

Econ 2410: Innovation, Firm Dynamics and Economic Growth

Philippe Aghion Spring 2018

March 19, 2018

Abstract

This class will focus on the Schumpeterian approach to growth, on some of its applications. We shall discuss: (i) the relationship between growth and IO and the applications to trade; (ii) the notion of "stages of growth" and the so-called middle-income trap; (iii) the debate on secular stagnation and the issue of growth measurement; (iv) the debate on growth, inequality, and social mobility; (v) the relationship between growth, innovation and the environment; (vi) the role of macroeconomic policy in fostering innovation-led growth.

1 The Basics of Schumpeterian Growth Theory

- *Aghion, P, and Howitt, P (2009), *The Economics of Growth*, Chapters 4 and 7
- *Acemoglu, D (2008), *Introduction to Modern Economic Growth*, Chapter 14
- *Aghion, P., Akcigit, U., and Howitt, P (2014), "What Do We Learn From Schumpeterian Growth Theory?", in *Handbook of Economic Growth*, ed. by P. Aghion and S. Durlauf, Vol. 2, 515-563.

2 Competition, Trade and Innovation

- *Aghion, P, and Howitt, P (2009), *The Economics of Growth*, Chapters 12 and 15
- *Acemoglu, D (2008), *Introduction to Modern Economic Growth*, Chapter 14
- *Aghion, P., Akcigit, U., and Howitt, P (2014), "What Do We Learn From Schumpeterian Growth Theory?", in *Handbook of Economic Growth*, ed. by P. Aghion and S. Durlauf, Vol. 2, 515-563.

- Aghion, P, Harris, C., Howitt, P., and Vickers, J (2001), "Competition, Imitation and Growth with Step by Step Innovation", *Review of Economic Studies*
- Aghion, P, Bloom, N, Blundell, R, Griffith, and Howitt, P (2005), "Competition and Innovation: An Inverted-U Relationship", *Quarterly Journal of Economics*
- *Aghion, P., Bergeaud, A., Lequien, M., and Melitz, M (2018), "The Impact of Exports on Innovation: Theory and Evidence"
- Bloom, N., Draca, M., and van Reenen, J (2015), "Trade Induced Technical Change: The Impact of Chinese Imports on Innovation, Diffusion and Productivity", *Review of Economic Studies*
- Autor, D., Dorn, D. Hanson, G., Pisano, G. and Shu, P (2017), "Foreign Competition and Domestic Innovation: Evidence from US Patents"
- Akcigit, U., Ates, S, and Impulliti, G (2017), "Innovation and Trade Policy in a Globalized World".

3 Stages of Growth and Middle Income Trap

- *Aghion, P, and Howitt, P (2009), *The Economics of Growth*, Chapters 10 and 11
- Kremer, M (1993), "Population Growth and Technological Change: One Million B.C to 1990", *Quarterly Journal of Economics*
- Galor, O, and Weil, D (2000), "Population, Technology, and Growth: From Malthusian Stagnation to the Demographic Transition and Beyond", *American Economic Review*
- *Acemoglu, D, Aghion, P, and Zilibotti, F (2006), Distance to Frontier, Selection and Economic Growth", *Journal of the European Economic Association*
- *Zilibotti, F (2017), "Growing and Slowing Down like China", *Journal of the European Economic Association*
- Boppart, T (2014), "Structural Change and the Kaldor Facts in a Growth Model with Relative Price Effects and Non-Gorman Preferences", *Econometrica*

4 Secular Stagnation and Growth Measurement

- *Aghion, P, Bergeaud, A, Boppart, T, Klenow, P, and Li, H (2017), "Missing Growth from Creative Destruction".

- *Aghion, P, Bergeaud, A, Boppart, T, and Bunel, S (2018), "Firm Dynamics and Growth Measurement in France"
- Broda, C., and Weinstein, D (2010), "Product Creation And Destruction: Evidence And Price Implications", *American Economic Review*
- Gordon, R (2012), "Is US Economic Growth Over? Faltering Innovation Confronts The Six Headwinds", *NBER Working Paper #18315*
- Syverson, C (2016), "Challenges to Mismeasurement Explanations for the US Productivity Slowdown", *NBER Working Paper #21974*
- *Bloom, N, Jones, C, Van Reenen, J, and Webb, M (2018) "Are Ideas Getting Harder to Find?"

5 Growth, Inequality, and Social Mobility

- Chetty, R, Hendren, N, Kline, P, and Saez, E (2014), "Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the US", *Quarterly Journal of Economics*,
- *Aghion, P, Akcigit, U, Bergeaud, A, Blundell, R, and Hemous, D (2015), "Innovation and Top Income Inequality", NBER Working Paper 21247
- Jones, C and Kim, J (2014), "A Schumpeterian Model of Top Income Inequality", NBER Working Paper 20637
- *Aghion, P, Akcigit, U, Hyytinen, A and Toivanen, O (2018), "The Social Origins of Inventors"
- *Bell, A, Chetty, R, Jaravel, X, Petkova, N, and Van Reenen, J (2018), "The Lifecycle of Inventors"

6 Directed Technical Change and Climate

- Aghion, P, and Howitt, P (2009), *The Economics of Growth*, Chapters 8 and 15
- *Acemoglu, D, Aghion, P, Bursztyn, L, and Hemous, D (2012), "The Environment and Directed Technical Change", *American Economic Review*
- *Aghion, P, Dechezlepretre, A, Hemous, D, Martin, R, and Van Reenen, J (2017), "Carbon Taxes, Path Dependence and Directed Technical Change: Evidence from the Auto Industry", *Journal of Political Economy*
- Acemoglu, D, Akcigit, U, Hanley, D, and Kerr, W (2017), "Transition to Clean Technology", *Journal of Political Economy*

7 Macroeconomic Policy, Volatility and Growth

- *Aghion, P, and Howitt, P (2009), *The Economics of Growth*, Chapter 14
- Ramey, G, and V. Ramey (1995), “Cross-Country Evidence on the Link between Volatility and Growth”, *American Economic Review*
- Aghion, P, Angeletos, G-M, Banerjee, A, and Manova, K (2010), “Volatility and Growth: Credit Constraints and the Composition of Investment” *Journal of Monetary Economics*
- Aghion, P, Askenazy, P, Berman, N, Cetto, G, and Eymard, L (2012), “Credit Constraints and the Cyclicalities of R&D Investment: Evidence from France” *Journal of the European Economic Association*
- Aghion, P, Hemous, D, and E. Kharroubi (2012), “Cyclical Fiscal Policy, Credit Constraints, and Industry Growth”, *Journal of Monetary Economics*.
- *Chodorow-Reich, G (2014), “The Employment Effects of Credit Market Disruptions: Firm-Level Evidence from the 2008-09 Financial Crisis”, *The Quarterly Journal of Economics*
- *Aghion, P, Farhi, E, and Kharroubi, E (2018), “Monetary Policy, Product Market Competition, and Growth”.