

University of North Carolina at Chapel Hill  
ECON 821, Spring 2020  
Topics in Macroeconomics  
Outline

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**Instructors:**

Simon Alder, Gardner Hall 302, [salder@email.unc.edu](mailto:salder@email.unc.edu)

Stanislav Rabinovich, Gardner Hall 303, [srabinov@email.unc.edu](mailto:srabinov@email.unc.edu)

**Outline:** This course consists of two parts. One part will focus on trade, development, and structural change and will be taught by Simon Alder. The other part will focus on search in the labor market and will be taught by Stanislav Rabinovich.

**Trade, Development, and Structural Change** This part of the course covers theoretical and empirical aspects of trade, development and structural change. We will start with the core trade theories and important empirical applications of these theories. We then discuss several topics that can be studied with these frameworks, including internal migration, the role of transportation infrastructure, cities, and the effects of climate change on the spatial distribution of economic activity. We will then discuss theories of structural change – the reallocation of economic activity across sectors – and discuss empirical implications as well as the connection to trade and urbanization.

**Labor Market Search** This part of the course covers theoretical and empirical work on labor market search, with applications to unemployment dynamics, labor market flows, and income inequality. We will study the basic models of random and directed search, their positive and normative implications, and their extensions to on-the-job search and aggregate uncertainty. We will apply these models to study several recent topics in macro-labor: unemployment volatility and persistence; frictional wage inequality; labor market sorting; and unemployment insurance.

**Preliminary reading list for *Trade, Development, and Structural Change***

- Overview articles
  - Donaldson, Dave, “The Gains from Market Integration”, *Annual Review of Economics*, 2015. [http://dave-donaldson.com/wp-content/uploads/2016/10/Donaldson\\_ARE2015.pdf](http://dave-donaldson.com/wp-content/uploads/2016/10/Donaldson_ARE2015.pdf)
  - Redding, Stephen J., and Esteban Rossi-Hansberg. “Quantitative spatial economics.” *Annual Review of Economics* 9 (2017): 21-58. <http://www.princeton.edu/~reddings/pubpapers/ARQSM-2017.pdf>
  - Allen, Treb and Costas Arkolakis, *Elements of Advanced International Trade*, lecture notes. <https://dl.dropbox.com/s/i8a3lp82vqb79ne/Allen%20and%20Arkolakis%20-%20Class%20Notes.pdf>
  - Herrendorf, Berthold, Richard Rogerson, and Ákos Valentinyi. “Growth and structural transformation.” In *Handbook of economic growth*, vol. 2, pp. 855-941. Elsevier, 2014. <https://www.sciencedirect.com/science/article/pii/B9780444535405000069>

