GROWTH ECONOMICS I – PART 2. UB MSc IN ECONOMICS

STRUCTURAL TRANSFORMATION AND ECONOMIC GROWTH
SPRING 2018

Schedule: Monday and Tuesday (9.15 – 11.15). Room 101.

Professor: Marc Teignier, office: 416 (4th floor, Diagonal 696)

I. Course Summary

Structural transformation is defined as the reallocation of economic activity across three broad sectors (agriculture, manufacturing, and services) that accompanies the process of modern economic growth. Kuznets (1966) already listed structural transformation as one of the six main features of modern economic growth and it has received a lot of attention in the policy debate, especially in developing countries. In the last decade, it has also become one of the most active fields in the Macroeconomic research. The purpose of this course is to become familiar with these recent contributions to the academic literature.

II. Grading Policy

- Class participation (15% of grade).
  Attend lectures, ask questions, and express opinions and concerns.
- Class presentation (35% of grade).
  Choose one of the papers from the reading list (not in bold) and present it in class. Once you know the paper, the professor will assign you the date. (Possible dates: 11/6, 12/6).
- Paper report (50% of grade).
  Choose one (or more) of the papers from the reading list (not in bold letters), make a report about them following the guidelines explained in class, and make a research proposal based on an extension or a modification. **Submission deadline: 20/6.**

III. Course calendar

	Monday	Tuesday	Wednesday
Week 1 (21-23/5)	NO CLASS	Introduction, Section 1	Section 2
Week 2 (28-30/5)	Section 3	Section 4	Section 5
Week 3 (4-5/6)	NO CLASS	NO CLASS	
Week 4 (11-12/6)	Student presentations	Student presentations	

IV. Reading list of the course

1. The Stylized Facts of Structural Transformation

- **Herrendorf, Rogerson, Valentinyi (2014): "Growth and Structural Transformation." Handbook of Economic Growth 2014.**
- **Kuznets (1973): "Modern Economic Growth: Findings and Reflections." American Economic Review 63(3).**

2. Sectoral Composition and Income Differences Across Countries

- **Caselli (2005): "Accounting for cross-country income differences." Handbook of Economic Growth 2005.**
- **Gollin, Parente and Rogerson (2007): "The food problem and the evolution of international income levels". Journal of Monetary Economics, 54, 1230-1255.**
- **Duarte and Restuccia (2010): "The role of structural transformation in aggregate productivity." Quarterly Journal of Economics, 125, 129-173.**
- **Herrendorf and Valentinyi (2012) "Which sectors make poor countries so unproductive." Journal of the European Economic Association, 10, 323-341.**
- Gollin, Parente and Rogerson (2004): "Farm work, home work and international productivity differences." Review of Economic Dynamics, 7, 827-850.
- Restuccia, Yang, and Zhu (2008): "Agriculture and Aggregate Productivity: a quantitative cross-country analysis." Journal of Monetary Economics, 55, 234-250.

- Vollrath (2009): "How Important are Dual Economy Effects for Aggregate Productivity?" Journal of Development Economics, 88(2), 325-334.
- Adamopoulos (2011): "Transportation costs, agricultural productivity and cross-country income differences." International Economic Review, 52(2), 489-521.
- Lagakos and Waugh (2013): "Selection, Agriculture, and Cross-Country Productivity Differences", American Economic Review, 103(2), 948-980.
- Herrendorf and Schoellman (2013): "Why is measured productivity so low in agriculture?"
- Alvarez-Cuadrado, Poschke and Van Long (2013): "Capital-labor substitution, structural change and the labor income share."
- Eberhardt and Vollrath (2014): "Agricultural Technology and Structural Change."
- Adamopoulos and Restuccia (2014): "The size distribution of farms and international productivity differences." American Economic Review, 104(6): 1667-1697.
- Gollin, Lagakos, Waugh (2014): "The agricultural productivity gap in developing countries", Quarterly Journal of Economics.
- Adamopoulos and Restuccia (2015): "Land Reform and Productivity: A Quantitative Analysis with Micro Data."
- Restuccia and Santaeulalia-Llopis (2015): "Land Misallocation and Productivity."
- Grobovsek and Gottlieb (2015): "Communal Land and Agricultural Productivity."
- Duernecker, Herrendorf, and Valentinyi (2016): "Unbalanced Growth Slowdown."
- Leon-Ledesma, and Moro (2016): "The Rise of the Service Economy and the Real Return on Capital."

