

ECON 8060: Macroeconomics III

Svetlana Pashchenko

Department of Economics

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Email: svetlana@uga.edu

Phone: (706) 542-3667

Office: B455 Amos Hall

Time and Location: M/W 12:45-2:00pm, Orkin D207

Office Hours (subject to change): Friday 12:30-2:00pm, or by appointment, Amos B455
(except for exam days and finals week)

Contact Notes: The best way to contact me is via e-mail. Please include “Macro 3” in the subject of the email.

COURSE DESCRIPTION

This course will give you an overview of some of the important topics in quantitative macroeconomics with heterogeneous agents with a particular emphasis on structural life-cycle models.

PRE-REQUISITES

ECON 8050.

To do assignments for this class, you have to be familiar with some statistical software (e.g. Stata) and computing language (e.g. Matlab, Fortran).

GRADING POLICY

The final grade will be assigned based on the following tasks:

| | |
|------------------|-------|
| HW assignments | - 15% |
| Data project | - 25% |
| Research project | - 60% |

HW assignments

You will receive several assignments during the semester. The results of the assignments will have to be presented in class.

Data project

A documentation of a fact from a micro-data set (SIPP, PSID, MEPS, SCF, CPS, CEX, HRS, NLSY). The task comprises of extraction of data, construction of a sample and calculation of some statistics. You have to prepare a presentation of your findings. Once you choose the task and the dataset let me know.

Research project

The central task for this course is a research project. The tentative list of topics is provided separately. The research project should include:

- Comprehensive literature review
- Review of related institutional details
- Data analysis (ideally, your data project should be linked to your research project)
- Clearly formulated model
- Quantitative analysis of the model. You should create a baseline version where parameters are calibrated to match some data moments. This model should be used for policy analysis.

In-class presentations

I will allocate part of class time for students' presentations. Students will present their hw assignments; preliminary and final results for their research and data projects. For each presentation, slides have to be submitted no later than 24 hours in advance.

Deadlines:

August 27 – HW1 is due

September 3 – research topic should be chosen and short abstract (1 page) submitted

September 17 – extended abstract that includes literature review is due (3 pages)

September 22 – HW2 is due

October 1 – preliminary data analysis is due

October 15 – fully formulated model is due

November 19 – final projects are due

December 2 – revised projects are due

Presentations:

August 27, September 3 – HW1

September 23-24 – HW2

October 20-22 – project progress: data+model

November 17,19 – final projects

RECOMMENDED READING

The reading for this class is mostly comprised of papers. The list of papers we will cover is included below.

GENERAL INFORMATION

Attendance: Given that lectures will be the main material for this course the attendance is required. If you have to miss the class for some (important) reason, tell me beforehand.

UNIVERSITY HONOR CODE & ACADEMIC HONESTY POLICY

I expect all students in this course to fully understand and comply with UGA's culture of academic honesty:

UGA Student Honor Code: "I will be academically honest in all of my academic work and will not tolerate academic dishonesty of others." A Culture of Honesty, the University's policy and procedures for handling cases of suspected dishonesty, can be found at <https://sco.uga.edu>. Every course syllabus should include the instructor's expectations related to academic honesty.

COURSE TOPICS OUTLINE

The following is the tentative course outline. Some topics may be expanded or omitted.

1. Introduction: datasets and facts/puzzles

Datasets: SIPP, PSID, MEPS, SCF, CPS, CEX, HRS, NLS, SHARE

Puzzles/data facts: stock market participation puzzle; credit card debt puzzle; annuity puzzle; cross-county difference in hours worked; wealth inequality; high MPC out of transitory shocks

Reference papers:

Chang, Y., Hong, J. H., & Karabarbounis, M. (2018). Labor market uncertainty and portfolio choice puzzles. *American Economic Journal: Macroeconomics*, 10(2), 222-62.

De Nardi, M., Yang, F. (2014). Bequests and heterogeneity in retirement wealth. *European Economic Review*, 72, 182-196.

