

# **ECON 221: Macroeconomics, Growth and Development UCSD, Spring 2014**

**David Lagakos**

## **Meetings**

Mondays 2:00pm to 3:20pm in ECON 200  
Wednesdays 2:00pm to 3:20pm in ECON 300

## **Office Hours**

I am happy to meet with you about your research ideas -- email me to arrange a time.

## **Course overview**

The basic questions of the course are (1) why income and productivity differences across countries are so large, and (2) why some countries have grown so much over the last few centuries while others have stagnated. To do better understand these questions we will read and critically evaluate research on the frontier of macroeconomics, growth and economic development (broadly defined). I am open to other topics as well. See below.

## **Course Goals**

Your goal in this course is to make the transition from a consumer of research to a producer/consumer, which you will be throughout the rest of your career as a research economist. My goal will be to help you make this transition. Your specific requirements are:

- (1) to be an active member of the class discussions
- (2) to give one presentation in class on an a paper of interest to you, and
- (3) to develop and submit a research proposal.

Requirement (3) is the most important by far.

## **Grading**

Your grade will reflect my subjective opinion about your potential for producing a successful dissertation in macroeconomics. My opinion will be formed mostly on requirement (3) above. Don't waste any time thinking about your grade. Just try to make the most progress possible towards developing a dissertation idea.

## Paper Presentation

One important aspect of being a researcher is being able to read and critically evaluate research by others on the frontier of your field. To help you develop this skill, I will ask that you give one one-hour presentation on a paper of your choosing (subject to my approval – some paper suggestions are below).

Giving a presentation does not come easy to most people (including me), and so I will try to help you as best I can. In particular, I would like to meet with you at least once before your presentation to go over your slides ***at least one week before your talk is scheduled***. So please schedule a meeting with me at least one week before your talk and have your slides and talk well underway by then. I am more interested at this stage to see your introduction, and the big picture of how you view the paper, rather than the details.

In your presentation, be sure to explain to the audience (1) what the question is, (2) why it is interesting, (3) what the authors conclude and how they reach that conclusion, (4) what the limitations of the study are, and (5) how one could improve upon on the study.

You should be thinking of somewhere in the range of 20 to 30 hours preparation for your presentation. It might take you more than this. Thinking critically about what point a paper is making and why takes a very long time.

Spending a few hours reading the paper and then a few more typing up all the equations in the order they appear in the paper is likely to lead to a very painful presentation for all (especially you!) Do not do this.

## Research Proposal

To help you being to begin work on an original research topic, I will ask you to write a research proposal. The research proposal will ideally serve as the foundation for an academic paper that would turn into part of your dissertation.

I will break this up into two stages. By **Friday, May 9th** I ask that you submit a *Preliminary Research Proposal* which will outline a research question on a topic of importance and interest to you along with a plan to tackle that problem. This should be a couple of pages perhaps.

By the end of the quarter I ask that you submit a *Final Research Proposal* which will be more specific about what your question is and how you plan to address it. I will provide a template for this final proposal a little later in the quarter (my idea is still in its infancy!)

## Reference List

Note: this is a *very* incomplete list of papers on the subject of macroeconomics and development. You are encouraged to look elsewhere for papers of interest on each topic. The list of references on each of the papers is a good place to start. So is the list of recent and upcoming conferences at the NBER (<http://www.nber.org/~confer/>), the program of recent SED annual meetings (<http://www.economicdynamics.org/sed2011.htm>), or the annual Minnesota Macro conference (<http://www.econ.umn.edu/macro/>), or seminar lists at top universities.

