

ECON 5041A Macroeconomic Theory II

2nd Semester 2022 - 2023

Class Schedule: Mon 2:30PM - 5:15PM (WFY105)

Instructor: Prof. *Yip Chong Kee*, ELB 922; ext: 38187

Objective:

The emphasis of this course is on the modern analysis of growth and development. Recent development on the theories of growth and structural change are studied. The application part of the course emphasizes how to apply the theories to understand cross-country income differences in the world economy. The use of macroeconomic data is emphasized.

Learning Outcome:

Based on different dynamic macroeconomic models, we try to understand the driving forces behind the growth process of an economy and the related policy implications. This allows us to identify the sources of world income differences.

Evaluation: You have an option to select either an individual closed-book exam (recommend for those who have decided not to do macro research) or a 2-person research project using macro data (a term research paper plus a 20-min presentation).

Basic References:

(AH) Philippe Aghion and Peter Howitt, *The Economics of Growth*, The MIT Press.

(JV) Jones, C.I. and D. Vollrath, *Introduction to Economic Growth*, 3rd edition, W.W. Norton, 2013.

(A) Daron Acemoglu, *Introduction to Modern Economic Growth*, 2009, Princeton University Press

(BS) Robert Barro and X. Sala-I-Martin, *Economic Growth*, second edition, 2004, McGraw Hill, Inc.

Topics and Readings:

Facts and Accounting

Caselli, Francesco, *Accounting for Income Differences across Countries*, in *Handbook of Economic Growth*, Vol. 1A, P. Aghion and S. Durlauf, eds. (Amsterdam: Elsevier, 2005, Chap. 9).

Jones, C. (2016) "The Facts of Economic Growth" In *Handbook of Macroeconomics*, Vol 2A, pp. 3–69.

Banerjee, A., Duflo, E. (2005) "Growth Theory from the Lens of Development Economics" In *Handbook of Economic Growth*, Vol 1, pp. 473-522.

Gollin, D., Lagakos, D., Waugh, M.E. (2014) "The Agricultural Productivity Gap." *The Quarterly Journal of Economics*, 939–993.

Technology and Growth

Jones, C., 2005. "The Shape of Production Functions and the Direction of Technical Change." *Quarterly Journal of Economics*, 517-549.

Acemoglu, D., 2015. "Localised and Biased Technologies: Atkinson and Stiglitz's New

View, Induced Innovations, and Directed Technological Change.” *The Economic Journal* 125, 443-463.

Caselli, F., Coleman, W., 2006. “The world technology frontier.” *American Economic Review* 96, 499-522.

Klump, R., de la Grandville, O., 2000. “Economic growth and the elasticity of substitution: two theorems and some suggestions.” *American Economic Review* 90, 282-291.

Aghion, P., Akcigit, U., Howitt, P. (2014) “What Do We Learn from Schumpeterian Growth Theory” In *Handbook of Economic Growth*, Vol 2, pp. 515–563.

Aghion, P., A. Bergeaud, T. Boppart, P.J. Klenow, and H. Li (2019) "Missing Growth from Creative Destruction." *AER*, 109, 2795-2822.

Bond, E., P. Wang and C. Yip (1996), “A General Two-Sector Model of Endogenous Growth with Physical and Human Capital: Balanced Growth and Transitional Dynamics,” *Journal of Econ Theory*, 68, 149-173.

Structural Change

Buera, F.J. and Kaboski, J.P., “Scale and the origins of structural change,” *Journal of Economic Theory* 147 (2012) 684–71.

Buera, F. J. and J. P. Kaboski (2012). *The Rise of the Service Economy*. *American Economic Review* 102(6), 2540–69.

Acemoglu, Daron, and Veronica Guerrieri (2008) “Capital Deepening and Non-Balanced Economic Growth.” *Journal of Political Economy* 116: 467–498.

Kongsamut, Piyabha, Sergio Rebelo, and Danyang Xie (2001) “Beyond Balanced Growth.” *Review of Economic Studies* 48: 869–882.

Ngai, L.R., Pissarides, C., 2007. “Structural change in a multi-sector model of growth.” *American Economic Review* 97, 429–443.

Ngai, L.R., Pissarides, C., 2008. “Trends in hours and economic growth.” *Review of Economic Dynamics* 11, 239-256.

Herrendorf, B., Rogerson, R., Valentinyi, A. (2014) “Growth and Structural Transformation” In *Handbook of Economic Growth*, Vol 2, pp. 855–941.

Breinlich, H., Ottaviano, G., Temple, J. (2014) “Regional Growth and Regional Decline” In *Handbook of Economic Growth*, Vol 2, pp. 683-799.

Moro, Alessio, Solmaz Moslehi, and Satonshi Tanaka. 2017. “Does Home Production Drive Structural Transformation?” *American Economic Journal: Macroeconomics* 9 (3): 116–46.

Chen X, Pei G, Song Z, and Zilibotti F. 2023. “Tertiarization Like China.” *Annu. Rev. Econ.* 15: <https://doi.org/10.1146/annurev-economics-071122-030026>

Hsieh, Chang-Tai, and Esteban Rossi-Hansberg. "The Industrial Revolution in Services." *Journal of Political Economy Macroeconomics*, forthcoming

Unified Growth (optional)

Galor, Oded, and David N. Weil (1996) “The Gender Gap, Fertility, and Economic Growth.” *American Economic Review* 86: 374–387.

Galor, O., Weil, D.N., 2000. “Population, Technology and Growth: From the Malthusian Regime to the Demographic Transition.” *American Economic Review* 110, 806-828.

Galor, Oded (2005) “From Stagnation to Growth: Unified Growth Theory.” In *Handbook of Economic Growth*, Philippe Aghion and Steven N. Durlauf (editors). Amsterdam: North-Holland, 171–293.

Migration and Growth (optional)

Bilal, Adrien, and Esteban Rossi-Hansberg. 2021. "Location as an Asset." *Econometrica*, 89(5): 2459-2495.

Bryan, Gharad, and Melanie Morten. 2019. "The Aggregate Productivity Effects of Internal Migration: Evidence from Indonesia." *Journal of Political Economy* 127 (5).
Tombe, Trevor, and Xiaodong Zhu. 2019. "Trade, Migration, and Productivity: A Quantitative Analysis of China." *American Economic Review*, 109 (5): 1843-72.
Pei-Ju Liao, Ping Wang, Yin-Chi Wang. 2022. "Educational Choice, Rural-urban Migration and Economic Development," *Economic Theory* 74, 1-67.

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Attention is drawn to University policy and regulations on honesty in academic work, and to the disciplinary guidelines and procedures applicable to breaches of such policy and regulations. Details may be found at

<http://www.cuhk.edu.hk/policy/academichonesty/>.