- Trade and Economic Geography
  - Eaton, Jonathan, and Samuel Kortum. “Technology, geography, and trade.” *Econometrica* 70, no. 5 (2002): 1741-1779. <https://www.jstor.org/stable/3082019>
  - Allen, Treb, and Costas Arkolakis. “Trade and the Topography of the Spatial Economy.” *The Quarterly Journal of Economics* 129, no. 3 (2014): 1085-1140. <https://doi.org/10.1093/qje/qju016>
- Trade, Migration, and Development
  - Desmet, Klaus, Dvid Krisztin Nagy, and Esteban Rossi-Hansberg. ”The geography of development.” *Journal of Political Economy* 126, no. 3 (2018): 903-983. <https://www.princeton.edu/~erossi/GD.pdf>
  - Bryan, Gharad, and Melanie Morten. “The aggregate productivity effects of internal migration: Evidence from Indonesia.” *Journal of Political Economy* (2018). [http://stanford.edu/~memorten/ewExternalFiles/Bryan\\_Morten\\_Indonesia.pdf](http://stanford.edu/~memorten/ewExternalFiles/Bryan_Morten_Indonesia.pdf)
  - Tombe, Trevor, and Xiaodong Zhu. “Trade, migration and productivity: A quantitative analysis of China.” *American Economic Review*, forthcoming. [https://www.dropbox.com/s/eh4q366ncy757qg/20150811\\_manuscript.pdf?dl=0](https://www.dropbox.com/s/eh4q366ncy757qg/20150811_manuscript.pdf?dl=0)
- Trade, Agriculture and the Environment
  - Burgess, Robin, and Dave Donaldson. “Can openness mitigate the effects of weather shocks? Evidence from India’s famine era.” *American Economic Review: Papers & Proceedings* 100, no. 2 (2010): 449-53. [http://dave-donaldson.com/wp-content/uploads/2015/12/Burgess\\_Donaldson\\_AERPP2010.pdf](http://dave-donaldson.com/wp-content/uploads/2015/12/Burgess_Donaldson_AERPP2010.pdf)
  - Sotelo, Sebastian. “Domestic trade frictions and agriculture.” 2019. [http://www-personal.umich.edu/~ssotelo/research/Sotelo\\_AgricultureTrade.pdf](http://www-personal.umich.edu/~ssotelo/research/Sotelo_AgricultureTrade.pdf)
  - Costinot, Arnaud, Dave Donaldson, and Cory Smith. “Evolving comparative advantage and the impact of climate change in agricultural markets: Evidence from 1.7 million fields around the world.” *Journal of Political Economy* 124, no. 1 (2016): 205-248. <https://www.journals.uchicago.edu/doi/abs/10.1086/684719>
  - Balboni, Clare. *In Harm’s Way? Infrastructure Investments and the Persistence of Coastal Cities*. (2017). <https://www.dropbox.com/s/16p58q2ps18sscm/Clare%20Balboni%20Living%20on%20the%20edge.pdf>
- Trade wars
  - Ossa, Ralph, “Trade Wars and Trade Talks with Data”, *The American Economic Review*, Vol. 104, No. 12 (DECEMBER 2014), pp. 4104-4146. <https://www.jstor.org/stable/43495366>
- Transport infrastructure, trade, and development
  - Donaldson, Dave. “Railroads of the Raj: Estimating the impact of transportation infrastructure.” *American Economic Review* 108, no. 4-5 (2018): 899-934. [https://dave-donaldson.com/wp-content/uploads/2018/03/Donaldson\\_RRRaj\\_AER.pdf](https://dave-donaldson.com/wp-content/uploads/2018/03/Donaldson_RRRaj_AER.pdf)

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- Alder, Simon. “Chinese Roads in India: The Effect of Transport Infrastructure on Economic Development.” 2019. [https://sites.google.com/site/simonalderch/downloads/Alder\\_ChineseRoadsInIndia.pdf](https://sites.google.com/site/simonalderch/downloads/Alder_ChineseRoadsInIndia.pdf)
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- Atkin, David, and Dave Donaldson. Who’s getting globalized? The size and implications of intra-national trade costs. No. w21439. National Bureau of Economic Research, 2015. [http://dave-donaldson.com/wp-content/uploads/2015/12/Atkin\\_Donaldson\\_WGG\\_paper.pdf](http://dave-donaldson.com/wp-content/uploads/2015/12/Atkin_Donaldson_WGG_paper.pdf)

- Cities

- Duranton, Gilles, and Diego Puga. “Micro-foundations of urban agglomeration economies.” In *Handbook of regional and urban economics*, vol. 4, pp. 2063-2117. Elsevier, 2004. <http://www.sciencedirect.com/science/article/pii/S1574008004800051>
- Glaeser, Edward L., and Joshua D. Gottlieb. “The wealth of cities: Agglomeration economies and spatial equilibrium in the United States.” *Journal of Economic Literature* 47, no. 4 (2009): 983-1028. <https://www.aeaweb.org/articles?id=10.1257/jel.47.4.983>
- Ahlfeldt, Gabriel M., Stephen J. Redding, Daniel M. Sturm, and Nikolaus Wolf. “The economics of density: Evidence from the Berlin Wall.” *Econometrica* 83, no. 6 (2015): 2127-2189. <http://www.princeton.edu/~reddings/pubpapers/Berlin-Ecta-10876.pdf>
- Baum-Snow, Nathaniel, Loren Brandt, J. Vernon Henderson, Matthew A. Turner, and Qinghua Zhang. “Roads, railroads, and decentralization of Chinese cities.” *Review of Economics and Statistics* 99, no. 3 (2017): 435-448. [https://doi.org/10.1162/REST\\_a\\_00660](https://doi.org/10.1162/REST_a_00660)

