



Reading Group
Topics in Macro, Public and Development

Academic Year 2021-2022

We would like to propose the creation of a reading group at the inter-section of development, public economics and macro, with active participation of faculty and PhD students from all three groups.

We believe that students and faculty alike would greatly benefit from more cross-field exposure and interactions. Macro students, to the extent that they work with micro data, could definitely gain from being exposed more to identification and estimation issues. Applied micro students would gain from being pushed on interpreting their estimates through an economic model. Applied theory students would benefit from being pushed more about empirical facts and the connection of the model to the data.

Another objective is to **create opportunities and synergies among group participants to embark in new research projects at the intersection between these fields**. On one hand, macro models have key lessons for gathering and analyzing micro evidence for policy evaluation purposes. Resource constraints, general equilibrium effects, obstacles to trade, dynamics, and returns to scale can all play key roles. On the other hand, structural models need to be designed and disciplined to the realities and data of the economies of developed or developing countries.

Interested students are encouraged to signal their intention to take part to the reading group by sending one of us an email with their preferred topic(s) and set of papers from the list below. We will meet weekly (time and date TBD) throughout the entire academic year. Each meeting will consist of a 40-minute paper presentation (max 15 slides) by a PhD student (Deeqa included) followed by a 20-minute discussion in which ALL participants are expected to actively engage.

We look forward to this initiative!

Matteo Bobba, Christian Hellwig, and Nicolas Werquin

1. Firms

This section encompasses both a micro literature that focuses on barriers to firm growth and productivity, and an emerging macro literature that emphasizes productivity spillovers across firms and sectors.

Background readings:

Francisco J. Buera & Joseph P. Kaboski & Robert M. Townsend, 2021. "From Micro to Macro Development," NBER Working Papers 28423, National Bureau of Economic Research, Inc.

- a. ~~Bassi, Vittorio, Raffaella Muoio, Tommaso Porzio, Ritwika Sen, and Esau Tugume, 2021, "Achieving Scale Collectively," NBER Working Papers 28928, National Bureau of Economic Research, Inc.~~
- b. Banerjee, Abhijit, Emily Breza, Esther Duflo, and Cynthia Kinnan, "Can Microfinance Unlock a Poverty Trap for Some Entrepreneurs?" NBER Working Papers 26346, National Bureau of Economic Research, Inc October 2019.
- c. Akcigit, Ufuk, Harun Alp, and Michael Peters. 2021. "Lack of Selection and Limits to Delegation: Firm Dynamics in Developing Countries." *American Economic Review*, 111 (1): 231-75.
- d. ~~Adrien G. Bilal & Niklas Engbom & Simon Mongey & Giovanni L. Violante, 2019. "Firm and Worker Dynamics in a Frictional Labor Market," NBER Working Papers 26547, National Bureau of Economic Research, Inc.~~
- e. ~~Buera Francisco, Joseph Kaboski and Yongseok Shin, "The Macroeconomics of Microfinance," The Review of Economic Studies, 08 2020.~~
- f. ~~Bustos, Paula, Gabriel Garber, and Jacopo Ponticelli, "Capital Accumulation and Structural Transformation," Quarterly Journal of Economics, 2020, 135 (2), 1037-1094.~~
- g. Tiago V. Cavalcanti & Joseph P. Kaboski & Bruno S. Martins & Cezar Santos, 2021. "Dispersion in Financing Costs and Development," NBER Working Papers 28635, National Bureau of Economic Research, Inc.
- h. Boehm, Johannes and Ezra Oberfield, "Misallocation in the Market for Inputs: Enforcement and the Organization of Production," *Quarterly Journal of Economics*, forthcoming
- i. ~~Baqee, David and Emmanuel Farhi, "Productivity and Misallocation in General Equilibrium," Quarterly Journal of Economics, forthcoming~~
- j. Emily Breza, Cynthia Kinnan, Measuring the Equilibrium Impacts of Credit: Evidence from the Indian Microfinance Crisis, *The Quarterly Journal of Economics*, Volume 136, Issue 3, August 2021, Pages 1447-1497
- k. Francisco J. Buera & Hugo Hopenhayn & Yongseok Shin & Nicholas Trachter, 2021. "Big Push in Distorted Economies," NBER Working Papers 28561, National Bureau of Economic Research, Inc.
- l. Brooks, Donovan, and Johnson (2021). "Shocking Firm-Level Interactions: From Micro Intervention to Aggregate Implications", mimeo

2. Taxes

Fiscal policy may have important impacts on structural transformation. Countries' ability to pursue optimal policies (e.g. trade liberalizations, infrastructure investments) may be constrained by the need to raise public funds using a limited set of viable tax instruments.

Background readings:

Besley, T. and Persson, T., 2013. Taxation and development. In Handbook of public economics (Vol. 5, pp. 51-110). Elsevier.

Besley, T. and Persson, T., 2009. The origins of state capacity: Property rights, taxation, and politics. American economic review, 99(4), pp.1218-44.