Erosa, A., Fuster, L., Kambourov, G. (2012). Labor supply and government programs: A cross-country analysis. *Journal of Monetary Economics*, 59(1), 84-107.

- Guvenen, F., Kuruscu, B., Ozkan, S. (2014). Taxation of human capital and wage inequality: A cross-country analysis. *Review of Economic Studies*, 81(2), 818-850.
- Hendricks, L. (2007). Retirement wealth and lifetime earnings. *International Economic Review*, 48(2), 421-456.
- Kaplan, G., Violante, G. (2014). A model of the consumption response to fiscal stimulus payments. *Econometrica*, 82(4), 1199-1239.
- Krueger, D., Mitman, K., Perri, F. (2018). Macroeconomics and heterogeneity, including inequality. *Handbook of Macroeconomics*.
- Pashchenko, S. (2013). Accounting for non-annuitization. *Journal of Public Economics*, 98, 53-67.
- Prescott, E. (2004). Why Do Americans Work So Much More Than Europeans? *Federal Reserve Bank of Minneapolis Quarterly Review* 28, 2-13.
- Telyukova, I. (2013). Household need for liquidity and the credit card debt puzzle. *Review of Economic Studies*, 80(3), 1148-1177.

2. Consumption/saving: theory and applications

- Aguiar, M., Bils, M., Boar, C. (2025). Who Are the Hand-to-Mouth. *The Review of Economic Studies*, Volume 92, Issue 3,
- Cagetti, M. (2003). "Wealth Accumulation Over the Life Cycle and Precautionary Savings," *Journal of Business and Economic Statistics*, vol. 21, no. 3, pp. 339-353.
- Carroll, C. (1997). Buffer-stock saving and the life cycle/permanent income hypothesis. *The Quarterly Journal of Economics*, 112(1), 1-55.
- Gourinchas, P., Parker, J. (2002). Consumption over the life cycle. *Econometrica*, 70(1), 47-89.
- Hubbard, R., Skinner, J., Zeldes, S. (1995). Precautionary saving and social insurance. *Journal of Political Economy*, 103(2), 360-399.
- Pashchenko, S., Porapakkarm, P. (2025). Saving Motives over the Life-Cycle.

3. Consumption/saving after retirement

- Ameriks, J., Briggs, J., Caplin, A., Shapiro, M. D., & Tonetti, C. (2020). Long-Term-Care Utility and Late-in-Life Saving. *Journal of Political Economy*, 128(6), 2375-2451.
- De Nardi, M., French, E., Jones, J. (2010). Why do the elderly save? The role of medical expenses. *Journal of Political Economy*, 118(1), 39-75.

De Nardi, M., French, E., Jones, J. (2016). Medicaid insurance in old age. *American Economic Review*, 106(11), 3480-3520.

De Nardi, M., French, E., Jones, J. B., McGee, R. (2025). Why do Couples and Singles Save After Retirement? Household Heterogeneity and its Aggregate Implications," *Journal of Political Economy*, Vol 133(3)

Dobrescu, L. (2015). To Love or To Pay: Savings and Health Care in Older Age. *Journal of Human Resources*, 254-299

Lockwood, L. (2018). Incidental bequests and the choice to self-insure late-life risks. *American Economic Review*, 108(9), 2513-50.

Nakajima, M., Telyukova, I. (2020). Home equity in retirement. *International Economic Review*, 61(2), 573-616.

Nakajima, M., Telyukova, I., 2024. Medical Expenses and Saving in Retirement: The Case of U.S. and Sweden. *American Economic Journal: Macroeconomics*, Vol. 17(1)

4. Modeling and estimating labor income process

Bayer, C., Kuhn, M. (2023). Job levels and Wages.

Daly, M., Hryshko, D., Manovskii, I. (2022). Improving the Measurement of Earnings Dynamics. *International Economic Review*, 63 (1).