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- Structural change
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  - Comin, Diego A., Danial Lashkari, and Mart Mestieri. Structural change with long-run income and price effects. No. w21595. National Bureau of Economic Research, 2015. <http://www.nber.org/papers/w21595>
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  - Eckert, Fabian, and Michael Peters. “Spatial Structural Change and Agricultural Productivity.” (2018). <http://fpeckert.me/papers/spatial-structural-change-feb18.pdf>

## Preliminary reading list for *Labor Market Search*

- Background

- Rogerson, R., Shimer, R., and Wright, R. (2005). “Search-theoretic models of the labor market: A survey.” *Journal of Economic Literature*, 43(4), 959-988.
- Diamond, P. (2011). “Unemployment, vacancies, wages.” *American Economic Review*, 101(4), 1045-72.
- Mortensen, D. T. (2011). “Markets with search friction and the DMP model.” *American Economic Review*, 101(4), 1073-91.
- Pissarides, Christopher A. (2011). “Equilibrium in the labor market with search frictions.” *American Economic Review*, 101(4), 1092-1105.
- Pissarides, Christopher A. (2000). *Equilibrium Unemployment Theory*.
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- Wright, R., Kircher, P., Julien, B., and Guerrieri, V. (2017). “Directed search: A guided tour.”

- Unemployment and business cycles

- Shimer, R. (2005). “The cyclical behavior of equilibrium unemployment and vacancies.” *American Economic Review*, 95(1), 25-49.
- Hagedorn, M., and Manovskii, I. (2008). “The cyclical behavior of equilibrium unemployment and vacancies revisited.” *American Economic Review*, 98(4), 1692-1706.
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- Menzio, G., and Shi, S. (2011). “Efficient search on the job and the business cycle.” *Journal of Political Economy*, 119(3), 468-510.
- Mitman K., and Rabinovich, S. (2019). “Do Changes in Unemployment Insurance Explain the Emergence of Jobless Recoveries?”
- Kocherlakota, N. (2010). “Inside the FOMC.” Federal Reserve Bank of Minneapolis.

- Job-to-job transitions and wage dispersion

- Burdett, K., and Mortensen, D. T. (1998). “Wage differentials, employer size, and unemployment.” *International Economic Review*, 257-273.
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  - Faberman, R. J., Mueller, A. I., Sahin, A., and Topa, G. (2017). “Job search behavior among the employed and non-employed.” NBER working paper 23731.
- Sorting
    - Becker, G. S. (1973). “A theory of marriage: Part I.” *Journal of Political economy*, 81(4), 813-846.
    - Abowd, J. M., Kramarz, F., and Margolis, D. N. (1999). “High wage workers and high wage firms.” *Econometrica*, 67(2), 251-333.
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    - Jacobson, L. S., LaLonde, R. J., and Sullivan, D. G. (1993). “Earnings losses of displaced workers.” *The American Economic Review*, 685-709.
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    - Griffy, B. (2017). “Borrowing constraints, search, and life-cycle inequality.”
  - Private information in the labor market
    - Guerrieri, V., Shimer, R., and Wright, R. (2010). “Adverse selection in competitive search equilibrium.” *Econometrica*, 78(6), 1823-1862.
  - Optimal unemployment insurance

- Hopenhayn, H. A., and Nicolini, J. P. (1997). “Optimal unemployment insurance.” *Journal of Political Economy*, 105(2), 412-438.
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