

**ECON 603**  
**Advanced Macroeconomics**  
**Hakkı Özdenören**

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**Office:** Zoom

**Office Hours:** TBD

**Class Time**

- Monday from 09:40 to 11:30 on Zoom.
  - Tuesday from 12:40 to 13:30 on Zoom.
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**Logistics for Fall 2020**

The course will be delivered using Zoom following current SU guidelines. In doing so, I will try to replicate as much as possible the classroom experience. The course will be delivered synchronously: I will be on Zoom during the same time as the original class schedule. If you encounter any issue, just let me know.

**Course Description**

The stability of the labor share of income has been one of the building blocks of modern macroeconomics. However, recent literature has documented a downward trend in the percentage of income that goes to workers. Given its central importance for income/wealth distribution and economic outcomes, a large body of recent research has been devoted to understanding the responsible mechanisms such as technology, offshoring, corporate taxation, weakening worker power, increasing markups, etc. Finally, a growing number of papers study the role policy can play to mitigate (possibly) adverse impacts of declining labor share.

This course is organized around a critical reading of the said literature. Students will be responsible for writing referee reports for the assigned papers and the classes will be discussion-based. The course goals are multifold: To introduce students to the research frontier in macroeconomics, familiarize them with the cutting-edge tools utilized in explaining the decline, and, most importantly, inspire them to come up with novel ideas that will possibly culminate in original research.

## Grading

Participating in this class is very important and is worth 30% of your final grade. Each week, students are asked to prepare a referee report on the assigned paper. These reports are due to beginning of the class and is worth 30% of the final grade. Finally, each student is asked to present papers and presentation constitutes 40% of the final grade.

## Students Needing Learning Accommodations

If you have special needs and have an accommodations letter from the Student with the Special Needs Support Unit, I encourage you to discuss your accommodations and needs with me as early as possible. I will work with you to ensure that accommodations are provided as appropriate. If you suspect that you may have a disability and would benefit from accommodations but are not yet registered with the Special Needs Support Unit, I encourage you to contact them at: [specialneeds@sabanciuniv.edu](mailto:specialneeds@sabanciuniv.edu).

## Finally,

**Take care of yourself:** We are undergoing unprecedented times as the entire globe is weathering COVID-19. Do your best to maintain a healthy lifestyle. This will help you achieve your goals and cope with stress. All of us benefit from support during times of struggle. You are not alone. There are many helpful resources available on campus, and an essential part of the college experience is learning how to ask for help. Asking for support sooner rather than later is often helpful.

If you or anyone you know experiences any academic stress, difficult life events, or feelings like anxiety or depression, we strongly encourage you to seek support. Center for Individual and Academic Development (CIAD/BAGEM) is here to help: call +90-216-483-92-99 and visit their website at:

<https://ciad.sabanciuniv.edu/>

Consider reaching out to a friend, faculty, or family member you trust for help getting connected to the support that can help.

## Tentative Plan

In this section, I provide some additional details on the topics covered in each module.

### Week 1: Foundations

- CES Algebra: Constant Elasticity of Substitution production function, its analytical properties and estimation

### Weeks 2: Labor Share Empirics

- Mućk, J., McAdam, P., & Growiec, J. (2018). Will the “True” labor share stand up? An applied survey on labor share measures. *Journal of Economic Surveys*, 32(4), 961-984.
- Piketty, T (2014), *Capital in the Twenty-First Century*, Harvard University Press.
- (\*\*) Piketty, T., & Zucman, G. (2014). Capital is back: Wealth-income ratios in rich countries 1700-2010. *The Quarterly Journal of Economics*, 129(3), 1255-1310.
- Mankiw, G. (2015). Yes,  $r > g$ . So What? *American Economic Review*, 105 (5): 43-47.

### Week 3: Labor Share Empirics (Is it Capital Deepening?)

- (\*\*) Karabarbounis, L., & Neiman, B. (2014). The global decline of the labor share. *The Quarterly Journal of Economics*, 129(1), 61-103.
- Glover, A., & Short, J. (2020). Can capital deepening explain the global decline in labor’s share?. *Review of Economic Dynamics*, 35, 35-53.

### Week 4: Labor Share Empirics (Is it Globalization?)

- Harrison, A. (2005). Has globalization eroded labor’s share? Some cross-country evidence.
- (\*\*) Elsby, M. W., Hobijn, B., & Şahin, A. (2013). The decline of the US labor share. *Brookings Papers on Economic Activity*, 2013(2), 1-63.