De Nardi, M., Fella, G., Paz-Pardo, G., 2020. Nonlinear Household Earnings Dynamics, Self-Insurance, and Welfare. *Journal of the European Economic Association*., Vol. 18

Guvenen, F. (2007). Learning your earning: Are labor income shocks really very persistent?. *American Economic Review*, 97(3), 687-712.

Guvenen, F. (2009). An empirical investigation of labor income processes. *Review of Economic Dynamics*, 12(1), 58-79.

Guvenen, F., Karahan, F., Ozkan, S., Song, J., (2021). What Do Data on Millions of U.S. Workers Reveal About Life-Cycle Earnings Dynamics? *Econometrica*, Vol 89(5)

Hryshko, D. (2012). Labor income profiles are not heterogeneous: Evidence from income growth rates. *Quantitative Economics*, 3(2), 177-209.

Karahan, F., Ozkan, S., Song, J. (2023). Anatomy of Lifetime Earnings Inequality: Heterogeneity in Job Ladder Risk vs. Human Capital. *Journal of Political Economy Macroeconomics*, Vol 1(3)

5. Computational OLG models: applications to Social Security reforms

- Caliendo, F., Guo, N., Hosseini, R. (2014). Social security is NOT a substitute for annuity markets. *Review of Economic Dynamics*, 17(4), 739-755.
- Chen, K. (2010). A life-cycle analysis of social security with housing. *Review of Economic Dynamics*, 13(3), 597-615.
- Dotsey, M., Li, W., Yang, F. (2015). Home production and Social Security reform. *European Economic Review*, 73, 131-150.
- Fuster, L., İmrohoroglu, A., İmrohoroglu, S. (2003). A welfare analysis of social security in a dynastic framework. *International Economic Review*, 44(4), 1247-1274.
- Harenberg, D., & Ludwig, A. (2014). Social security and the interactions between aggregate and idiosyncratic risk. *Available at SSRN 2412549*.
- Hong, J. H., Ríos-Rull, J. V. (2007). Social security, life insurance and annuities for families. *Journal of Monetary Economics*, 54(1), 118-140.
- İmrohoroglu, A., Imrohoroglu, S., Joines, D. H. (1995). A life cycle analysis of social security. *Economic Theory*, 6(1), 83-114.
- İmrohoroglu, S., Kitao, S. (2009). Labor supply elasticity and social security reform. *Journal of Public Economics*, 93(7-8), 867-878.
- Kitao, S. (2014). Sustainable social security: Four options. *Review of Economic Dynamics*, 17(4), 756-779.

6. Labor supply and retirement decisions

- French, E. (2005). The effects of health, wealth, and wages on labour supply and retirement behaviour. *The Review of Economic Studies*, 72(2), 395-427.
- French, E., & Jones, J. B. (2011). The effects of health insurance and self-insurance on retirement behavior. *Econometrica*, 79(3), 693-732.
- Merkurieva, I. (2019). Late career job loss and the decision to retire. *International Economic Review*, 60(1), 259-282.

7. Structural models of disability insurance

- Aizawa, N., Kim, S., Rhee, S. (2025). Labor Market Screening and Social Insurance Program Design for the Disabled. *Review of Economic Studies*, Vol 92 (1).
- Kitao, S. (2014). A life-cycle model of unemployment and disability insurance. *Journal of Monetary Economics*, 68, 1-18.

Low, H., Pistaferri, L. (2015). Disability insurance and the dynamics of the incentive insurance trade-off. *American Economic Review*, 105(10), 2986-3029.

Michaud, A., Wiczer, D. (2018). Occupational hazards and social disability insurance. *Journal of Monetary Economics*, 96, 77-92.

8. Topics in macro public finance

Erosa, A., Gervais, M. (2002). Optimal taxation in life-cycle economies. *Journal of Economic Theory*, 105(2), 338-369.

Golosov, M., Tsyvinski, A. (2006). Designing optimal disability insurance: A case for asset testing. *Journal of Political Economy*, 114(2), 257-279.