3. The Economic Forces behind Structural Transformation in Closed Economies

- **Kongsamut, Rebelo, Xie (2001): "Beyond Balanced Growth." Review of Economic Studies, 68, 869-882.**
- **Ngai and Pissarides (2007): "Structural Change in a Multisector Model of Growth." American Economic Review, 97, 429-443.**
- **Acemoglu and Guerrieri (2008): "Capital Deepening and Non-Balanced Economic Growth." Journal of Political Economy, 116, 467-498.**
- **Herrendorf, Rogerson, Valentinyi (2014): "Growth and Structural Transformation." Handbook of Economic Growth 2014.**
- **Leukhina and Turnovsky (2016): "Population Size Effects in the Structural Development of England." American Economic Journal: Macroeconomics, forthcoming.**
- **Rogerson (2008): "Structural Transformation and the Deterioration of the European Labor Markets." Journal of Political Economy 116(2): 235-259.**
- **Buera, Kaboski and Rogerson (2015): "Skill-biased structural change."**
- Echevarria (1997): "Changes in sectoral composition associated with economic growth." International Economic Review, 38, 431-452.

- Laitner (2000): "Structural Change and Economic Growth." Review of Economic Studies, 67(3), 545-61.
- Hansen and Prescott (2002): "Malthus to Solow." American Economic Review.
- Foellmi and Zweimuller (2008): "Structural Change, Engel's Consumption Cycles and Kaldor's Facts of Economic Growth." Journal of Monetary Economics, 55, 1317-1328.
- Ngai and Pissarides (2008): "Trends in Hours and Economic Growth." Review of Economic Dynamics, 11, 239-256.
- Dennis and Iscan (2009): "Engel versus Baumol: Accounting for Structural Change using two Centuries of U.S. Data." Explorations in Economic History, 46, 186-202.
- Buera and Kaboski (2009): "Can traditional theories of structural change fit the data?" Journal of the European Economic Association, 7, 469-477.
- Alvarez-Cuadrado and Poschke (2011): "Structural change out of agriculture: labor push versus labor pull." American Economic Journal: Macroeconomics, 3, 127-158.
- Guilló, Papageorgiou, Perez-Sebastian (2011): "A unified theory of structural change." Journal of Economic Dynamics and Control, 35(9), 1393-1404.
- Buera and Kaboski (2012): "The rise of the service economy." American Economic Review, 102, 2540-2569.
- Buera and Kaboski (2012): "Scale and origins of structural change." Journal of Economic Theory, 147, 684-712.
- Herrendorf, Rogerson and Valentinyi (2013): "Two perspectives on preferences and structural transformation." American Economic Review, 103(7): 2752-89.
- Buera, Kaboski and Zhao (2013): "The Rise of Services: the Role of Skills, Scale and Female Labor Supply.
- Berlingieri (2014): "Outsourcing and the Rise in Services."
- Boppart (2014): "Structural change and the Kaldor facts in a growth model with relative price effects and non-Gorman preferences." Econometrica, 82(6): 2167-2196.
- Herrendorf, Herrington and Valentinyi (2014): "Sectoral Technology and Structural Transformation".
- Alonso-Carrera and Raurich (2015): "Demand-based structural change and balanced economic growth." Journal of Macroeconomics 46, 359-374.
- Herrendorf, Schoellman (2015): "Why is Measured Productivity so Low in Agriculture?" Review of Economic Dynamics, 15.
- Ngai and Petrangolo (2015): "Gender Gaps and the Rise of the Service Economy."
- Moro, Moslehi and Tanak (2016): "Does Home Production Drive Structural Transformation?"
- Bridgman, Duernecker, Herrendorf (2016): "Structural Transformation, Marketization, and Household Production around the World."
- Cerina, Moro, and Rendall (2016): "The Role of Gender in Employment Polarization."
- Jedwab, Gollin, and Vollrath (2017): "Urbanization with and without Industrialization". Journal of Economic Growth.
- Bridgman, Duernecker, Herrendorf (2018): "Structural Transformation, Marketization, and Household Production around the World." Journal of Development Economics, 133.
- Herrendorf, Schoellman (2018): "Wages, Human Capital, and Barriers to Structural Transformation." American Economic Journal: Macroeconomics, 10.

