

16I036 Trade, Misallocation and Growth

3 ECTS

## Overview and Objectives

The students will learn theoretical tools related to trade, growth and development to rigorously analyze important topics in macroeconomics. In particular, the students will become familiar with the frontier research on growth, with special emphasis on papers analyzing the evolution of productivity both across time and space.

## Course Outline

### TOPICS

- 1) Investment and the price of capital
- 2) Development Accounting
- 3) Multi-sector Models
- 4) Structural Change
- 5) Trade and Productivity
- 6) Misallocation

## Required Activities

### Analytical Problem Sets

There will be **2** analytical problem sets, which will be handed out in the first lecture of weeks 2 and 4. You have to hand in **handwritten** solutions the following week.

**Please note:** the problem sets are **very** necessary work. Points will be assigned according to the fraction of the problem sets that you answered in sufficient detail. Solutions must be **handwritten**.

**IMPORTANT:** Please be aware the probability of passing this course is almost 0 if you do not try and solve the problems yourself. You may work in groups, with a maximum size of 3.

### DATA PROBLEM SETS

Students will be required to prepare 1 data-intensive problem sets over the course of the term. Format and details will be distributed in separate documents. You **must** work in groups, with a size of 2 or 3.

## Evaluation

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The final grade will depend on your performance in a final exam (**70%**), analytical problem sets (**10%**), and data problem sets (**20%**). The final exam is at the end of the term.

### Materials

All the materials taught in the course will be based on papers published in academic journals.

#### Key References:

- Acemoglu, D., and V. Guerrieri (2008): “Capital Deepening and Non-Balanced Economic Growth,” *Journal of Political Economy*, 116(3), 467–498.
- Adamopoulos, T., and D. Restuccia (2014): “The Size Distribution of Farms and International Productivity Differences,” *American Economic Review*, 104(6), 1667– 1697.
- Card, D., and J. E. DiNardo (2002): “Skill-Biased Technological Change and Rising Wage Inequality: Some Problems and Puzzles,” *Journal of Labor Economics*, 20(4), 733–783.
- Caselli, F., and J. Feyrer (2007): “The Marginal Product of Capital,” *Quarterly Journal of Economics*, 535–568.
- Caselli, F., and W. J. C. II (2006): “The World Technology Frontier,” *American Economic Review*, 96(3), 499–522.
- Greenwood, J., Z. Hercowitz, and P. Krusell (1997): “Long-Run Implications of Investment-Specific Technological Change,” *American Economic Review*, 87(3), 342–362.
- Greenwood, J., and P. Krusell (2006): “Growth accounting with investment- specific technological progress: A discussion of two approaches,” *Journal of Monetary Economics*, 54, 1300–1310.
- Hall, R., and C. I. Jones (1999): “Why Do Some Countries Produce So Much More Output per Worker than Others?” *Quarterly Journal of Economics*, 114, 83–116.
- Hsieh, C.-T., and P. J. Klenow (2007): “Relative Prices and Relative Prosperity,” *American Economic Review*, 97(3), 562–585.
- Jones, C. I. (1994): “Economic Growth and the relative price of capital,” *Journal of Monetary Economics*, 34, 359–382.

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- King, R. G., and S. T. Rebelo (1993): “Transitional Dynamics and Economic Growth in the Neoclassical Model,” *American Economic Review*, 83(4), 908–931.
- Krusell, P., L. E. Ohanian, J.-V. Ríos-Rull, and G. L. Violante (2000): “Capital-Skill Complementarity and Inequality: A Macroeconomic Analysis,” *Econometrica*, 68(5), 1029–1053.
- Mankiw, N. (2010): *Macroeconomics*, 7th Edition. Worth Publishers, The Intermediate-Level Textbook Also available as *Macroeconomics and the Financial System*, with Laurence Ball.
- Mankiw, N. G., D. Romer, and D. N. Weil (1992): “A Contribution to the Empirics of Economic Growth,” *Quarterly Journal of Economics*, 408–437.
- Ngai, L. R., and C. A. Pissarides (2007): “Structural Change in a Multisector Model of Growth,” *American Economic Review*, 97(1), 429–443.
- Ngai, R., and R. M. Samaniego (2009): “Mapping prices into productivity in multisector growth models,” *Journal of Economic Growth*, 14, 183–204.
- Piyabha Kongsamut, S. R., and D. Xie (2001): “Beyond Balanced Growth,” *Review of Economic Studies*, 68(4), 869–882.
- Restuccia, D., D. T. Yan, and X. Zhu (2008): “Agriculture and aggregate productivity: A quantitative cross-country analysis,” *Journal of Monetary Economics*, 55, 234–250.