Golosov, M., Shourideh, A., Troshkin, M., Tsyvinski, A. (2013). Optimal pension systems with simple instruments. *American Economic Review*, 103(3), 502-07.

Heathcote, J., Storesletten, K., Violante, G. L. (2017). Optimal tax progressivity: An analytical framework. *The Quarterly Journal of Economics*, 132(4), 1693-1754.

Hosseini, R., Shourideh, A. (2019). Retirement financing: An optimal reform approach. *Econometrica*, 87(4), 1205-1265.

Huggett, M., Parra, J. C. (2010). How well does the US social insurance system provide social insurance?. *Journal of Political Economy*, 118(1), 76-112.

Karabarbounis, M. (2016). A road map for efficiently taxing heterogeneous agents. *American Economic Journal: Macroeconomics*, 8(2), 182-214.

Ndiaye, A., Yu, Z. (2025) Flexible Retirement and Optimal Taxation.

Pashchenko, S., Porapakarm, P. (2017). Work incentives of Medicaid beneficiaries and the role of asset testing. *International Economic Review*, 58(4), 1117-1154.

9. Frameworks for evaluating changes in longevity

Cordoba J.C., Ripoll, M., (2017). Risk Aversion and the Value of Life. *Review of Economic Studies*, 84.

De Nardi, M., Pashchenko, S., Porapakarm, P. (2025). The lifetime costs of bad health . *Review of Economic Studies*

Hall, R. E., Jones, C. I. (2007). The value of life and the rise in health spending. *The Quarterly Journal of Economics*, 122(1), 39-72.

Murphy, K, Topel, R. (2006). The Value of Health and Longevity. *Journal of Political Economy*, Vol 114 (51).

10. Structural approaches to modeling endogenous health

Aizawa, N., Fang, H. (2020). Equilibrium labor market search and health insurance reform. *Journal of Political Economy*.

Cole, H. L., Kim, S., Krueger, D. (2019). Analyzing the Effects of Insuring Health Risks: On the Trade-off between Short-Run Insurance Benefits versus Long-Run Incentive Costs. *The Review of Economic Studies*, 86(3), 1123-1169.

Fonseca, R., Michaud, P. C., Galama, T., Kapteyn, A. (2018). Accounting for the rise of health spending and longevity. *Journal of the European Economic Association*.

Grossman, M. (1972). On the concept of health capital and the demand for health. *Journal of Political economy*, 80(2), 223-255.

Jung, J., Tran, C. (2016). Market inefficiency, insurance mandate and welfare: US health care reform 2010. *Review of Economic Dynamics*, 20, 132-159.

Margaris, P., Wallenius, J. (2024). Can Wealth Buy Health? A Model of Pecuniary and Non-Pecuniary Investments in Health. *Journal of the European Economic Association*

Ozkan, S. (2025). Income Differences and Health Disparities: Roles of Preventive vs. Curative Medicine. *Journal of Monetary Economics*

Zhao, K. (2014). Social Security and the rise in health spending. *Journal of Monetary Economics*, 64, 21-37.

11. Models with exogenous health evolution

Braun, R., Kopecky, K., Koreshkova, T. (2017). Old, sick, alone, and poor: A welfare analysis of old-age social insurance programmes. *The Review of Economic Studies*, 84(2), 580-612.

Capatina, E. (2015). Life-cycle effects of health risk. *Journal of Monetary Economics*, 74, 67-88.

Capatina, E., Keane, M., 2025. Health Shocks, Health Insurance, Human Capital, and the Dynamics of Earnings and Health. *Journal of Political Economy*

Danesh, K., Kolstad, J., Parker, W., Spinnewijn, J., 2024. The Chronic Disease Index: Analyzing Health Inequalities Over the Lifecycle. NBER Working Paper No. 32577

Hansen, G., Hsu, M., Lee, J. (2014). Health insurance reform: The impact of a medicare buy-in. *Journal of Economic Dynamics and Control*, 45, 315-329.

