

**Econ 3883 - Special Topics: Economics and Personal Finance**  
**Fall 2019 - BAC 206 MWF 12:30pm-1:20pm.**

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**Instructor:** Andrew Davis, andrew.davis@acadiau.ca

**Office Hours:** 9:30-11:30am, Tuesday and Thursday, BAC 344, or by appointment.

**Course Description:** There is no calendar blurb for this course, as this introductory offering is being given under a special topics label. This course is not a course in personal financial management, but rather a course in understanding the environment in which personal financial decisions are made. It will stress exposure to and understanding economic literature and cover a broad range of topics not otherwise covered at Acadia including behavioural and computational economics.

**Prerequisite:** ECON 1013, ECON 1023, ECON 1613, MATH 1613 or MATH 1013. The course will regularly make use of statistical concepts, Excel, introductory price theory, and additionally sometimes basic calculus and Python programming.

**Textbook:** I have not found a good textbook that adequately covers the topics I want to cover. All personal finance texts I have reviewed (Kapoor et al and Madura/Gill are the default Canadian options, plus some US texts) are very short on the economics, though they do serve for parts of the course. At least for this first version of the course, we will proceed without a textbook and pocket the savings, though I welcome your suggestions if you happen to read something good on your own.

Since there is no textbook, I have prepared slides that are consequently rather wordy and will try to provide supplemental notes and readings at appropriate junctures.

**Materials:** This class will make use of a variety of materials. In particular, you will occasionally need a computer running a spreadsheet. You will also require the ability to modify, write, and execute Jupyter Python notebooks, which can be done freely online at either Microsoft Azure Notebooks or Google Colaboratory, or by downloading Jupyter/Python to your local machine. See ACORN for more details and for .ipynb files.

**Topics Covered:** A brief sketch of topics is given below. Progression will be determined in part by student interest, amount of discussion, and difficulty.

Life-cycle income and determinants: Analysis of the standard life-cycle profile of income. Introduction to returns from experience and returns from education. Gender wage differentials. Unemployment scarring and other determinants of life-cycle income.

Theory of interest: Simple and compound interest. Annuities, discounting, and present value. Interest and decision making under risk neutrality. Alternatives to risk neutrality. Monte Carlo simulation in Excel and Python.

Consumption, savings, and debt: A theoretical analysis of the consumption-savings choice. Durable versus nondurable consumption. Retirement needs and related government programs.

Types of debt. Optimal savings behavior and the Euler equation, decision making under risk aversion. Monte Carlo simulation in Excel and Python.

Consumption: Breakdown of consumption categories over the life-cycle. Theory of sales, loyalty programs, and price discrimination. Introduction to behavioural economics in the context of consumption choices.

Housing: Housing markets, returns to housing. Costs of moving. Household formation. Economies of scale within households.

Investing and asset markets: Types of investments. Risk and return. Diversification. Efficient markets hypothesis and market factors. Active versus passive investing. Fees. Monte Carlo simulation in Excel and Python.

Taxation: Tax advantaged accounts. Taxation of different types of income. Types of taxes. Marginal versus average rates. Tax and retirement planning.

Policy: Examination of policies designed to influence personal financial decisions with priority on recent news; includes homebuyer's equity plan, expansion of CPP, mandatory disclosure of investment fees. Subject to change depending on news cycle.

Topic	Week
Life-cycle income and determinants	1
Theory of interest	2-3
Consumption, savings, and debt	4-5
Consumption	6
Housing	7
Investing and Asset Markets	8-11
Taxation	12
Policy	13

**Grading:**

- Interest Assignment: 10%
- Data Assignment: 10%
- Writing Assignment: 10%
- Literature Assignment: 10%

- Simulation Assignment: 10%
- Investing Assignment: 10%
- Policy Assignment: 10%
- Practice Final: 10%
- Final: 20%
- Class participation: 3% (bonus)

Assignments are a key part of this course and their weight cannot be shifted to the final. The final will be comprehensive. Assignments cannot be done in groups, though they can be passed in early if desired. Please do your assignments independently! I will accept late assignments at a penalty of 1% per day.

