

**DEPARTMENT OF ECONOMICS
TOPICS IN MACROECONOMICS**

Spring 2018

Part 2. Structural Change and Economic Growth

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Office hours: Tuesday 11.00 a.m.–12.00 p.m. and by appointment

COURSE GOALS AND OVERVIEW

The second part of ECON 660 introduces students to some frontier research at the intersection of economic development and macroeconomics. We study the massive structural transformation experienced by countries during the process of long-run economic growth and industrialization – the coincidence of Kuznets’ and Kaldor’s economic growth observations. Mainly theoretical but also quantitative contributions to understanding various dimensions of structural change are analyzed. We address questions such as: What are the empirical facts of structural change within and across countries that models should aim to replicate? How do the structural transformations observed during the Industrial Revolutions differ from those seen recently in south and south-east Asian countries? What theoretical mechanisms can generate large sectoral reallocations of employment and value added, and under what conditions are these mechanisms consistent with balanced growth of an economy at the aggregate level? What is the impact of structural change in employment across sectors for aggregate labor market outcomes and inequality? Is international trade an important mechanism for producing structural change, and especially industrialization and de-industrialization? The emphasis is on studying and developing models that can qualitatively and quantitatively characterize the data on structural change and economic growth.

The main learning objectives for the course are that students have the opportunity to read, discuss, and critique papers at the frontier of this macroeconomics sub-field. In addition, students are encouraged to develop their own research projects towards a dissertation paper.

PREREQUISITES

ECONOMICS 602, ECONOMICS 605.

ASSIGNMENTS AND GRADING

Students' final grades in ECON 661 are based on two types of assignment. First, in-class presentation of research papers, in both parts of the course. These account for 40% of a student's overall grade. Second, writing of a short paper based on the material in either or both parts of the course and its class presentation in week 15. This accounts for 60% of overall grade. Students will be assigned dates on which they will present a research paper at the beginning of each class, in each week of the course. The presentation should be made using power-point or similar presentation slides, and these must be submitted electronically to the professor immediately following the class presentation. The term paper which students must write must be submitted electronically or in hard copy to both instructors of ECON 660 on the Friday or week 16 of the semester.

The instructor will assign a grade and provide feedback to each student concerning their class presentations. Students should arrange to meet with the instructor to discuss their presentation in the week following the presentation date for the purpose of receiving feedback. There will also be informal feedback provided during the presentation from both instructor and the other students in the class. Term paper grades will be available by the final grade deadline for the course, or within three working days following the final examination date scheduled for the course—whichever is sooner.

ACADEMIC CONDUCT

Plagiarism – presenting someone else's ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, "Behavior Violating University Standards", <https://policy.usc.edu/student/scampus/part-b>. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

Discrimination, sexual assault, intimate partner violence, stalking, and harassment are prohibited by the university. You are encouraged to report all incidents to the *Office of Equity and Diversity/Title IX Office* <http://equity.usc.edu> and/or to the *Department of Public Safety* <http://dps.usc.edu>. This is important for the health and safety of the whole USC community. Faculty and staff must report any information regarding an incident to the Title IX Coordinator who will provide outreach and information to the affected party. The sexual assault resource center webpage <http://sarc.usc.edu> fully describes reporting options. Relationship and Sexual Violence Services <https://engemannshc.usc.edu/rsvp> provides 24/7 confidential support.

SUPPORT SYSTEMS

Several USC schools provide support for students who need help with scholarly writing. Check with your advisor or program staff to find out more. Students whose primary language is not English should check with the American Language Institute <http://ali.usc.edu>, which sponsors courses and workshops specifically for international graduate students. The Office of Disability Services and Programs <http://osas.usc.edu> provides certification for students with disabilities and helps arrange the relevant accommodations.

COURSE OUTLINE

The final week of the course (week 15) will be dedicated to in-class presentation of students' term papers. In the following breakdown, a * indicates a required reading.

I. Origins and Implications of Structural Change (weeks 1-2)

*Acemoglu, Daron, and Veronica Guerrieri (2008) "Capital Deepening and Non-balanced Economic Growth." *Journal of Political Economy* **116** (June): 467-498.

