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Topics in Macroeconomics: Firms and Organizations in the Aggregate Economy

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Economics 522, Spring 2016 (1st Half)

Syllabus

Overview: This is a graduate course in the second year macroeconomics field. We will be concerned with aggregate implications of intermediate organization of economic activity. In particular, the implications of theories of organizations and firm dynamics on aggregate outcomes, including labor markets as well as output growth. We will focus on both the restrictions that intermediate organization imposes on aggregate models and the restrictions that aggregate facts impose on microeconomic theories of firms and organizations.

Organization: The class meets on Tuesdays and Thursdays from 9:00 to 10:30pm in Bendheim Hall 317. I will post a syllabus with links to many of the papers in the reading list at:

<http://www.princeton.edu/~erossi/Econ522.pdf>

Grading: Your course grade will be based on class participation, a presentation of a paper in the syllabus, and submitting a paper with a research idea. The idea can be preliminary but should be described precisely. Your paper is due on May 10th. I will assign the papers and you will be responsible to prepare a set of slides to present it effectively in class. Please distribute your slides to me and other class participants before your presentation.

Readings:

1. Firm Size and Organization

- Calvo and Wellisz, 1978, "[Supervision, Loss of Control, and the Optimum Size of the Firm](#)," *Journal of Political Economy*
- Calvo and Wellisz, 1979, "[Hierarchy, Ability, and Income Distribution](#)," *Journal of Political Economy*

- Garicano, 2000, "[Hierarchies and the Organization of Knowledge in Production](#)," *Journal of Political Economy*
- Geanakoplos and Milgrom, 1991, "[A Theory of Hierarchies Based on Limited Managerial Attention](#)," *Journal of the Japanese and International Economy*
- Grossman and Hart, 1986, "[The Costs and Benefits of Ownership: A Theory of Vertical and Lateral Integration](#)," *Journal of Political Economy*
- Grossman and Helpman, 2002, "[Integration Versus Outsourcing In Industry Equilibrium](#)," *The Quarterly Journal of Economics*
- Holmes and Mitchell, 2008, "[A Theory of Factor Allocation and Plant Size](#)," RAND
- Lucas, 1978, "[On the Size Distribution of Business Firms](#)," *Bell Journal of Economics*
- Radner, 1992, "[Hierarchy: The Economics of Managing](#)," *Journal of Economic Literature*
- Rajan and Zingales, 2001, "[The Firm as a Dedicated Hierarchy: A Theory of the Origins and Growth of Firms](#)," *Quarterly Journal of Economics*
- Rosen, 1982, "[Authority, Control and the Distribution of Earnings](#)," *Bell Journal of Economics*
- Simon and Bonini, 1958, "[The Size Distribution of Business Firms](#)," *American Economic Review*
- Axtell, 2001, "[Zipf Distribution of US Firm Sizes](#)", *Science*
- Sutton, 1997, "[Gibrat's Legacy](#)," *Journal of Economic Literature*

2. Firm Dynamics

- Chatterjee and Rossi-Hansberg, 2012, "[Spin-offs and the Market for Ideas](#)," *International Economic Review*
- Dunne, Roberts and Samuelson, 1989, "[The Growth and Failure of U.S. Manufacturing Plants](#)," *Quarterly Journal of Economics*
- Dunne, Roberts, Samuelson, 1989, "[Plant Turnover and Gross Employment Flows in the U.S. Manufacturing Sector](#)," *Journal of Labor Economics*
- Foster, Haltiwanger and Kirzan, 2001, "[Aggregate Productivity Growth: Lessons from Microeconomic Evidence](#)," *New Directions in Productivity Analysis*
- Hopenhayn, 1992, "[Entry, Exit, and Firm Dynamics in Long Run Equilibrium](#)," *Econometrica*
- Jovanovic, 1982, "[Selection and the Evolution of Industry](#)," *Econometrica*
- Klette and Kortum, 2004, "[Innovating Firms and Aggregate Innovation](#)", *Journal of Political Economy*
- Luttmer, 2007, "[Selection, Growth, and the Size Distribution of Firms](#)," *Quarterly Journal of Economics*
- Rossi-Hansberg and Wright, 2007, "[Establishment Size Dynamics in the Aggregate Economy](#)," *American Economic Review*

