Proposal

Eco 361

Housing Bubble

The economists apply the term ‘bubble’ in the housing market as a specific time period when real estate prices are inflated more than their real value in the market. During this period, the prices are so inflated in a disproportionate way when compared to the cost of living indicators such as income. The housing bubble in the United States took place between the years 1994 and 2006/7. It is during the housing bubble period that lenders in some of the developed countries such as the UK, US and parts of Europe identified an opportunity in the booming housing market.

The topic is relevant to microeconomics because of the following; it addresses what is likely to occur when the specific economic choices are executed or an alteration to the factors of production, it also addresses the effect of change on one of the factors and its subsequent high prices on the houses as a result of the lenders quest to benefit by selling the house at a higher price hence encouraging a favorable climate for risk taking. The topic finally involves factors of supply or resource availability and its subsequent impact on the businesses such as the real estate.

The course concepts to be applies in this topic include; demand which entails a consumer’s desire and willingness to pay for a good or service. It will also include supply which entails the quantity available at a given price. Finally, microeconomic pricing regarding a model on the manner in which prices are set in the market will also used.

Resources to be used

1. Breeden, J. L., & Canals-Cerdá, J. J. (2016). Consumer risk appetite, the credit cycle, and the housing bubble.
2. Conlon, J. R. (2015). Should central banks burst bubbles? Some microeconomic issues. *The Economic Journal*, *125*(582), 141-161.