Buera, Francisco J. and Joseph P. Kaboski (2012) "Scale and the Origins of Structural Change." *Journal of Economic Theory* **147**: 684-712

Duarte, Margarida and Diego Restuccia (2010) "The Role of Structural Transformation in Aggregate Productivity." *Quarterly Journal of Economics* **125** 1: 129-173

Echeverria, Christina (1997) "Changes in Sectoral Composition Associated with Economic Growth." *International Economic Review* **3**, 2: 431-452.

*Herrendorf, Berthold, Richard Rogerson and Akos Valentinyi (2014) "Growth and Structural Transformation", *Handbook of Economic Growth*

*Kongsamut, Piyabha, Rebelo, Sergio and Danyang Xie (2001) "Beyond Balanced Growth." *Review of Economic Studies* **68**: 869-882

*Ngai, L. Rachel, and Christopher A. Passarides (2007) "Structural Change in a Multi-Sector Model of Growth." *American Economic Review* **97** (January): 429-443

II. Structural Change, Income and Relative Price Effects (week 3)

*Boppart, Timo (2014) "Structural Change and the Kaldor Facts in a Growth Model with Relative Price Effects and Non-Gorman Preferences." *Econometrica* **82** 6: 2167-2196

Comin, Diego, Danial Lashkari, and Marti Mestieri (2015) "Structural Change With Long-Run Income and Price Effects." NBER working paper 21595, September.

*Foellmi, Reto, and Josef Zweimuller (2008) "Structural Change, Engel's Consumption Cycles and Kaldor's Facts of Economic Growth." *Journal of Monetary Economics*, **55**: 1317-1328.

*Herrendorf, Berthold, Richard Rogerson, and Alok Valentinyi (2013) "Two Perspectives on Preferences and Structural Transformation." *American Economic Review* **103** 7: 2752-2789.

Laitner, John (2000) "Structural Change and Economic Growth." *Review of Economic Studies* **67**(July): 545-561

III. Structural Change, Labor Markets and Institutions (Weeks 4-5)

Autor, David H., and David Dorn (2013) "The Growth of Low-Skill Service Jobs and the Polarization of the US Labor Market." *American Economic Review*, **103**(5): 1553-1597.

*Buera, Francisco J. and Joseph P. Kaboski (2012) "The Rise of the Service Economy", *American Economic Review* **102** 6: 2540-2569

*Caselli, Francesco, and John Coleman (2001) "The U.S. Structural Transformation and Regional Convergence: A Reinterpretation." *Journal of Political Economy* **109** (June): 584-617.

*Hayashi, Fumio and Edward Prescott (2008) "The Depressing Effect of Agricultural Institutions on the Prewar Japanese Economy," *Journal of Political*

Economy **116** 4:

Lee and Wolpin (2006) "Inter-sectoral Labor Mobility and the Growth of the Service Sector." *Econometrica* **47**: 1-46.

Ngai, L. Rachel, and Christopher A. Pissarides (2008) "Trends in Hours and Economic Growth", *Review of Economic Dynamics*, **11**(April): 239-256

*Richard Rogerson (2008) "Structural Transformation and the Deterioration of European Labor Market Outcomes," *Journal of Political Economy*, **116**(2): 235-259.

Verma, Rubina (2012) "Structural Transformation and Jobless Growth." *Oxford Handbook of the Indian Economy* Oxford University Press: Oxford

IV. Structural Change and International Trade (Weeks 6-7)

*Betts, Caroline, Rahul Giri, and Rubina Verma (2017) "Trade, Reform, and Structural Transformation in South Korea", *IMF Economic Review*

Echevarria, Cristina (2008) "International Trade and the Sectoral Composition of Production." *Review of Economic Dynamics* **11** 192-206

*Kehoe, Tim, Kim J. Ruhl and Joseph B. Steinberg (2018) "Global Imbalances and Structural Change in the United States", University of Minnesota, forthcoming *Journal of Political Economy*

Mastuyama, Kiminori (2009) "Structural Change in an Interdependent World: A Global View of Manufacturing Decline," *Journal of the European Economic Association*, **7** (April-May): 478-486.

*Stokey, Nancy (2001) "A Quantitative Model of the Industrial Revolution." *Carnegie-Rochester Conference Series on Public Policy* **55** 55-109

*Uy, Timothy, Kei-Mu Yi and Jing Zhang (2013) "Structural Transformation in an Open Economy." *Journal of Monetary Economics*