3. Firms, Organization and Labor Markets

- Garicano and Rossi-Hansberg, 2004, "[Inequality and the Organization of Knowledge](#)," *American Economic Review* P&P
- Garicano, and Rossi-Hansberg, 2006, "[Organization and Inequality in a Knowledge Economy](#)," *Quarterly Journal of Economics*
- Cagetti and De Nardi, 2006, "[Entrepreneurship, Frictions, and Wealth](#)," *Journal of Political Economy*
- Sattinger, 1993, "[Assignment Models of the Distribution of Earnings](#)," *Journal of Economic Literature*
- Teulings and Gautier, 2004, "[The Right Man for the Job](#)," *Review of Economic Studies*
- Eeckhout and Jovanovic, 2002, "[Knowledge Spillovers and Inequality](#)," *American Economic Review*
- Krusell, Ohanian, Rios-Rull and Violante, 2000, "[Capital-Skill Complementarity and Inequality: A Macroeconomic Analysis](#)," *Econometrica*
- Hopenhayn and Rogerson, 1993, "[Job Turnover and Policy Evaluation: A General Equilibrium Analysis](#)," *Journal of Political Economy*

4. Firms, Organization, and Growth

- Jovanovic and Nyarko, 1996. "[Learning by Doing and the Choice of Technology](#)," *Econometrica*
- Jovanovic and Rob, 1990, "[Long Waves and Short Waves: Growth through Intensive and Extensive Search](#)," *Econometrica*
- Garicano, and Rossi-Hansberg, 2012, "[Organizing Growth](#)," *Journal of Economic Theory*
- Legros, Newman and Proto, 2014, "[Smithian Growth through Creative Organization](#)," *Review of Economics and Statistics*
- Grossman and Helpman, 1991, "[Quality Ladders in the Theory of Growth](#)," *Review of Economic Studies*
- Jones, 2005, "[The Shape of Production Functions and the Direction of Technical Change](#)," *Quarterly Journal of Economics*

5. Firms, Organization, and Aggregate Fluctuations

- Acemoglu, Carvalho, Ozdaglar and A. Tahbaz-Salehi, 2012, "[The Network Origins of Aggregate Fluctuations](#)", *Econometrica*
- Foerster, Sarte and Watson, 2011, "[Sectoral vs. Aggregate Shocks: A Structural Factor Analysis of Industrial Production](#)" *Journal of Political Economy*
- Gabaix, 2010, "[The Granular Origins of Aggregate Fluctuations](#)," *Econometrica*
- Rampini, 2004, "[Entrepreneurial Activity, Risk, and the Business Cycle](#)," *Journal of Monetary Economics*

6. Missallocation

- Restuccia and Rogerson, 2008, "[Policy Distortions and Aggregate Productivity with Heterogeneous Establishments](#)," *Review of Economic Dynamics*
- 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](#)," *Quarterly Journal of Economics*
- Moll, 2014, "[Productivity Losses from Financial Frictions: Can Self-financing Undo Capital Misallocation?](#)," *American Economic Review*
- Midrigan and Xu, 2014, "[Finance and Misallocation: Evidence from Plant-Level Data](#)," *American Economic Review*
- Caliendo, Mion, Oromolla and Rossi-Hansberg, 2015, "[Productivity and Organization in Portuguese Firms](#)," working paper

7. Diffusion

- Chari and Hopenhayn, 1991, "[Vintage Human Capital, Growth, and the Diffusion of New Technology](#)," *Journal of Political Economy*
- Caicedo, Lucas, and Rossi-Hansberg, 2016, "[Learning Career Paths, and the Distribution of Wages](#)," working paper
- Alvarez, Buera and Lucas, 2008, "[Models of Idea Flows](#)," working paper
- Lucas, 2009, "[Ideas and Growth](#)," *Economica*
- Jovanovic and Rob, 1989, "[The Growth and Diffusion of Knowledge](#)," *Review of Economic Studies*.
- Lucas and Moll, 2013, "[Knowledge Growth and the Allocation of Time](#)," *Journal of Political Economy*
- Perla and Tonetti, 2013, "[Equilibrium Imitation and Growth](#)," *Journal of Political Economy*