(\*) denotes a paper I will most likely present in class

(+) denotes a recommended paper for class presentation

### **Measurement and Development Accounting**

(\*) Caselli (2005) “[Accounting for Cross-Country Income Differences](#),” *Handbook of Economic Growth*

(\*) Gollin (2002) “[Getting Income Shares Right](#),” *Journal of Political Economy*

(\*) Hall and Jones (1999) “[Why do Some Countries Produce So Much More Output per Worker than Others?](#),” *Quarterly Journal of Economics*

(\*) Henderson, Storeygard, Weil (2011) “[Measuring Economic Growth from Outer Space](#)” *American Economic Review*

(\*) Hendricks (2002) “[How Important is Human Capital for Development? Evidence from Immigrant Earnings](#)” *American Economic Review*

(\*) Hsieh and Klenow (2007) “[Relative Prices and Relative Prosperity](#),” *American Economic Review*

(\*) Klenow and Jones (2014) “[Beyond GDP: Welfare Across Countries and Time](#)”

(\*) Lagakos, Moll, Porzio and Qian (2013) “[Experience Matters: Human Capital and Development Accounting](#)”

(\*) Lagakos, Moll, Porzio, Qian and Schoellman (2014), “[Lifecycle Human Capital Accumulation Across Countries: Lessons from U.S. Immigrants](#)”

(\*) Schoellman (2012) “[Education Quality and Development Accounting](#),” *Review of Economic Studies*

(+) Young (2012) “[Africa’s Growth Miracle](#)”, *Journal of Political Economy*

## **Human Capital, Growth and Development**

- (\*) Erosa, Koreshkova and Restuccia (2010) “[How Important is Human Capital? A Quantitative Theory Assessment of World Income Inequality](#),” *Review of Economic Studies*
- (\*) Chari and Hopenhayn (1991) “[Vintage Human Capital, Growth and the Diffusion of New Technology](#),” *Journal of Political Economy*
- (+) Hsieh, Hurst, Jones and Klenow (2014) “[The Allocation of Talent and U.S. Economic Growth](#),”
- (\*) Fujimoto and Lagakos (2014) “Misallocation of Talent and the Wealth of Nations”
- (\*) Manuelli and Seshadri (2014) “[Human Capital and the Wealth of Nations](#)”, *American Economic Review*
- (+) Roys and Seshadri (2013) “[Economic Development and the Organization of Production](#)”
- (+) Stokey (2014) “[The Race Between Technology and Development](#)”

## **Competition, Innovation and Productivity**

- (+) Acemoglu, Akcigit, Bloom and Kerr (2013) “[Innovation, Reallocation and Growth](#)”
- (\*) Aghion and Howitt (1992) “A Model of Growth Through Creative Destruction,” *Econometrica*
- (\*) Aghion, Blundell, Bloom, Griffith, Howitt (2005) “[Competition and Productivity: An Inverted U](#),” *Quarterly Journal of Economics*
- (+) Akcigit, Celik and Greenwood (2013) “[Buy, Keep or Sell: Economic Growth and the Market for Ideas](#)”
- (\*) Alder, Lagakos and Ohanian (2014) “[The Decline of the U.S. Rust Belt: A Macroeconomic Analysis](#)”
- (+) Edmond, Midrigan and Xu (2012) “[Competition, Markups and the Gains from International Trade](#)”
- (\*) Schmitz (2005) “[What Determines Productivity? Lessons From the Dramatic Recovery of the U.S. and Canadian Iron Ore Industries Following Their Early 1980s Crisis](#),” *Journal of Political Economy*
- (+) Schmitz (2013) “[What Ever Happened to the Puerto Rican Sugar Manufacturing Industry?](#)”

## **Misallocation, Finance and Development**

- (+) Caselli and Feyrer (2007) “[The Marginal Product of Capital](#),” *Quarterly Journal of Economics*
- (\*) Greenwood, Sanchez and Wang (2010) “[Financing Development: The Role of Information Costs](#),” *American Economic Review*
- (+) Hsieh and Klenow (2009) “[Misallocation and Manufacturing TFP in China and India](#),” *Quarterly Journal of Economics*
- (\*) Hsieh and Klenow (2014) “[The Life Cycle of Plants in India and Mexico](#)”
- (+) Itskhoki and Moll (2014) “[Optimal Development Policies with Financial Frictions](#)”
- (+) Kaboski and Townsend (2011) “[A Structural Evaluation of a Large-Scale Quasi-Experimental Microfinance Initiative](#),” *Econometrica*
- (\*) Midrigan and Xu (2013) “[Finance and Misallocation: Evidence from Plant-level Data](#)”, *American Economic Review*
- (+) Moll (2014) “[Productivity Losses from Financial Frictions: Can Self-Financing Undo Capital Misallocation?](#)”, *American Economic Review*
- (\*) Restuccia and Rogerson (2009) “[Policy Distortions and Aggregate Productivity with Heterogeneous Plants](#)”, *Review of Economic Dynamics*
- (+) Peters, Michael (2013) “[Heterogeneous Mark-ups and Endogenous Misallocation](#)”

