

Email: [xzhu@chass.utoronto.ca](mailto:xzhu@chass.utoronto.ca)

Office: Room 200, Max Gluskin House

Office Hour: Wednesday 10:00am-11:00am

## **Eco2704H1F: Topics in Growth and Development**

### **Course Description**

The purpose of this course is to introduce students to some frontier research on the macro aspects of trade and development. I will first give four lectures that provide empirical motivations for the topics and introduce some basic workhorse models of macro-trade and development. The Ph.D. students are then required to choose one of the working papers in the reading list to present to the class. Students are expected to read all the papers that will be presented in the class and participate actively in class discussions.

### **Evaluation Methods**

For Ph.D. students: participation (20%), presentation (30%) and term paper (50%)

For MA students: participation (20%), referee report (30%) and term paper (50%)

### **Lectures**

#### **Lecture One: Accounting for Cross Country Income Differences**

- Mankiw, N.G., D. Romer, and D.N. Weil “A Contribution to the Empirics of Economic Growth”, *Quarterly Journal of Economics*, vol 107 (2), 1992, pp.407-437.
- Edward C. Prescott “Needed: A Theory of Total Factor Productivity” *International Economic Review* 39(3): 525-551.
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- Francesco Caselli (2005) “[Accounting for Cross-Country Income Differences](#)” *Handbook of Economic Growth*
- Chang-Tai Hsieh and Peter Klenow (2007) "Relative Prices and Relative Prosperity", *American Economic Review* 97, 562-585.
- Diego Restuccia, Dennis Tao Yang and Xiaodong Zhu (2008) “Agriculture and Aggregate Productivity: A Quantitative Cross-Country Analysis”, *Journal of Monetary Economics* 55(2), 234-250.
- Berthold Herrendorf and Akos Valentinyi “[Which Sectors Make Poor Countries So Unproductive?](#)” Forthcoming, *Journal of the European Economic Association*
- Chang-Tai Hsieh and Peter Klenow (2010) "[Development Accounting](#)", *American Economic Journal: Macroeconomics*, vol. 2(1), pages 207-23.

## **Lecture Two: Basic Models of Structural Transformation**

- Kongsamult, Rebelo and Xie (2001) “Beyond Balanced Growth”, *Review of Economic Studies* October.
- L. Rachel Ngai and Christophe Pissarides (2007) “Structural Change in a Multi-Sector Model of Growth.” *American Economic Review*, 97, 429-443.
- Daron Acemoglu and Veronica Guerrieri (2008) “Capital Deepening and Nonbalanced Economic Growth” *Journal of Political Economy*, vol.116, no.3

## **Lecture Three and Four: Basic Models of Trade**

- Eaton, Jonathan and Kortum, Samuel (2002) “Technology, Geography, and Trade”, *Econometrica* , 70(5), 1741-1779.
- Melitz, M. J. (2003) "The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity," *Econometrica*, 71, 1695-1725.

### **Reading List**

#### **Some Useful References about Factor Income Shares (not for presentation)**

- Douglas Gollin (2002) “Getting Income Shares Right”, *Journal of Political Economy*, 110(2), 458-474.
- Akos Valentinyi and Berthold Herrendorf (2008) “Measuring Factor Income Shares at the Sectoral Level” *Review of Economic Dynamics*, 11, 820-835.

#### **More on Structural Transformation in Closed Economies**

- Francisco Buera and Joseph Kaboski (2009) “Can Traditional Theories of Structural Changes Fit the Data?” *Journal of the European Economic Association*, 7(2-3), 469-477.
- Berthold Herrendorf, Richard Rogerson and Akos Valentinyi (2009) “Two Perspectives on Preferences and Structural Transformation”, NBER Working Paper w15416.
- Fumio Hayashi and Edward Prescott (2008) “The Depressing Effect of Agricultural Institutions on the Prewar Japanese Economy,” *Journal of Political Economy*, 2008, vol.116, no.4
- Margarida Duarte and Diego Restuccia (2010), "The Role of the Structural Transformation in Aggregate Productivity." *Quarterly Journal of Economics* 125 (1), 129–173.