### Week 5: Labor Share Empirics (Is it Industrial Organization? Round-I)

- (\*\*) Kehrig, M., & Vincent, N. (2018). The micro-level anatomy of the labor share decline (No. w25275). *National Bureau of Economic Research*.

### Week 6: Labor Share Empirics (Is it Housing?)

- (\*\*) Rognlie, M. (2016). Deciphering the fall and rise in the net capital share: accumulation or scarcity?. *Brookings papers on economic activity*, 2015(1), 1-69.
- Gutiérrez, G., & Piton, S. (2020). Revisiting the global decline of the (non-housing) labor share. *American Economic Review: Insights*, 2(3), 321-38.

**Week 7-8: Is it Automation?**

- (\*\*) Acemoglu, D., & Restrepo, P. (2018). The race between man and machine: Implications of technology for growth, factor shares, and employment. *American Economic Review*, 108(6), 1488-1542.
- Acemoglu, D., & Restrepo, P. (2019). Automation and new tasks: how technology displaces and reinstates labor. *Journal of Economic Perspectives*, 33(2), 3-30.
- Acemoglu, D., & Restrepo, P. (2020). Robots and jobs: Evidence from US labor markets. *Journal of Political Economy*, 128(6), 2188-2244.
- (\*\*) Dinlersoz, E., & Wolf, Z. (2018). Automation, Labor Share, and Productivity: Plant-Level Evidence from US Manufacturing. *US Census Bureau Center for Economic Studies Working Paper*, 18-39.
- (\*\*) León-Ledesma, M. A., & Satchi, M. (2019). Appropriate technology and balanced growth. *The Review of Economic Studies*, 86(2), 807-835.
- Autor, D., & Salomons, A. (2018). Is Automation Labor Share-Displacing? Productivity Growth, Employment, and the Labor Share. *Brookings Papers on Economic Activity*, 2018(1), 1-87

**Weeks 9-10: Is it Industrial Organization? Round-II**

- (\*\*) Autor, D., Dorn, D., Katz, L. F., Patterson, C., & Van Reenen, J. (2020). The fall of the labor share and the rise of superstar firms. *The Quarterly Journal of Economics*, 135(2), 645-709.
- (\*\*) De Loecker, J., Eeckhout, J., & Unger, G. (2020). The rise of market power and the macroeconomic implications. *The Quarterly Journal of Economics*, 135(2), 561-644.
- Eggertsson, G. B., Robbins, J. A., & Wold, E. G. (2018). Kaldor and Piketty's facts: The rise of monopoly power in the united states (No. w24287). *National Bureau of Economic Research*.
- Traina, J. (2018). Is aggregate market power increasing? production trends using financial statements. *Production Trends Using Financial Statements* (February 8, 2018).
- Basu, S. (2019). Are price-cost markups rising in the united states? a discussion of the evidence. *Journal of Economic Perspectives*, 33(3), 3-22.
- (\*\*) Berry, S., Gaynor, M., & Scott Morton, F. (2019). Do increasing markups matter? lessons from empirical industrial organization. *Journal of Economic Perspectives*, 33(3), 44-68.
- Syverson, C. (2019). Macroeconomics and market power: Context, implications, and open questions. *Journal of Economic Perspectives*, 33(3), 23-43.

**Week 11: Is it Corporate Structure and Taxes?**

- (\*\*) Kaymak, B., & Schott, I. (2019). Corporate Tax Cuts and the Decline of the Manufacturing Labor Share.

**Week 12: Is it Intellectual Property Products?**

- (\*\*) Koh, D., Santaaulàlia-Llopis, R., & Zheng, Y. (2015). Labor share decline and the capitalization of intellectual property products. In 2015 Meeting Papers (Vol. 844).

**Week 13: Is it Declining Worker Power?**

- (\*\*) Stansbury, A., & Summers, L. H. (2020). The Declining Worker Power Hypothesis: An Explanation for the Recent Evolution of the American Economy (No. w27193). *National Bureau of Economic Research*.

**Week 14: Policy**

- (\*\*) Acemoglu, D., Manera, A., & Restrepo, P. (2020). Does the US Tax Code Favor Automation? (No. w27052). *National Bureau of Economic Research*.
- Growiec, J, P McAdam, and J Mućk. (2019). On the Optimal Labour Income Share”, *NBP working paper 311*.
- Atesagaoglu, O. E., Yazici, H. (2020). Optimal Taxation with Declining Labor Share