- Duernecker, Herrendorf (2018): "On the Allocation of Time – A Quantitative Analysis of the Roles of Taxes and Productivities." European Economic Review, 102.
- Rendall (2018): "Female Market Work, Tax Regimes and the Rise of the Service Sector." Review of Economic Dynamics, 28(2), 269-289.
- Comin, Lashkari, Mestieri (2018): "Structural Change with Long-Run Income and Price Effects."
- Duernecker, Herrendorf, Valentinyi (2018): "Structural Change within the Service Sector and the Future of Baumol´s Disease."

4. Structural Transformation in Open Economies

- **Herrendorf, Schmitz, Teixeira (2012): "The role of transportation in U.S. economic development: 1840-1860".**
- **Teignier (2016): "The role of trade in structural transformation".**
- **Matsuyama (1992): "Agricultural productivity, comparative advantage, and economic growth." Journal of Economic Theory, 58(2), 317-334**
- Stokey (2001): "A quantitative model of the British industrial revolution, 1780-1850." Carnegie-Rochester Conference Series on Public Policy, 55(1), 55-109.
- Echevarria (2008): "International trade and the sectoral composition of production." Review of Economic Dynamics, 11(1), 192-206.
- Connolly and Yi (2015): "How Much of South Korea's Growth Miracle Can Be Explained by Trade Policy?" American Economic Journal: Macroeconomics, 7(4): 188-221.
- Uy, Yi, Zhang (2013): "Structural change in an open economy." Journal of Monetary Economics, 60, 667-682.
- Sposi, M. (2012): "Evolving comparative advantage, structural change, and the composition of trade."
- Xu (2012): "Gains from trade and the food problem."
- Betts, Giri, Verma (2016): "Trade, Reform and Structural Transformation in South Korea."
- Tombe (2014): "The missing food problem: Trade, Agriculture, and International Productivity Differences." American Economic Journal: Macroeconomics, 7(3), 226-258.
- Swiecki (2017): "Determinants of Structural Change." Review of Economic Dynamics, 24, 95-131.

5. What Prevents Structural Transformation in Some Countries?

- **Lee and Wolpin (2006): "Intersectoral labor mobility and the growth of the service sector." Econometrica, 74, 1-46.**
- **Hayashi and Prescott (2008): "The depressing effect of agricultural instiutions on the prewar Japanese economy." Journal of Political Economy, 116, 573-632.**
- **Buera, Kaboski and Shin (2011): "Finance and development: a tale of two sectors". American Economic Review, 101(5), 1964-2002.**
- Kim and Topel (1995): " Labor markets and economic growth: lessons from Korea's industrialization, 1970-1990." University of Chicago Press for NBER, 227-264.
- Messina (2006): The role of product market regulations in the process of structural change." European Economic Review, 50, 1863-1890.
- Artuç, E. and J. McLaren (2010): "Trade Shocks and Labor Adjustment: A Structural Empirical Approach."American Economic Review, 100(3), 1008-1045.

- Dix-Carneiro, R. (2014): "Trade Liberalization and and Labor Market Dynamics." Econometrica, 82(3), 825-885.
- Gollin and Rogerson (2014): "Productvity, transport costs and subsistence agriculture." Journal of Development Economics, 107, 38-48.
- Alonso-Carrera and Raurich (2015): "Labor mobility, structural change and economic growth".
- Cheremukhin, Golosov, Guriev, and Tsyvinski (2015): "The industrialization and economic development of Rusia through the lens of a neoclassical growth model."
- Cheremukhin, Golosov, Guriev, and Tsyvinski (2015): "The economy of People's Republic of China from 1953."