**Interest Assignment:** This will be a very standard problem set based off the work we did on the theory of interest and returns.

**Data Assignment:** Understanding the data and being able to work with data is a key skill for economists practicing in any field of study. This assignment will be based around retrieving data from formal sources and deploying it to present a compelling narrative on a topic related to personal financial economics. More details provided on ACORN.

**Writing Assignment:** This assignment is based around reviewing and critiquing a popular piece of writing on personal finance. There is a massive market for accessible writing on many of the issues we discuss in this course. Pass in an essay of up to 1000 words, along with a copy of the article/column/etc that is the subject of your piece. I will not provide suggestions for this assignment - I expect you to find your own subject, though I encourage you to check with me in advance if it works. Broadly, these are likely to be about either policy related to personal finance or financial management. More details on ACORN.

**Literature Assignment:** This assignment asks you to review an academic piece of writing on personal finance, broadly defined. Suggestions will be provided on ACORN, but you are encouraged to do your own research to find a topic that you're particularly interested in. In an essay of up to 1000 words, explain the paper. What's the argument, what assumptions does it rest on? What contribution does it make? Can you follow it?

**Simulation Assignment:** This assignment asks you to create a Python/Jupyter simulation based around a personal financial topic. I realize that coding may be unfamiliar to some of you - but I think this is a valuable exercise. Please do not just recycle code that I provided in class.

**Investing Assignment:** This assignment will ask you to report on and analyze the performance of different investments. Details on ACORN.

**Policy Assignment:** This assignment asks you to evaluate an economic policy related to this course in an essay of up to 1000 words. The class will collectively decide on the policy to be studied.

**Practice Final:** In preparation for the final, I will distribute a practice final as an assignment. The final will be comprehensive.

**Class Participation:** Contributing to the class environment creates positive externalities and consequently I am willing to subsidize this. Good attendance does not contribute towards class participation marks, though poor attendance and/or repeatedly distracting class does subtract.

Note that Acadia has changed grading systems starting in Fall 2019, leaving it up to individual instructors to decide what letter grades mean. I view one of the key roles in a grading system as providing a clear understanding of what you've achieved and accomplished. This means both within Acadia, but also externally. The grade system below is, from my research, the most commonly adopted one in Canada, and hence what I will use for this course.

A+: 90%+	A: 85%-89%	A-: 80%-84%
B+: 77%-79%	B: 73%-76%	B-: 70%-72%
C+: 67%-69%	C: 63%-66%	C-: 60-62%
D+: 57-59%	D: 53-56%	D-: 50-52%
F: ≤50%		

**Disabilities and Access:** If you are a student with documentation for accommodations who anticipates needing supports or accommodations, please contact Marissa McIsaac, Accessibility Resource Facilitator at 902-585-1520, [disability.access@acadiau.ca](mailto:disability.access@acadiau.ca) or Emily Duffett, Accessibility Officer, 902-585-1823, [disability.access@acadiau.ca](mailto:disability.access@acadiau.ca). Accessible Learning Services is located in Rhodes Hall, rooms 111-115.

**Academic Honesty:** <http://registrar.acadiau.ca/studentinfoandresponsibilities.html>

**Important Dates:**

- Sept. 4 - First class.
- Sept. 13 - Last day to drop without a W.
- Oct. 4 - Interest and Data assignments due.
- Oct. 14 - Thanksgiving. No class.
- Oct. 28 - Nov.1 - Fall Break. No class.
- Nov. 4 - Writing and Simulation assignments due.
- Nov. 11 - Remembrance Day. No class.
- Nov. 15 - Last day to withdraw with a W.
- Dec. 9 - Last class. Investing, Literature, Policy, and Practice Final assignments due.