

Homepage Econ 4230, Spring 2025



Macro Modeling

José Víctor Ríos Rull

Times, People and Location

- Lectures MW 1:45-3:14PM, PCPE 100
- CANVAS (for fetching and placing homeworks)
- Office Hours PCP 516: Mon 3:30-4:30 and by appointment. vroj@upenn.edu

Diary of Classes

Teaching Slides

- Slides for Parts I and II
- Slides for Parts III and IV
- Slides for corrective Taxation (Pigou Taxation)
- Slides for Climate Change Teach

Handout Slides

- Slides for Parts I and II in Handout format
- Slides for Parts III and IV in Handout format
- Slides for corrective Taxation (Pigou Taxation) in Handout format
- Slides for Climate Change Handout format

Course Outline and Overview

- Advanced undergraduate class
- Prerequisites: Econ 101 and 102 and math background required to pass these classes (i.e. Math 114, 115 or equivalent, we use calculus).
- Study the impact of fiscal policy (taxation, government spending, government deficit and debt, social security) on individual household decisions and the macro economy as a whole.
- Economics and Climate Change. We will look at the classic problem of an externality and study it in the context of climate change.
- Class consists of model-based analysis, motivated by real world data and policy reforms

Topics Covered

- 1- Some Basic Empirical Facts
 - The Size of the Government

- Some Issues with Measurement
- Inequality in the US and Health
- 2- A Simple Model of Intertemporal Choice
 - Scattered Topics in Policy i: The Fall of Labor Share. Bankruptcy.
- 3- The Full Life Cycle Model
- 4- Positive Analysis of Fiscal Policy
 - Scattered Topics in Policy ii: The Pandemics. The Fall of Fertility. The Troubles of Silicon Valley Bank. The issues with Terra Luna. The Crimes in FTX. Other Timely Ones.
- 5. Pigou Taxation
- 6. Climate Change and the Economy
- 7. Optimal Policy

Textbooks & Required materials

- No textbooks required. Readings will be recommended as the semester goes on. Posted on home page of course.
- You are responsible for all materials discussed in lecture and posted on the class repository, including announcements, deadlines, policies, etc.

Grades

- Homeworks
 - Homework will be available on the Canvas course web page. I will indicate in class and in the course web page <http://www.sas.upenn.edu/~vr0j/4230-25/> when they are posted. The due date of the homework will be stated on the homework.
 - Due in CANVAS by the end of class (3:15pm) of the specified date. Late homework is not accepted. If you cannot make it, please make prior arrangements for your homework to be delivered on time.
 - In order to receive a passing grade in the course, all three homeworkers have to be handed in.
 - Work in groups on homework is permitted, but everybody needs to hand in his/her **own** assignment. Please state whom you worked with. Two students that hand in identical assignments will receive half of the score each.
 - Grading complaints: within one week of the return of the homework, provide a written statement specifying the complaint in detail. I will regrade entire assignment. No guarantee that revised score higher than original score (and may be lower).
- Exams
 - Three midterms each make up 25% of total grade.
 - Not cumulative.
 - Dates: February 19, March 31, April 30.
 - Department policies specify the (few) valid excuses for missing an exam. In case of such one such valid excuse I will either compute the final grade based on the two other exams and the homeworks (which will now have on third weight each) or design a make-up exam to be taken at a suitable date.
- Dates

	Fraction	Points	Date
Homework 1	8.33%	25	Due February 17
Midterm 1	25%	75	February 19
Homework 2	8.33%	25	Due March 26
Midterm 2	25%	75	March 31

Homework 3	8.33%	25	Due April 28
Midterm 3	25%	75	April 30
Total	100%	300	

- Points into Grades

Points Achieved	Letter
285 - 300	A+
270 - 284.5	A
255 - 269.5	A-
240 - 254.5	B+
225 - 239.5	B
210 - 224.5	B-
195 - 209.5	C+
180 - 194.5	C
165 - 179.5	C-
150 - 164.5	D+
135 - 149.5	D
less than 135	F

- Penn Rules
- Penn's Code of Academic Integrity
- Penn's Students Disability Services

Reading Materials

- Data on Inequality
 - Statistics of Income and Wealth Inequality for 2019
 - Inequality when considering Health
- Main Part of the Course
 - Lecture Notes Parts I-IV (Required Reading)
- Generational Accounting
 - Gokhale's (2013): Spending Beyond Our Means
 - Short Version of Generational Accounting (Required Reading)
- 2017 Tax Cuts and Jobs Act
 - Searching for supply-side effects of the Tax Cuts and Jobs Act William G. Gale and Claire Haldeman
 - Corporate Income Tax to GDP Ratio
 - Alan J. Auerbach on Measuring the Effects of Corporate Tax Cuts
 - Barro and Furman on the Macroeconomic Effects of the 2017 Tax Reform
- Case Studies in Banking Troubles
 - The Problem with Credit Suisse
 - The Troubles of Silicon Valley Bank
 - The issues with Terra Luna
 - What happened in FTX?

- Externalities
 - The evidence on the effects of soft drink taxes by Rachel Griffith, Martin O'Connell, Kate Smith and Rebekah Stroud. (Longer Version)
- Climate Change
 - 2023 Intergovernmental Panel on Climate Change (Summary for Policy Makers)
 - Hassler and Krusell (2015): The Climate and the Economy
 - Global Warming of 1.5 Degrees Celsius (IPCC)
 - Policy Change and a Robust Global Climate Policy by John Hassler
- Other
 - Why do Retired Households Draw down their Wealth so Slowly

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