## **Multi-Sector Analyses of Development**

- (\*) Adamopoulos and Restuccia (2014) “[The Size Distribution of Farms and International Productivity Differences](#)”, *American Economic Review*
- (+) Caselli and Coleman (2001) “[The U.S. Structural Transformation and Regional Convergence](#)”, *Journal of Political Economy*
- (\*) Gollin, Lagakos and Waugh (2014) “[The Agricultural Productivity Gap in Developing Countries](#)”, *Quarterly Journal of Economics*
- (\*) Hansen and Prescott (2002) “[Malthus to Solow](#),” *American Economic Review*
- (\*) Herrendorf, Rogerson, Valentinyi (2013) “[Two Perspectives on Preferences and Structural Transformation](#)”, *American Economic Review*
- (\*) Herrendorf and Schoellman (2014) “[Why is Measured Labor Productivity so Low in Agriculture](#)”

(\*) Lagakos and Waugh (2013) “[Selection, Agriculture and Cross-Country Productivity Differences](#),” *American Economic Review*

(\*) Lagakos (2013) “[Explaining Cross-Country Productivity Differences in Retail Trade](#)”

(\*) Ngai and Pissarides (2007) “[Structural Change in a Multi-Sector Model of Growth](#),” *American Economic Review*

(+) Song, Storesletten and Zilibotti (2011) “[Growing Like China](#)”, *American Economic Review*

(+) Young (2013) “[Urban-Rural Gaps, Inequality and Migration](#)”, *Quarterly Journal of Economics*

### **Class Schedule**

Mon, Mar 31<sup>st</sup> – David presents Caselli (2005)

Wed, Apr 2<sup>nd</sup> – David presents Schoellman (2012)

Mon, Apr 7<sup>th</sup> – David presents Lagakos, Moll, Porzio, Qian (2013) and Lagakos, Moll, Porzio, Qian & Schoellman (2014)

Wed, Apr 9<sup>th</sup> – David presents Hsieh & Klenow (2007) and Gollin (2002)

Mon, Apr 14<sup>th</sup> – Stephanie presents her job market paper on the environment and directed technological change.

Wed, Apr 16<sup>th</sup> – Jessie presents Song, Storesletten and Zilibotti (2011)

Mon, Apr 21<sup>st</sup> – Onyi presents Farhi & Werning (2011) (paper subject to change)

Wed, Apr 23<sup>rd</sup> – Yoshi presents Caselli and Coleman (2001)

Mon, Apr 28<sup>th</sup> – Wenbin presents Hsieh and Klenow (2009)

Wed, Apr 30<sup>th</sup> – David presents Schmitz (2005)

Mon, May 5<sup>th</sup> – David presents Chari & Hopenhayn (1991)

Wed, May 7<sup>th</sup> – David presents Fujimito & Lagakos (2014)

FRIDAY MAY 9<sup>th</sup> – PRELIMINARY RESEARCH PROPOSALS DUE

Mon, May 12<sup>th</sup> – David presents Malthus to Solow (2002)

Wed, May 14<sup>th</sup> – David presents Gollin, Lagakos & Waugh (2014)

Mon, May 19<sup>th</sup> – David presents Ngai & Pissarides (2007)

Wed, May 21st – David presents Alder, Lagakos, Ohanian (2014)

Mon, May 26th – David presents Herrendorf, Rogerson & Valentinyi (2013)

Wed, May 28th – Final Presentations: Students 1 and 2

Mon, Jun 2nd – Final Presentations: Students 3 and 4

Wed, Jun 4<sup>th</sup> – Final Presentations: Students 5 and 6

MONDAY, JUNE 9<sup>th</sup> – FINAL RESEARCH PROPOSALS DUE