Syllabus for Econ 221-B
Andrew Atkeson
Winter Quarter 2018
Class: Tuesday-Thursday 2-3:15pm
Bunche Hall 9294
Office Hours: 3:15-5pm Thursdays

This course is intended to get you thinking about research problems that might lead into your field papers and ATC proposals.

I will structure the class around lectures and more speculative discussions of research topics based on current papers.

I will ask you to do homework problems, some of which are routine and some of which are more open ended (meaning I may not know the answer). The open-ended problems are intended to get you thinking concretely about research problems.

You will be graded as follows.
Handing in the homework --- 10% of your total grade
Take home midterm --- 30% of your total grade
Take home final exam --- 30% of your total grade
Two-page research proposal --- 30% of your total grade

The topics we will consider in this class are listed starting on the next page.

I will also circulate a spreadsheet with about 40 recent papers that I would recommend that you look at to help you come up with research ideas. Please feel free to base your research proposal on any of the papers on this list. It should give you a sense of the breadth of research going on in macro right now. It should also give you a sense of what a successful job market paper should look like.
Topic One: Aggregate Models of Factor Shares, Markups, and Firm Values


This paper refers to quite a few other papers from which you might draw research ideas. The paper is relatively short and thus does not fully develop the equations of the model. You will be asked to do that in the first homework assignment. I will ask you to redo their empirical work using the integrated macroeconomic accounts for the non-financial corporate sector.

Topic Two: Incorporating the Marshallian Theory of the Firm into General Equilibrium

The aim in this section is to have you learn a bit about the fundamentals of models of heterogeneous firms in general equilibrium. In this part of the course, we will focus on models in which the value marginal products of capital and labor are equated across production units and in which markups of prices over marginal costs are constant. We consider deviations from this framework in subsequent sections.

Firms as a form of intangible capital

1. Aggregation with diminishing returns and a fixed set of firms (page 738-740 Hopenhayn Annual Reviews)
2. Aggregation with monopolistic competition and a fixed set of firms (page 740-741 Hopenhayn Annual Reviews)
3. Steady-state size distribution with the binomial approximation to a geometric Brownian motion (section 3 Luttmer Annual Reviews)
4. The Free Entry Condition in Aggregation (Section 3 Hopenhayn Annual Reviews)
   a. Costs in terms of labor
   b. Costs in terms of goods
5. NIPA and profits to intangible capital (Section 1 Atkeson and Kehoe JPE 2005)
   a. Constant growth random death model
6. Just as a different capital stock (Compare to McGrattan and Prescott)

Readings:
Main Reading: Hugo Hopenhayn Annual Reviews 2014 Firms, Misallocation, and Aggregate Productivity: A Review
Lucas Bell Journal (now Rand) 1978 On the Size Distribution of Business Firms
Hopenhayn Econometrica 1992 Entry, Exit, and Firm Dynamics in General Equilibrium
Luttmer Annual Reviews 2010 Models of Growth and Firm Heterogeneity
**Topic Three: Firms and Growth**

What macro dynamics do can get from firms as intangible capital?

The aim of this section is to begin to study how to extend our standard models of growth and cycles to include the macroeconomic dynamics induced by the intangible capital embodied in firms. There is a large collection of such models reviewed in the background reading chapters from Acemoglu cited below. We will study how to summarize the macroeconomic dynamics implied by many of these models under strong assumptions that allow for aggregation. We will review some of the basic models. We will consider extensions of these models that do not fit into this basic framework.

Main Reading: Atkeson and Burstein 2017 Aggregate Implications of Innovation Policies

Background Reading --- Chapters 11-14 from Acemoglu “Modern Economic Growth” available here [https://pdfs.semanticscholar.org/b346/421ff4b7caa6074c9b16b3a872aa944e9c8d.pdf](https://pdfs.semanticscholar.org/b346/421ff4b7caa6074c9b16b3a872aa944e9c8d.pdf)

Lentz and Moretensen RED 2016 **Optimal Growth Through Product Innovation**
Other extensions may be considered

**Topic Four: Taxation and Growth**

The aim in this section is to study how our model of macro dynamics is impacted by taxes, particularly corporate taxes.

Readings:
Domenico Ferraro, Soroush Ghazi, and Pietro Peretto 2017 Implications of Tax Policy for Innovation and Aggregate Growth

McGrattan and Prescott 2017 **On Financing Retirement with an Aging Population**


**Topic Five: Misallocation and Markups**

There is a large and growing literature both theoretical and empirical that seeks to understand the impact of misallocation of factors of production across production locations on aggregate productivity. We will cover a selection of these readings.

