

Syllabus

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Course: Applied Macroeconomics

Professor:

FIRST SEMESTER, 2025

PROGRAM

This course covers recent research topics in economic growth, emphasizing the role of institutions and financial development on growth and economic development. The course discusses applications to Brazil.

BIBLIOGRAPHY

The topics for the lectures are as follows:

1. Misallocation, Financial Frictions and Capital Accumulation
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 - Banerjee and Duflo (2014). “Do Firms Want to Borrow More? Testing Credit Constraints Using a Directed Lending Program”, *Review of Economic Studies*, 81 (2): 572-607.
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 - Bassi, V; Lee, J.; Peter, A.; Porzio, T.; Sen, R.; Tugume, E. (2024). “Self-Employment within the Firm”, Working paper
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- Exler, F., MacGee, J., Livshits, I. and Tértilt, M. (2020). “Consumer Credit with Over-Optimistic Borrowers”, Working paper.
- Farboodi, M. and Kondor, P. (2023). “Cleansing by tight credit: Rational cycles and endogenous lending standards”, *Journal of Financial Economics*, 150(1), 46-67
- Feng, Y. and Ren, J. (2021). “Skill bias, financial frictions, and selection into entrepreneurship”, *Journal of Development Economics*, 162, 103046
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- **Hsieh and Klenow (2009). “Misallocation and Manufacturing TFP in China and India,” *Quarterly Journal of Economics*, 124: 1403-1448.
- Hsieh and Klenow (2014). “The Life Cycle of Plants in India and Mexico,” *Quarterly Journal of Economics*, 129: 1035-1084.
- Huang, E. and Qiu, X. (2023). “Precautionary Mismatch”. Working paper
- Humphries, J.E. and Neilson, C. and Ulysea G. (2020). “Information Frictions and Access to the Paycheck Protection Program”, *Journal of Public Economics*, vol. 190, October 2020.
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- Khan, A., Senga, T. and Thomas, J. (2020). “Default Risk and Aggregate Fluctuations in an Economy with Production Heterogeneity”. Working paper
- Kyiotaki, N., Moore, J., Zhang, D. (2021). “Credit Horizons”. Working paper
- Levine, R., N. Loayza and T. Beck (2000). “Financial Intermediation and Growth: Causality and Causes,” *Journal of Monetary Economics* 46.
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- Restuccia and Rogerson (2008). “Policy Distortions and Aggregate Productivity with Heterogeneous.
- Peter, A. and Ruane, C. (2021). “Distribution Costs and The Size Distribution of Indian Manufacturing Plants ”. Working paper

2. Structural Transformation and Technological Change

- Albert, C.; Bustos, P.; Ponticelli, J. (2024). “The Effects of Climate Change on Labor and Capital Reallocation”, Working Paper
- Adamopoulos, T., Brandt, L. Chen, C. and Restuccia, D. (2022). “Land Security and Mobility Frictions”. Working paper
- Alvarez, V., Chen, C., Pandalai-Nayar, N., Varela, L., Yi, K. and Zhang, H. (2022). “Multinationals and Structural Transformation”. Working paper
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3. Diffusion of Ideas/Technology and Formation of Skills

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 - Tian, Y., Xia, J. and Yang, R. 2021. “Trade-Induced Urbanization and the Making of Modern Agriculture”. Working paper.
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4. The role of the government in the credit market and in the labor market
- Alon, T., Kim, M., Lagakos, D. and Van Vuren, M. (2020). “How Should Policy Responses to the COVID-19 Pandemic Differ in the Developing World?”, Working paper.
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- Dix-Carneiro, R., Goldberg, P., Meghir, C. and Ulyssea, G. (2021). “Trade and Informality in the Presence of Labor Market Frictions and Regulations”. Working paper
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5. Misallocation of talents, specific policies and endogenous productivity

- Alvarez, Benguria, Engbom and Moser (2018). ‘Firms and the Decline in Earnings Inequality in Brazil,’ *American Economic Journal: Macroeconomics*, 10(1): 149-189.
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- Benhamouche, Z. and Martinez, T. (2022). “Misallocation and Human Capital Accumulation over the Life Cycle”. Working paper
- Bettoni, L. and Santos, M. (2022). “The Effects of Public Sector Employment on Household Savings and Labor Supply”, Working paper
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- Cavalcanti, T., Fernandes, L., Rachter, L. and Santos, C. (2022) “Women and Men at Work: Fertility, Occupational Choice and Development”, Working paper.
- **Cavalcanti and dos Santos (2021). “(Mis)Allocation of an Overpaid Public Sector”, *Journal of the European Economic Association*.
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- Cox, A. and Ribeiro, B. (2023). “Spatial Consequences of Corruption: Entry and Location Decisions of Firms”. Working paper
- Cubas, G. and Silos, P. (2021). “Risk and the Misallocation of Human Capital”. Working paper
- Garcia-Macia, D., Hsieh, C. and Klenow, P. (2019). “How Destructive is Innovation?”, *Econometrica*, vol. 85, n. 5.
- Gomes, D., F. Iachan and C. Santos (2020). “Labor Earnings Dynamics with a Large Informal Sector”, *Journal of Economic Dynamics and Control*, 113