- a. Anders Jensen. "Employment Structure and the Rise of the Modern Tax System," *American Economic Review*, 112 (1): 213-34, 2022.
- ~~b. Best, M.C., Brockmeyer, A., Kleven, H.J., Spinnewijn, J. and Waseem, M., 2015. Production versus revenue efficiency with limited tax capacity: theory and evidence from Pakistan. *Journal of political Economy*, 123(6), pp.1311-1355.~~
- c. Balan, P., Bergeron, A., Tourek, G. and Weigel, J. Local Elites as State Capacity: How city chiefs use local information to increase tax compliance in the DR Congo. *American Economic Review*, Forthcoming.
- d. Brockmeyer, A., Estefan, A., Arras, K.R. and Serrato, J.C.S.. Taxing property in developing countries: Theory and evidence from Mexico (No. w28637). National Bureau of Economic Research, 2021.
- e. Chen, Zhao, Liu, Zhikuo, Suárez Serrato, Juan Carlos, Xu, Daniel Yi, 2021. "Notching R&D Investment with Corporate Income Tax Cuts in China," *American Economic Review*, 111(7), 2065-2100, 2021"
- f. Pierre Bachas & Lucie Gadenne & Anders Jensen, 2020. "Informality, Consumption Taxes, and Redistribution," NBER Working Papers 27429, National Bureau of Economic Research, Inc.
- g. Gerard, François, Naritomi, Joana, 2021. "Job Displacement Insurance and (the Lack of) Consumption-Smoothing," *American Economic Review* V 111, N 3, D 2021, P 899-942
- ~~h. Sanchez de la Sierra, R., 2020. On the origins of the state: Stationary bandits and taxation in eastern Congo. *Journal of Political Economy*, 128(1), pp.000-000.~~
- i. Patrick Kline, Cecile Gaubert, Danny Yagan, 2021. « Place-Based Redistribution », NBER Working Papers 28337, National Bureau of Economic Research, Inc.

3. Trade and Migration

Trade, and economic integration more broadly, can be an important source of productivity gains and structural transformation, but there has been little research directly focusing on structural transformation in open economies and the importance of reducing frictions within domestic markets.

Background readings:

Kennan, John, and James R. Walker. "THE EFFECT OF EXPECTED INCOME ON INDIVIDUAL MIGRATION DECISIONS." *Econometrica* 79, no. 1 (2011): 211-51.

Donaldson, Dave. 2018. "Railroads of the Raj: Estimating the Impact of Transportation Infrastructure." *American Economic Review*, 108 (4-5): 899-934.

- a. McCaig, Brian, and Nina Pavcnik. 2018. "Export Markets and Labor Allocation in a Low-Income Country." *American Economic Review*, 108(7): 1899–1941.
- b. McCaig, Brian, Nina Pavcnik, and Woan Fung Wong. 2020. "Export Markets and LongRun Industry Adjustment: State, Private, and Foreign Firms in Vietnam." Unpublished manuscript, Wilfrid Laurier University
- c. Ding, Xiang, Theresa C. Fort, Stephen J. Redding, and Peter K. Schott. 2020. "Structural Change Within Versus Across Firms: Evidence from the United States." Unpublished manuscript, Princeton University
- d. Pablo Fajgelbaum & Stephen J. Redding, 2021. "Trade, Structural Transformation and Development: Evidence from Argentina 1869-1914," NBER Working Papers 20217, National Bureau of Economic Research, Inc.
- e. Antras, Pol, and Alonso de Gortari. 2020. "On the Geography of Global Value Chains." *Econometrica*, 84(4): 1553–1598.
- f. Alfaro-Urena, Alonso, Isabela Manelici, and Jose Vasquez. 2022. "The Effects of Joining Multinational Supply Chains: New Evidence from Firm-to-Firm Linkages (link)" forthcoming, QJE.
- ~~g. Sebastian Heise & Tommaso Porzio, 2021. "The Aggregate and Distributional Effects of Spatial Frictions," NBER Working Papers 28792, National Bureau of Economic Research, Inc.~~
- ~~h. Caliendo, L., Dvorkin, M., & Parro, F. (2019). Trade and labor market dynamics: General equilibrium analysis of the China trade shock. *Econometrica*, 87(3), 741–835.~~
- ~~i. Bryan, G. & Morten, M. (2019). The Aggregate Productivity Effects of Internal Migration: Evidence from Indonesia. *Journal of Political Economy*, 127(5), 2229–2268.~~
- ~~j. Meghir, C., Mobarak, M., Mommaerts, C., & Morten, M. (2021) Migration and Informal Insurance. Forthcoming: the Review of Economic Studies.~~
- ~~k. David Lagakos & Ahmed Mushfiq Mobarak & Michael E. Waugh, 2018. "The Welfare Effects of Encouraging Rural-Urban Migration," NBER Working Papers 24193, National Bureau of Economic Research, Inc.~~
- l. Grant and Startz (2021). Cutting Out the Middleman: The Structure of Chains of Intermediation ideas, mimeo.

- m. Kleinman & Liu & Redding, 2021. "Dynamic Spatial General Equilibrium,". NBER Working Papers 29101, National Bureau of Economic Research, Inc.
- n. Coeurdacier, Oswald & Tiegnier (2021). "Structural Change, Land Use and Urban Expansion", mimeo.