

ECON 603
Advanced Macroeconomics
Hakkı Özdenören

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Office: Zoom

Office Hours: TBD

Class Time

- Monday from 12:40 to 14:30 on Zoom.
 - Tuesday from 08:40 to 09:30 on Zoom.
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Logistics for Fall 2021

The course will be delivered in-class. 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

This course is organized around a critical reading of two strands of recent macroeconomic literature. The first part will focus on the declining labor share. Although the stability of the labor share of income has been one of the building blocks of modern macroeconomics, 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 mechanism.

The second part of the course will focus on technology, innovation, and automation. Innovation has taken the central role in growth models. The development of ideas, research spillovers, and protection of intellectual products therefore became a focal point of macroeconomic research. Moreover, part of these innovations are labor replacing, which we call automation. Automation proposes unique challenges to labor markets and economy in general.

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, 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.

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.

Part I: Labor Share

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.
- 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.

Week 3: 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: Corporate Structure and Taxes

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

Week 5: 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). **Gorkem is presenting**

Weeks 6-7: Industrial Organization

- (**) 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. **Ahmet is presenting**

- (**) 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.
- 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.

Part II: Technology, Innovation, and Automation

Week 8: Schumpeterian Growth

- (**) Aghion, P., Akcigit, U., & Howitt, P. (2015). The Schumpeterian growth paradigm. *Annual Review of Economics*, 7(1), 557-575.
- Aghion, P., Akcigit, U., & Howitt, P. (2014). What do we learn from Schumpeterian growth theory?. *Handbook of Economic Growth* (Vol. 2, pp. 515-563). Elsevier.
- Aghion, P., & Howitt, P. (1992). A Model of Growth Through Creative Destruction. *Econometrica*, 60(2), 323-351.

Week 9: Innovation and Reallocation

- (**) Acemoglu, D., Akcigit, U., Alp, H., Bloom, N., & Kerr, W. (2018). Innovation, reallocation, and growth. *American Economic Review*, 108(11), 3450-91. **Yagmur is presenting**
- Klette, T. J., & Kortum, S. (2004). Innovating firms and aggregate innovation. *Journal of Political Economy*, 112(5), 986-1018.

Week 10: Research Spillovers and Diffusion

- (**) Bloom, N., Schankerman, M., & Van Reenen, J. (2013). Identifying technology spillovers and product market rivalry. *Econometrica*, 81(4), 1347-1393.
- Jaffe, A. B., Trajtenberg, M., & Henderson, R. (1993). Geographic localization of knowledge spillovers as evidenced by patent citations. *Quarterly journal of Economics*, 108(3), 577-598.

Week 11: Innovation Policy

- (**) Acemoglu, D., & Akcigit, U. (2012). Intellectual property rights policy, competition and innovation. *Journal of the European Economic Association*, 10(1), 1-42.
- Akcigit, U., Hanley, H., & Stantcheva, S., (2021) Optimal Taxation and R&D Policies. *Econometrica* forthcoming.

Week 12: Tasks and Automation

- (**) Frey, C. B., & Osborne, M. A. (2017). The future of employment: How susceptible are jobs to computerisation?. *Technological forecasting and social change*, 114, 254-280.
- Brynjolfsson, E., & Mitchell, T. (2017). What can machine learning do? Workforce implications. *Science*, 358(6370), 1530-1534.
- Pratt, G. A. (2015). Is a Cambrian explosion coming for robotics?. *Journal of Economic Perspectives*, 29(3), 51-60.
- Autor, D. H., Levy, F., & Murnane, R. J. (2003). The skill content of recent technological change: An empirical exploration. *The Quarterly journal of economics*, 118(4), 1279-1333.

Week 13-14: Automation and Labor Markets

- (**) 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. **Berna is presenting**
- 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