Additional Readings:
Aggregate Productivity and lognormal distortions (Hopenhayn Annual Reviews Section 4)

Joel David and Venky Venkateswaran “The Source of Capital Misallocation” working paper 2017

Mark Bils, Pete Klenow, Cian Ruane 2017 “Misallocation or Mismeasurement?”
Fatih Guvenen, Gueorgui Kambourov, Burhanettin Kuruscu, Sergio ocampo-Diaz, Daphne Chen
Gene M. Grossman, Elhanan Helpman, Ezra Oberfield, Thomas Sampson
John Kennan
Katarína Borovičková, Robert Shimer
Marcus Hagedorn, Iouri Manovskii, Kurt Mitman
Mikhail Chernov, Lukas Schmid, Andres M. Schneider
Francesco Bianchi, Martin Lettau, Sydney C. Ludvigson
Gabriel Chodorow-Reich, Antonio Falato
Giancarlo Corsetti, Meredith Crowley, Lu Han, Huasheng Song
Job Boerma, Loukas Karabarbouris
Mark A. Aguier, Mark Bils, Kerwin Kofi Charles, Erik Hurst
Matteo Maggiori, Brent Neiman, Jesse Schreger
Pablo Kurlat, Sebastian Di Tella
Stefano DellaVigna, Matthew Gentzkow
Zhifeng Cai, Jonathan Heathcote
Thomas Mertens, John Williams
Alexander Monge-Naranjo, Pedro Cavalcante Gomes Ferreira, Luciene T. Pereira
Anmol P. Bhandari, Ellen McGrattan
Bill Dupor, Marios Karabarbouris, Marianna Kudlyak, M. Saif Mehkari
Dario Caldera, Matteo Iacoviello
Eduardo Díñez
Emine Boz, Gita Gopinath, Mikkel Plagborg-MIYller
Gauti B. Eggertsson, Jacob Robbins, Ella Wold
Georg Duerrnecker, Berthold Herrendorf, Akos Valentinyi
George A. Alessandria, Horag Choi
George-Marios Angeletos, Jennifer Laáno
Gian Luca Clementi, Berardino Palazzo, Peifan Wu
Giovanni Gallipoli, Brant Abbott
Grace Weishi Gu, Eswar S. Prasad
Lorenz Kueng, Scott R. Baker, Stephanie G. Johnson
Marco Bassetto, Carlo Galli
Margherita Borella, Mariacristina De Nardi, Fang Yang
Martin Ellison, Andrew Scott
Matthias Kehrig, Nicolas Vincent
Michael D. Bauer, Glenn Rudebusch
Nicolas Crouzet, Neil Mehrotra
Simon Jaeger, Benjamin Schoefer, Josef Zweimüller
Tarek Alexander Hassan, Stephan Hollander, Laurence van Lent, Ahmed Tahoun
Thorsten Drautzburg, Jesi’s Fernandez-Villaverde, Pablo A. Guerrri_n-Quintana
Timothy Cogley, Boyan Jovanovic
Tommaso Porzio, Gabriela V. Santangelo
Yurly Gorodnichenko, Walker Ray
Carlos Garriga, Aaron Hedlund

Use It Or Lose It: Efficiency Gains from Wealth Taxation
The Productivity Slowdown and the Declining Labor Share: A Neoclassical Exploration
Spatial Variation in Higher Education Financing and the Supply of College Graduates
High Wage Workers Work for High Wage Firms
The Fiscal Multiplier
A Macrofinance View of U.S. Sovereign CDS Premiums
Monetary Policy and Asset Valuation
The Loan Covenant Channel: How Bank Health Transmits to Nonfinancial Firms
Markets and Margins: A New Empirical Framework and Evidence on Exporters from China
Inferring Inequality with Home Production
Leisure Luxuries and the Labor Supply of Young Men
International Currencies and Capital Allocation
Why are Banks Exposed to Monetary Policy?
Uniform Pricing in US Retail Chains
College Pricing and Income Inequality
What to Expect from the Lower Bound on Interest Rates: Evidence from Derivatives Prices
Of Cities and Slums
Sweat Equity in U.S. Private Business
Regional Consumption Responses and the Aggregate Fiscal Multiplier
Measuring Geopolitical Risk
Optimal Financial Transaction Taxes
Global Trade and the Dollar
Kaldor and Piketty's Facts: The Rise of Monopoly Power in the United States
Structural Change within the Service Sector and the Future of Baumol's Disease
The Dynamics of the U.S. Trade Balance and Real Exchange Rate: The J Curve and Trade Costs?
Optimal Monetary Policy with Informational Frictions
Firm Demographics and the Great Recession
"Permanent Income" Inequality
New Evidence on Cyclical Variation in Labor Costs in the U.S
Shopping for Lower Sales Tax Rates
Is Inflation Default? The Role of Information in Debt Crises
Marriage-Related Policies in an Estimated Life-Cycle Model of Households’ Labor Supply and Savings for T
Managing the UK National Debt 1694-2017
Interest Rates Under Falling Stars
Small and Large Firms over the Business Cycle
Marginal Jobs and Job Surplus: Evidence from Separations and Unemployment Insurance
Firm-Level Political Risk: Measurement and Effects
Political Distribution Risk and Aggregate Fluctuations
Uncertainty Shocks and Endogenous Growth
Structural Change and the Supply of Agricultural Workers
The Effects of Quantitative Easing: Taking a Cue from Treasury Auctions
Housing Finance, Boom-Bust Episodes, and Macroeconomic Fragility