, Feng Huang, Zheng Liu, and Dongming Zhu (2018, JME)
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Week 5-6	<p>Households and Entrepreneurship:</p> <ul style="list-style-type: none"> ➤ Age and High-Growth Entrepreneurship; Jones, Kim, et al. (2020, AER: INSIGHTS) ➤ Liquidity constraints, household wealth and entrepreneurship, Erik Hurst, (2004 JPE) ➤ Entrepreneurship and Bank Credit Availability; Black and Strahan, (2002, JF) ➤ House Prices, Collateral, and Self-Employment; Adelino, Schoar, Severino (2015, JFE) ➤ Housing Collateral and Entrepreneurship; Sraer and Thesmar, (2017, JF) ➤ Entrepreneurship, saving, and social mobility; Quadrini (2000, RED) ➤ Entrepreneurship, frictions, and wealth distribution; Cagetti, Nardi (2006 JPE) <p>Chinese Applications:</p> <ul style="list-style-type: none"> ➤ [Reading material only, not for presentation] Who are China's entrepreneurs? Qian, Roland, et al (2006, AER P&P) ➤ Credit Constraints, Job Mobility and Entrepreneurship: Evidence from a Property Reform in China; Shing-Yi Wang (2012, REstat) ➤ Growing like china. Z Song, K Storesletten, F Zilibotti - American economic review, 2011. ➤ [Reading material only, not for presentation] Housing price and entrepreneurship in China, Li and Wu, (2014 JCE) ➤ [Reading material only, not for presentation] Self-employment in urban China: Networking in a transition economy, Yueh (2009 CER)
Week 7	<p>Households' Asset market participation and Households' financial portfolio choices</p> <ul style="list-style-type: none"> ➤ A Two-period model of Portfolio choice, with income shocks and incomplete markets. Algorithms and Numerical solutions (Matlab, or others). ➤ Angerer, Z. and P.S. Lam. 2009. "Income risk and portfolio choice." Journal of Finance 64 (2):1037-1055. ➤ [Reading material only, not for presentation] The best performing economy with the worst performing market: Explaining the poor performance of the Chinese stock market. Allen, Qian, Shan and Zhu, 2014, NBER working paper. ➤ Portfolio choice in the presence of background risk (Heaton and Lucas, 2000, Economic Journal) ➤ Portfolio Choice and Asset Prices: The Importance of Entrepreneurial Risk (Heaton and Lucas, 2000, JF)
Week 8-9 Students' presentations	<p>topics related to Household Finance</p> <p>Lists of related papers and materials (and those not covered in class in the above lists)</p> <p>More on income and consumption:</p> <ul style="list-style-type: none"> ➤ Guvenen, F., Ozkan, S., & Song, J., "The nature of countercyclical income risk," Journal of Political Economy, 122(3), (2014), pp. 621–660. ➤ Carroll, C.D., "Precautionary saving and the marginal propensity to consume out of permanent income," Journal of Monetary Economics, 56 (2009), pp. 780-790. ➤ Gourinchas, P.-O., & Parker, J.A., "Consumption over the life cycle," Econometrica, 70(1), (2002), pp. 47–89.

More on household balance sheets and consumption dynamics:

- 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.
- Auclert (2019). Monetary policy and the redistribution channel. *American Economic Review*, 2333--67.
- Kaplan, G., Mitman, K., & Violante, G. (2020). Non-durable Consumption and Housing Net Worth in the Great Recession: Evidence from Easily Accessible Data. *Journal of Public Economics*.
- 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.
- Stroebel, J., & Vavra, J. (2018). House Prices, Local Demand, and Retail Prices. *Journal of Political Economy*.
- Berger, D., Guerrieri, V., Lorenzoni, G., & Vavra, J. (2018). House Prices and Consumer Spending. *Review of Economic Studies*, 85(3), 1502-1542.
- Cloyne J., C. Ferreira, & P. Surico (2020). Monetary policy when households have debt: new evidence on the transmission mechanism. *Review of Economic Studies*, 87(1), 102--129.
- "Monetary Policy and the Labor Market: A Quasi-Experiment in Sweden," John Coglianesi, Maria Olsson, and Christina Patterson, August 2024, University of Chicago Working paper.
- Guvenen, Fatih and Karahan, Fatih and Ozkan, Serdar and Song, Jae. (2021) What do data on millions of US workers reveal about lifecycle earnings dynamics? *Econometrica*, 89(5), 2303--2339.
- Demyanyk, Yuliya and Loutschina, Elena and Murphy, Daniel. (2019) Fiscal stimulus and consumer debt. *Review of Economics and Statistics*, 101(4), 728--741.
- Kreiner, Claus Thustrup and Lassen, David Dreyer and Leth-Petersen, Soren. (2019) Liquidity constraint tightness and consumer responses to fiscal stimulus policy. *American Economic Journal: Economic Policy*, 11(1), 351--379.
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More on household portfolio choices:

- [[Reading material only, not for presentation](#)] Income risk, borrowing constraints, and portfolio choice. L Guiso, T Jappelli, D Terlizzese - *The American Economic Review*, 1996.
- Vissing-Jorgensen, A., "Limited Asset Market Participation and the Elasticity of Intertemporal Substitution," *Journal of Political Economy*, 110.4, (2002), pp. 825-853.
- Cocco, J.F., Gomes, F.J., & Maenhout, P.J., "Consumption and portfolio choice over the life cycle," *Review of Financial Studies*, 18.2, (2005), pp. 491-533.
- Livshits, I., MacGee, J., & Tertilt, M., "Consumer Bankruptcy: A Fresh Start," *American Economic Review*, 97.1, (2007), pp. 402-418.
- Palia, D., Y. Qi, and Y. Wu. 2014. Heterogeneous background risks and portfolio choice: Evidence from micro-level data." *Journal of Money, Credit and Banking* 8 (46):1687-1720.
- The deposits channel of monetary policy. Drechsler, Itamar and Savov, Alexi and Schnabl, Philipp. *The Quarterly Journal of Economics*, 132(4), 1819--1876, 2017.
- A model of retail banking and the deposits channel of monetary policy. Choi, Michael and Rocheteau, Guillaume, *Journal of Monetary Economics*, 139, 127--147, 2023.
- Stock market wealth and the real economy: A local labor market approach. Chodorow-Reich, Gabriel and Nenov, Plamen T and Simsek, Alp. *American Economic Review*, 111(5), 1613--1657, 2021.

More on Household social interactions and preferences:

- Hong, H., J. Kubik and J. Stein (2004). "Social Interaction and Stock-Market Participation", *Journal of Finance*, 59, 137-63.
- Kaustia, M. and S. Knüpfer (2012). "Peer Performance and Stock Market Entry", *Journal of Financial Economics*, 104(2), 321-338.
- Kuhn, P., Kooreman, P., A. Soetevent, and Kapteyn, A. (2011). "The Effects of Lottery Prizes on Winners and Their Neighbors: Evidence from the Dutch Page 7 of 2 Lottery", *American Economic Review*, 101, 2226-47.

4. Miscellaneous

All relevant materials (e.g., lecture slides, reading papers, and other reference materials) will be distributed in class or uploaded to the course website.