Economics 4230: Macro-Modeling

Fall 2023, University of Pennsylvania

Instructor: Alessandro Dovis

Website: https://www.alessandrodovis.com/

Contact: E-mail: adovis@upenn.edu
Office: PCPE 537

Lecture Times: Monday and Wednesday 1:45-3:15pm.
Lecture Location: MCNB 395

Office Hours: Tuesdays 11:00am-noon and by appointment.

Teaching Assistant: The TA for the course is Luigi Falasconi. His e-mail address is luigif@sas.upenn.edu. He will have office hours on Thursday 3:00-5:00 PM in PCPE 208.

Course Website: Course information is available in Canvas. Canvas is the official channel I will use to make announcements, post slides, problem sets, exercises, and relevant papers for you to read.

Course Description: This is a one-semester course in macro-finance. We will study the role of financial markets, financial intermediaries, financial frictions, and asset prices for the aggregate economy. We will study the causes of financial crises and what policies can do to avoid these crises or mitigate their effects. We will study the role of government debt and monetary policy in financial markets and study the link between financial and sovereign debt crises. For example, we will study how the prospects of a bailout induces banks and financial intermediaries to take on more risk and how ex-ante regulation can prevent this.

Pre-requisites:

- Intermediate Micro and Intermediate Macro: Econ 2100 and Econ 2200.
- Calculus: Math 1070-1080 or Math 1400-1410.
Grading: Your grade will be based on:

- **3 problem sets (1/8 of total grade each)** You are allowed (actually encouraged) to work with other students on the problem sets but each must submit their own copy. Problem sets will consist of: i) answering theoretical questions, ii) data work, iii) reading articles and prepare summary/answer questions about the articles. You will have about 10 days to finish each problem set.

- **2 in-class midterms (1/6 of total grade each).** These are closed book exams and will be scheduled during class time.

- **1 group class presentation (1/8 of total grade).** We will form groups of students that will present a research paper in the last one/two classes (depending on enrollment) of the course. The research papers study a financial or a sovereign debt crisis. The goal of the presentation is to summarize the content of the research paper and connect it to the tools and concepts that we developed throughout the course. Each group must prepare slides for their presentation. The slides will be shared on the class page on canvas. The presentations are part of the material you are responsible for the final take-home exam.

- **1 take-home exam (1/6 of total grade).** This is an open book exam and you are not allowed to work with your classmates. You will have 36 hours to finish the take-home final exam.

Tentative schedule for in-class midterms:

- Midterm 1: October 4 or 9
- Midterm 2: November 6 or 8

The take-home exam will be assigned on December 14 and will be due on December 15. If a student has a valid excuse to miss one of the midterms, the missed event may be made up in one of two ways that are to be decided by the instructor:

- the student will take a make-up version for midterm; or
- the student will be excused from the missed event, and the weight of that event in the overall course grade will be reassigned to the average of the other midterms.
We will make every effort to have the midterms and problem sets graded and handed back in one week. If you have any concern with the grade, you have one week to return your test with a written explanation of why you think the grade is incorrect. After that week, grades cannot be modified.

**Course Policies:** The Department of Economics maintains a common set of policies that apply to all classes. Taking this class you agree to abide by these policies. You are encouraged to read these policies carefully. Full details can be found here: [http://economics.sas.upenn.edu/undergraduate-program/course-information/guidelines/policies](http://economics.sas.upenn.edu/undergraduate-program/course-information/guidelines/policies)

**Reading List**

The slides and lecture notes I will post on canvas are the required material for the course. There is no required textbook.

During the class, I will make connections to current advances in research and to policy issues. The following readings are complementary to my lectures. I will indicate during the course of the class which are required (and I will likely add more). I will also post articles from Financial Times, The Economist, The Wall Street Journal related to the topics we are covering.

1. **Role of financial intermediation and financial frictions**


2. Bailouts and financial regulation


4. Monetary Policy and Sustainability of Government Debt


- “Monetary and Fiscal History of Latin America” project at the Becker-Friedman Institute: https://mafhola.uchicago.edu/


Possible papers and episodes for group in-class presentations:

Some of the research papers listed below are more technical than the material we covered in class. You will not be required to understand all such technical details but you must understand and convey the key message of the paper and put it in context to what you learned in class.
- Great Depression
- Latin American Crisis 1984
- Japan (90s)
- Mexican crisis 1994-95
- European debt crisis
- 2008 crisis and its aftermath
- Huarong-Evergrande-Country Garden