

Syllabus for ECON712 “Topics in Quantitative Macroeconomics”

Fall 2021

Prof. Joachim Hubmer

Meeting times: Tuesday, Thursday, 8.30-10am; August 31 – October 18

Room: TBA

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Office Hours: Wednesday, 9-10am; Thursday, 5-6pm; PCPE Room 504

This is a graduate course on quantitative macroeconomics, with an emphasis on household/firm heterogeneity and inequality. The list of topics and readings below is tentative: your input is very much appreciated, and we can flexibly add and drop topics and papers.

In terms of methods, the emphasis will be on a “Macro/Labor” approach: we take the micro data seriously, and apply them to study questions of macroeconomic interest.

The most important goal of this class is that it acts as a transition ramp for you to conduct original research (the toughest part of a PhD program). Therefore, we will discuss both seminal papers as well as current frontier research.

Assessment

- Referee Report (25%): provide a referee report on a recent working paper. Good choices include papers that are currently at R&R stage at top general interest or top macro field journals, and also NBER working papers. Any working paper is fine, subject to my approval. A referee report should consist of three sections: summary (~0.5 pages), essential points (~1 page), and suggestions (~1 page). See Berk, Harvey, Hirshleifer “How to Write an Effective Referee Report and Improve the Scientific Review Process”, JEP 2017.
- Term Paper (50%): You have different options. Choose one of the following. You may work in teams of up to TWO STUDENTS for this term paper.
 - A research proposal. Describe the question and why it matters; summarize the literature; describe what kind of data and model you (plan to) use; how to estimate/calibrate the model, and relatedly your identification strategy; share some preliminary results if possible (it can be from a simpler model version).

- Literature review + paper replication (one option would be to replicate a paper and add a twist to it). The goal here is to transition into research, and there are multiple ways to do so.
- Computational project. Alternatively, you can use this as opportunity to sharpen your computational toolkit by solving a heterogenous-agent model on the computer. I will post detailed instructions on Canvas and guide you through it.
- Presentation (25%): you can choose to present your term paper (if it is not the computational project) OR the paper you wrote a referee report on OR some other paper that interests you and broadly fits into the class. If you present joint work, you can also combine the presentation (i.e. if two of you collaborate on the research proposal, you can do a joint presentation).

Background Readings:

1. Handbook Chapters and Survey Papers

- a. Krueger, Mitman, Perri (2016): Macroeconomics and Household Heterogeneity, Chapter in Handbook of Macroeconomics
- b. Nakamura, Steinsson (2018): Identification in Macroeconomics, JEP
- c. Guvenen (2011): Macroeconomics with Heterogeneity: A Practical Guide, Economic Quarterly
- d. Quadrini, Rios-Rull (2015): Inequality in Macroeconomics, Chapter in Handbook of Income Distribution
- e. Acemoglu (2002): Technical Change, Inequality, and the Labor Market, JEL

2. Background Papers

- a. Aiyagari (1994): Uninsured Idiosyncratic Risk and Aggregate Saving”, QJE
- b. Krusell, Smith (1998): Income and Wealth Heterogeneity in the Macroeconomy, JPE
- c. Hopenhayn (1992): Entry, Exit, and Firm Dynamics in Long Run Equilibrium, ECTA

Topics:

1. Wealth Inequality

- a. Saez, Zucman (2016): Wealth Inequality in the United States, since 1913: Evidence from Capitalized Income Tax Data, QJE
- b. Cagetti and DeNardi (2006): Entrepreneurship, Frictions, and Wealth, JPE

- c. Benhabib, Bisin (2018): Skewed Wealth Distributions: Theory and Empirics, *Journal of Economic Literature*
- d. Gabaix (2009): Power Laws in Economics and Finance, *Annual Review of Economics*
- e. Hubmer, Krusell, Smith (2020): Sources of U.S. Wealth Inequality: Past, Present, and Future, *NBER Macro Annual*
- f. Fagereng, Guiso, Malacrino, Pistaferri (2020): Heterogeneity and Persistence in Returns to Wealth, *ECTA*
- g. Bach, Calvet, Sodini (2020): Rich Pickings? Risk, Return, and Skill in the Portfolios of the Wealthy, *AER*

2. The Decline of the Labor Share

- a. Karabarbounis, Neiman (2018): Accounting for Factorless Income, *NBER Macro Annual*
- b. Autor, Dorn, Katz, Patterson, Van Reenen (2020): The Fall of the Labor Share and the Rise of Superstar Firms, *QJE*
- c. Kehrig, Vincent (2021): The Micro-Level Anatomy of the Labor Share Decline, *QJE*
- d. Hubmer (2021): The Race Between Preferences and Technology, working paper
- e. Acemoglu, Restrepo (2018): The Race Between Man and Machine, *AER*
- f. Acemoglu, Autor (2011): Skills, Tasks and Technologies: Implications for Employment and Earnings, Chapter in *Handbook of Labor Economics*
- g. Hubmer, Restrepo (2021): Not a Typical Firm: The Joint Dynamics of Firms, Labor Shares, and Capital-Labor Substitution

3. The Intangible Economy

- a. Corrado, Hulten, Sichel (2009): Intangible Capital and U.S. Economic Growth, *Review of Income and Wealth*
- b. Peters, Tayler (2017): Intangible Capital and the Investment-q relation, *JFE*
- c. Crouzet, Eberly (2020): Rents and Intangible Capital: a Q+ Framework, working paper
- d. De Ridder (2020): Market Power and Innovation in the Intangible Economy, working paper

- e. Gourio, Rudanko (2014): Customer Capital, REStud

4. Firm Heterogeneity in the Macroeconomy

- a. DeLoecker, Eeckhout, Unger (2020): The Rise of Market Power and the Macroeconomic Implications, QJE
- b. Edmond, Midrigan, Xu (2019): How Costly are Markups?, working paper
- c. Baqaee, Farhi (2020): Productivity and Misallocation in General Equilibrium, QJE
- d. Gourio, Rudanko (2014): Customer Capital, REStud

5. Frictions, Market Power, and the Labor Market

- a. Gouin-Bonenfant (2020): Productivity Dispersion, Between-Firm Competition, and the Labor Share, working paper
- b. Berger, Herkenhoff, Mongey (2021): Labor Market Power, working paper
- c. Bilal, Engbom, Mongey, Violante (2019): Firm and Worker Dynamics in a Frictional Labor Market, working paper
- d. Jarosch, Nimczik, Sorkin (2020): Granular Search, Market Structure, and Wages, working paper