

## Writing Assignments

### *Writing Assignment #1:*

Your first writing assignment is to explore the link between financial education and good financial decision making. You may argue one of the following positions:

1. Investor education is an adequate tool to promote effective financial decision making.
2. Financial education is an inadequate tool to promote effective financial decision making.

Your paper should discuss the connection between education and financial practices as well as the behavioral finance approach. You may choose to center your paper around the individuals vulnerability to fraud and if education is an effective tool to reduce this vulnerability.

*The following readings must be referenced in your paper.*

Ruffenach, Glenn. Confessions of a Scam Artist, Wall Street Journal, august 9, 2004, page R1

Marianne Hilgert & Jeanne Hogarth & Sondra Beverly, 2003. "Household financial management: the connection between knowledge and behavior." Federal Reserve Bulletin, Board of governors of the Federal Reserve System. (US) Issue Jul, pp. 309-322.

Lusardi, Annamaria. Financial Literacy: An Essential Tool for Informed Consumer Choice? June 2008. NBER Working Paper No. W14084.

Lusardi, Annamaria. "Saving and the effectiveness of financial education." Published in "Pension Design and Structure: New lessons from behavioral finance." edited by O. Mitchell and S. Utikus, Oxford University Press, 2005.

*At least two of the following readings must be referenced in your paper.*

Malkeil, B. 2005 Reflections on the Efficient Market Hypothesis: 30 Years Later." The Financial Review. 1-9.

Shiller, R. 2001. Bubbles, Human Judgment and Expert Opinion. Cowles Foundation Discussion Paper, NO 1303

Shiller, R. 2002. From Efficient Market theory to Behavioral Finance. Cowles Foundation discussion Paper, No. 1385

*Writing assignment #2.*

Discuss the current mortgage crisis from either of the two perspectives.

- 1) The crisis is largely the result of excessive borrowing on the part of consumers who should have known better than to get over their heads.
- 2) The crisis is largely the result of shortcomings in the institutional framework governing the mortgage market.

*Each of the following papers must be referenced in your paper.*

Hudson, M June 30, 2008. IndyMac: What went Wrong? How an “Alt-0A” Leader Fueled its Growth with Unsound and Abusive Mortgage Lending. Center for Responsible Lending Report.

Shiller, R. 2006 Long Term Perspectives on the Current Boom in Home Prices. Economists' Voice. Pp 1-10.

Pollack, A. 2008 the Human foundations of Financial Risk. American Enterprise Institute for Public Policy Research.

Munger C. (1995). the Psychology of Human Misjudgment. Speech at Harvard Law School.