

ECON 5040 Macroeconomic Theory II

2nd Semester 2024 – 2025

Class Schedule: Wed 3:30PM - 6:15PM (WFY603)

Instructor: Prof. Yip Chong Kee, chongkeeyip@cuhk.edu.hk

Objective:

This course focuses on the modern analysis of economic growth and development, with particular attention to recent advancements in growth and structural change theories. The application component emphasizes utilizing these theories to explore and understand cross-country income differences in the global economy. An emphasis is placed on the use and interpretation of macroeconomic data.

Learning Outcome:

Using various dynamic macroeconomic models, we aim to investigate the driving forces behind economic growth and structural transformation, along with their policy implications. This approach enables us to uncover the underlying factors contributing to global income disparities.

Evaluation: An in-class 2-hour exam to be held on 26 March, 2025.

Basic References:

(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

A Chapters 12-14

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.

Structural Transformation

A Chapters 20-21.

Herrendorf, B., Rogerson, R., Valentinyi, A. (2013). “Two Perspectives on Preferences and Structural Transformation”, *American Economic Review*, 103, 2752–2789.

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

Boppart, T. (2014): “Structural Change and the Kaldor Facts in a Growth Model With Relative Price Effects and Non-Gorman Preferences,” *Econometrica*, 82 (6), 2167–2196.

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.

Rogerson, Richard. 2008. “Structural Transformation and the Deterioration of European Labor Market Outcomes.” *Journal of Political Economy* 116 (2): 235–59.

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>

Fan, T., Peters, M., Zilibotti, F. 2023. “Growing Like India—The Unequal Effects of Service-led Growth,” *Econometrica*.

Hsieh, Chang-Tai, and Esteban Rossi-Hansberg. "The Industrial Revolution in Services." *Journal of Political Economy Macroeconomics*, 2023.

Comin, Diego A., Danial Lashkari, and Martí Mestieri. 2021. “Structural Change with Long-Run Income and Price Effects.” *Econometrica* 89 (1): 311–74.

Herrendorf, Berthold, Richard Rogerson, and Ákos Valentinyi. 2021. “Structural Change in Investment and Consumption: A Unified Approach.” *Review of Economic Studies* 88 (3): 1311–46.

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.

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

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, Chong K. Yip. 2022. "Educational Choice, Rural-urban Migration and Economic Development," *Economic Theory* 74, 1-67.

Wang, Y., Liao, P., Wang, P., Yip, C., 2024. "To stay or to migrate? When Becker meets Harris-Todaro," *European Economic Review* 169.

Academic Honesty

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/>.

Use of Generative Artificial Intelligence (AI) Tools

Use of some AI tools is allowed; for details, please check:

<https://libguides.lib.cuhk.edu.hk/c.php?g=917899&p=6975970>