- Guner, Ventura, and Xu (2008), “Macroeconomic Implications of Size Dependent Policies,” Review of Economic Dynamics, 11(4): 721-44.
- Hendricks, L. and Schoellman, T. (2023). “Skilled Labor Productivity and Cross-country Income Differences”, American Economic Journal: Macroeconomics, 15(1), 240-268
- Hsieh, Hurst, Jones and Klenow (2019). “The Allocation of Talent and U.S. Economic Growth”, Econometrica, 87(5): 1439-1474.
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- Magalhães, L., Martorell, E. and Santaaulalia-Lopis, R. 2022. “Transfer Progressivity and Development”, Working paper
- Morchio, I. and Moser, C. (2023). “The Gender Pay Gap: Micro Sources and Macro Consequences”, Working paper
- Ngai, R. and Sevinc, O. (2022). “A Multisector Perspective of Wage Stagnation”. Working paper.
- Parente, R. (2023). “Minimum Wages, Inequality, and the Informal Sector”. Working paper
- Pena, W. and Siegel, C. (2023). “Routine-biased technological change, structure of employment, and cross-country income differences”. Working paper
- Porzio, T. (2017). “Cross-Country Differences in the Optimal Allocation of Talent and Technology”, R&R, Econometrica
- Ugarov, A. (2019). “Talent Misallocation across Countries: Evidence from Educational Achievement Tests”, Working paper
- Ulyssea (2018). “Firms, Informality and Development: Theory and Evidence from Brazil,” American Economic Review, 108(8):2015-2047.
- Tkhir, A. 2021. “Education and Tax Policies in the Presence of Informality”. Working paper

P.S.: This list can be updated during the course.

GRADING

Mock referee report of a paper (homework assignment 1, group task): 20%

A referee report should contain:

- A one-half page to one page summary of the paper. The summary should not simply repeat the abstract. If there is a key equation in the paper, put it in the summary with the relevant context. The summary should also include an assessment of the paper’s contribution to the literature.
- Two to four pages of analysis of the paper. What did you like, what could be improved, and what did the authors just get wrong? Make your report a stand-alone document, repeating key arguments or equations from the paper as necessary before praising or critiquing them.
- It should be sent by email up to 11:59 pm of the day when the paper is presented.

Presentation of a paper of your choice to the class (group task, 50 min. with questions): 20%

- It should be sent by email up to 11:59 pm of the day before the presentation.
- Tips for the presentation can be found on:
<https://sites.google.com/site/bertholdherrendorf/presentation-tips>

Presentation of your paper’s idea (group task, 30 min. with questions): 20%

- It should be sent by email up to 11:59 pm of the day before the presentation.
- Tips for the presentation can be found on:
<https://sites.google.com/site/bertholdherrendorf/presentation-tips>

Writeup of paper proposal (homework assignment 3, group task): 30%

The purpose of making the assignment a paper proposal is that I would rather you get 50% of the way toward a project you are excited to continue after the course finishes than you complete a project in the timeframe of the course to which you will never return. You will formulate an original research idea, develop a practical plan for executing the idea, and take initial steps in the execution. The paper may take the following form:

1. Introduction: What is the question and why is the question of interest?
 2. Literature Review: How does your paper fit into the broader literature?
 3. Theoretical Motivation: This could be actual theory or just a sketch of the relevant theory that underlies your question.
 4. Data: What data would you use to answer/address this question? Why the data are well suited to the question?
 5. Methodology: How would you use the data/model to answer your question? Be explicit about identification and causality, keeping in mind that the same set of empirical facts can often support many theories.
 6. Falsification Tests: What other specifications, tests and investigations could either bolster or cast doubt upon the primary tests of your hypotheses?
 7. Preliminary Results: The extent of the results provided will differ across students based on the project and discussions with me.
- It should be sent by email up to 11:59 am (noon) of the day before the presentation.

Class participation (individual task): 10%

PROFESSOR - EMAIL