

## Syllabus

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**Course: Applied Macroeconomics**

**Professor:**

### FIRST SEMESTER, 2024

#### PROGRAM

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

1. The problem of economic development and misallocation
2. Aggregate effects of financial frictions: Theory and evidence
3. The role of the government in the credit market and in the labor market
4. Misallocation of talents, specific policies and endogenous productivity
5. Structural Transformation and Technological Change
6. Diffusion of Ideas/Technology and Formation of Skills

#### BIBLIOGRAPHY

The topics for the lectures are as follows:

1. The problem of economic development, human capital and misallocation
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  - Acemoglu, D. and S. Johnson (2005). "Unbundling Institutions", Journal of Political Economy 113 (5): 949-995.
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- Ehrl, P. and Ribas, R. (2022). “Cultural Productivity and Short-Term Financial Commitment”, Working paper
- Ferriere, A., Navarro, G. and Reyes-Heroles, R. 2021. “Escaping the Losses from Trade: The Impact of Heterogeneity on Skill Formation”. Working paper.
- \*\*Haltiwanger, J., R. Kulick and C. Syverson (2019). “Misallocation Measures: The Distortion that Ate the Residual”, Working paper.
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## 2. Aggregate effects of financial frictions: Theory and evidence

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- \*\*Buera, Kaboski and Shin (2011). “Finance and Development: A Tale of Two Sectors” American Economic Review, 101(5): 1964-2002.
- Buera, Kaboski and Shin (2021). “The Macroeconomics of Microfinance”, Review of Economic Studies, forthcoming.
- Buera, K. and Y. Shin (2013). “Financial Frictions and the Persistence of History: A Quantitative Exploration”, Journal of Political Economy, 121 (2): 221-272

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- Farboodi, M. and Kondor, P. (2021). “Rational Cycles and Endogenous Lending Standards”. Working paper.
- Feng, Y. and Ren, J. (2021). “Structural Change, Financial Frictions, and Selection into Entrepreneurship”. Working paper
- Galor, O. and J. Zeira (1993). “Income Distribution and Macroeconomics”, *Review of Economics Dynamics*, 60 (1): 35-52.
- Huang, E. and Qiu, X. (2021). “Precautionary Mismatch”. Working paper
- Humphries, J.E. and Neilson, C. and Ulyssea G. (2020). “Information Frictions and Access to the Paycheck Protection Program”, *Journal of Public Economics*, vol. 190, October 2020.
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- Levine, R., N. Loayza and T. Beck (2000). “Financial Intermediation and Growth: Causality and Causes,” *Journal of Monetary Economics* 46.
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- Peter, A. (2021). “Owning Up: Closely Held Firms and Wealth Inequality”. Working paper
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### 3. The role of the government in the credit market and in the labor market

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- Brum, A. and Pereira, L. (2022). "Do Fiscal Rules Affect Growth?", Working paper
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- Graham, J. and Ozbilgin, M. (2021). "Age, Industry, and Unemployment Risk During a Pandemic Lockdown". Working paper
- Gomes, P. and Kuehn, Z. (2021). "You're the one that I want! Public employment and women's labor market outcomes". Working paper
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#### 4. Misallocation of talents, specific policies and endogenous productivity

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- Barros Jr., F., Delalibera, B., Nakabashi, L. and Ribeiro, M. (2022). “Misallocation of talent, teachers’ human capital, and development in Brazil”, Working paper
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- Bills, M., Kaymak, B. and Wu, K. 2021. “Labor Substitutability among Schooling Groups”. Working paper.
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- Caunedo, J. and Yurdagul, E. (2018). “Who Quits Next? Firm Growth in Growing Economies”, *Economic Inquiry*, October 2018.
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- Porzio, T. (2017). “Cross-Country Differences in the Optimal Allocation of Talent and Technology”, R&R, *Econometrica*
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- Ulyssea (2018). “Firms, Informality and Development: Theory and Evidence from Brazil,” *American Economic Review*, 108(8):2015-2047.
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## 5. Structural Transformation and Technological Change

- Adamopoulos, T., Brandt, L. Chen, C. and Restuccia, D. (2020). “Mobility Frictions and Misallocation: An Analysis of China’s Land Tenure System”. Working paper
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- Fang, L. and Herrendorf, B. (2020). “High-Skilled Services and Development in China”, Working paper.
- Ferreira, P., Santos, M. and Silva, L. (2022). “Trade, Structural Transformation and Growth in China”, Working paper
- Fons-Rosen, C., Roldan-Blanco, P. and Schmitz, T. 2021. “The Aggregate Effects of Acquisitions on Innovation and Economic Growth”. Working paper.
- Herrendorf, B., Rogerson, R. and A. Valentinyi (2013) “Growth and Structural Transformation”, Handbook of Economic Growth
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- Herrendorf, B. and A. Valentinyi (2012). “Which Sectors Make Poor Counties so Unproductive?”, Journal of the European Economic Association, 7 (2): 323-341
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- Kogan, L., Papanikolaou, D., Schmidt, L. and Seegmiller, B. 2021. “Technological Change and Occupations over the Long Run”. Working paper.
- \*\*Monge-Naranjo, A., P. Cavalcanti and L. Pereira (2023). “Of Cities and Slums”, Revision requested, Journal of Political Economy
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## 6. Diffusion of Ideas/Technology and Formation of Skills

- Adao, R., Beraja, M. and Pandalai-Nayar, N. 2021. “Technological Transitions with Skill Heterogeneity”. Working paper.
- Bento, P. and Olmstead-Rumsey, J. 2021. “Market Concentration and the Productivity Slowdown”. Working paper.
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  - Jonathan Chiu & Cesaire Meh & Randall Wright, 2017. "Innovation and Growth with Financial, and other, Frictions”, *International Economic Review*, 58 (1), 95-125
  - Jovanovic, B. and Wang, Z. 2021. “Idea Diffusion and Property Rights”. Working paper
  - Krusell, Per, and Erika Fäarnstrand Damsgaard, 2010. "The World Distribution of Income: Country TFP choice in a Nelson-Phelps Economy", working paper
  - Lagakos, D., Moll, B., Porzio, T., Qian, N. and Schoellman T. (2018). “Life-Cycle Human Capital Accumulation across Countries: Lessons from US Immigrants”, *Journal of Human Capital*, vol. 12. N. 2.
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  - Tian, Y., Xia, J. and Yang, R. 2021. “Trade-Induced Urbanization and the Making of Modern Agriculture”. Working paper.
  - Vasconcelos, R, 2022. “Effects of Patent Infringements on Innovation and Labor Market Outcomes: Evidence from Brazil”, Working paper.



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

## GRADING

### **Mock referee report of a paper (homework assignment 2, 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 are the data 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**