- David Lagakos and Michael Waugh (2010), "[Specialization, Economic Development and Aggregate Productivity Differences.](#)"

### **Trade, Structural Transformation and Development**

- Jaume Ventura (1997) "Growth and Interdependence", *Quarterly Journal of Economics*, February, 57-84.
- Andrew Atkeson and Patrick Kehoe "[Paths of Development for Early- and Late-bloomers in a Dynamic Heckscher-Ohlin Model](#)", Staff Report 256, Federal Reserve Bank of Minneapolis.
- Kei-Mu Yi and Jing Zhang (2010): [Structural Change in an Open Economies](#)
- Michael Waugh (2009): [International Trade and Income Differences](#)
- Dave Donaldson (2009): [Railroads of the Raj: Estimating the Impact of Transportation Infrastructure.](#)
- Murat Unger (2009): [De-industrialization of the Riches and the Rise of China](#)

### **Misallocation and Aggregate Productivity**

- Abhijit Banerjee and Esther Duflo (2005) "[Growth Theory Through the Lens of Development Economics](#)" *Handbook of Economic Growth*
- Diego Restuccia and Richard Rogerson (2008) "Policy Distortions and Aggregate Productivity with Heterogeneous Plants" *Review of Economic Dynamics*, vol. 11(4), pages 707-720, October
- Chang-Tai Hsieh and Peter J. Klenow (2009) "Misallocation and Manufacturing TFP in China and India" *Quarterly Journal of Economics* 124, November 1403-1448.
- Eric Bartelsman, John Haltiwanger and Stefano Scarpetta (2009) "[Cross-Country Differences in Productivity: The Role of Allocation and Selection.](#)" *NBER Working Papers* 15490
- Laura Alfaro & Andrew Charlton & Fabio Kanczuk (2008). "[Plant-Size Distribution and Cross-Country Income Differences.](#)" *NBER Working Papers* 14060
- Francisco J. Buera & Joseph Kaboski & Yongseok Shin, 2009. "[Finance and Development: A Tale of Two Sectors.](#)" *NBER Working Papers* 14914
- Melitz, Marc J, and Gianmarco Ottaviano (2008) "Market Size, Trade, and Productivity," *Review of Economic Studies*, 75(1), 295-316.

### **Puzzles about Trade Response to Tariff Reductions**

- [Loris Rubini \(2010\): “Innovation and the Elasticity of Trade Volumes to Tariff Reductions”](#)
- Lorenzo Caliendo and Fernando Parro (2010) “[Estimates of the Trade and Welfare Effects of NAFTA](#)”
- [Kim Ruhl \(2008\) The International Elasticity Puzzle](#)

### **Accounting for East Asian Miracles (including China)**

- Alwyn Young (1995) “The Tyranny of Numbers: Confronting the Statistical Realities of the East Asian Growth Experience.” *Quarterly Journal of Economics* 110 (August 1995): 641-680.
- Chang-Tai Hsieh (2002) “[What Explains the Industrial Revolution in East Asia? Evidence from the Factor Markets](#),” *American Economic Review*, June 2002
- Alwyn Young (2003) “Gold into Base Metals: Productivity Growth in the People’s Republic of China during the Reform Period.” *Journal of Political Economy* 111 (December 2003): 1220-1261
- Loren Brandt and Xiaodong Zhu (2010) “[Accounting for China’s Growth](#)”
- Song, Zheng Michael & Storesletten, Kjetil & Zilibotti, Fabrizio, 2009. “[Growing like China](#),” [CEPR Discussion Papers](#) 7149 (forthcoming AER)
- Yongsung Chang and Andreas Hornstein (2007) “[Capital-Skill Complementarity and Economic Development](#)”