Hosseini, R., Kopecky, K., Zhao, K. (2022). The evolution of health over the life cycle. *Review of Economic Dynamics*, 45

Hosseini, R., Kopecky, K., Zhao, K. (2025). How Important is Health Inequality for Lifetime Earnings Inequality? *Review of Economic Studies*,

Kopecky, K. , Koreshkova, T. (2014). The impact of medical and nursing home expenses on savings. *American Economic Journal: Macroeconomics*, 6(3), 29-72.

Pashchenko, S., Porapakkarm, P. (2013). Quantitative analysis of health insurance reform: Separating regulation from redistribution. *Review of Economic Dynamics*, 16(3), 383-404.

12. Structural models of lifestyle choices

Bairoliya, N., Miller, R., Nygaard, V., 2024. Exercise or Extra Fries? Behavioral Drivers of Obesity Over the Life Cycle

Bueren, J., Amengual, D., Pijoan-Mas, J., 2025. Education, Lifestyles, and Health Inequality

Mahler, L., Yum, M., 2024. Lifestyle Behaviors and Wealth-Health Gaps in Germany. *Econometrica*, Volume 92(5)

13. Modeling mental health

Abramson, B., Boerma, J., Tsyvinski, A., 2025. Macroeconomics of Mental Health

Cronin, C., Forsstrom , M., Papageorge, N. (2025) What Good Are Treatment Effects without Treatment? Mental Health and the Reluctance to Use Talk Therapy. *Review of Economic Studies*.

Jolivet, G., Postel-Vinay, F. (2025). A Structural Analysis of Mental Health and Labor Market Trajectories. *Review of Economic Studies*

14. Topics in family economics

Adda, J., Dustmann, C., Stevens, K. (2017) The Career Costs of Children. *Journal of Political Economy*, Vol 125(2)

Bick, A., Fuchs-Schundeln, N. (2017) Taxation and labour supply of married couples across countries: A macroeconomic analysis. *Review of Economic Studies*, 85.

Blundell, R., Pistaferri, L.,Sa porta-Eksten, I. (2016), Consumption inequality and family labor supply. *American Economic Review*, Vol. 106.

Borella, M., De Nardi, M., Yang, F. (2023) Are Marriage-Related Taxes and Social Security Benefits Holding Back Female Labor Supply? *Review of Economic Studies*, Vol 90(1)

Doepke, M. Tertilt, M., (2016) Families in Macroeconomics. Handbook of Macroeconomics, Vol. 2B, Chapter 23.

Mommaerts, C. (2025) Long-Term Care Insurance and the Family. Journal of Political Economy, Vol 133(1)

Voena, A. (2015) “Yours, mine, and ours: Do divorce laws affect the intertemporal behavior of married couples?”, American Economic Review, Vol. 105.

Always keep in mind that the course syllabus is a general plan for the course; deviations announced to the class by the instructor may be necessary.

Mental Health and Wellness Resources:

UGA Well-being Resources promote student success by cultivating a culture that supports a more active, healthy, and engaged student community.

Anyone needing assistance is encouraged to contact Student Care & Outreach (SCO) in the Division of Student Affairs at 706-542-8479 or visit sco.uga.edu. Student Care & Outreach helps students navigate difficult circumstances by connecting them with the most appropriate resources or services. They also administer the Embark@UGA program which supports students experiencing, or who have experienced, homelessness, foster care, or housing insecurity.

UGA provides both clinical and non-clinical options to support student well-being and mental health, any time, any place. Whether on campus, or studying from home or abroad, UGA Well-being Resources are here to help.

- Well-being Resources: well-being.uga.edu
- Student Care and Outreach: sco.uga.edu
- University Health Center: healthcenter.uga.edu
- Counseling and Psychiatric Services: caps.uga.edu or CAPS 24/7 crisis support at 706-542-2273
- Health Promotion/ Fontaine Center: healthpromotion.uga.edu
- Disability Resource Center and Testing Services: drc.uga.edu

Additional information, including free digital well-being resources, can be accessed through the UGA app or by visiting <https://well-being.uga.edu>.