

Syllabus for Semester 2 - version Jan 14, 2026

Misallocation, Development, Firm Dynamics, Growth, and Industrial Policy

This reading group is aimed at studying topics in Macro-Development and Firm dynamics, very broadly defined, such as *Misallocation and Distortions*, *Markups and Market Power*, *Firm distribution and firm dynamics*, *Growth and Development*, *Innovation*, *Technology Adoption, and Diffusion*, and *Industrial and Development Policies*. It is targeted toward PhD students (of all years) in these fields. It aims at approaching those topics both from Micro and Macro perspectives.

Students are encouraged to choose a topic close to their present or future research and present how the article chosen could be linked to their own research/projects.

The reading group will take place for 16 weeks from the 4th week of January (Jan. 27) to the end of the semester. The choice of paper is voluntary (and participation for the whole quarter is strongly encouraged). If one paper attracts your interest, feel free to mention it below, so that we organize/tailored the organizers to substitute it for the ones listed.

Food will be provided, and the day / time will be decided closer to the starting date (January) following the preference, but likely be Tuesdays 11:50 to 1:00.

Moreover three other points that could make the format more interesting:

- (1) We will present JMPs from this year's season (outside of Columbia JMCs). That might overlap with some future Job Talks, but give a sense of what's going on at the frontier and we can discuss their contribution together. We will do that for 3-4 weeks in January-February.
- (2) We want to incentivize more advanced students to present ideas for their research projects. To do that, we will do like last quarter: For several sessions, one student (instead of 2) will present a paper on a theme (for 30min) and then present some research ideas/preliminary projects related to that paper, from 10 to 20 min.
- (3) Those sessions (with only 1 paper, 30+15min presentation), we could have short presentations, following the "Sargent format" for reading group: voluntary students read a paper of their choice (very flexible: old or recent papers, and submitted 1 week in advance in a form). At the beginning of those sessions, we (organizers) choose a paper quasi randomly. The student who chose that paper presents it for 5-10 minutes without slides (but notes allowed) including questions for the audience. That is an amazing preparation for spiel / JM interviews / pitching papers at conferences, as it forces the presenter to summarize a paper in a short form.

- **Job Market Papers:**

Ideally 2 or 3 sessions (4 or 5 papers)

(**) Mohamad Adhami (Stanford) "Quantifying Knowledge Spillovers Using Firm and Product Dynamics"

(**) Géraud Desazars de Montgailhard (Bocconi), "Capital Intensity and Firm Dynamics"

(**) Pier Paolo Creanza (Princeton), "Factories of Ideas? Big Business and the Golden Age of American Innovation"

(**) Tilman Graff (Harvard) "Depreciation and Growth: Evidence from Machine Repair in Uganda"

(*) Aditya Bhandari (UChicago), "Technology and the Geography of Industrial Policy"

(*) Gurkova, Ekatarina (UCLA) "Human Capital Accumulation and the Long-Term Effects of Temporary Sectoral Shocks"

(*) Raman Chhina (UChicago), "Startups and the State"

(*) Antonio Martner (UCLA) "Aggregate Outcomes of Nonlinear Prices in Supply Chains"

Lidia Export Smitkova (Cambridge / Oxford) "Subsidies as Industrial Policy: the Case of the 19th Century Sugar Industry",

Yuyang Jiang (Princeton) "Strategic Transportation Investment and Coordinative Policies: Evidence from the U.S. Highway Network"

Furkan Kilic (UChicago), "Spatial Allocation of Inventors, Knowledge Diffusion and Growth"

Tianyu Fan (Yale), "The Labor Market Incidence of New Technologies"

Aroon Narayanan (MIT), "Governance of supply relationships: Evidence from Indian manufacturing"

Carlos Bolivar (UMinnesota), "The Micro Effects of Aggregate Shocks in Endogenous Trade Networks"

Vanya Georgieva (Toronto), "Trade and Industrial Policy with Global Production Networks"

Viktoria Zezerova (Penn State), "Market Power, Misallocation, and Trade Policy"

Cihang Wang (UIUC), "Taxing Production Networks: Trade, Misallocation, and Vertical Integration"

1. Classical Misallocation Frameworks, and Aggregate Productivity

(*) Restuccia, Diego, and Richard Rogerson. "Policy distortions and aggregate productivity with heterogeneous establishments." *Review of Economic dynamics* 11.4 (2008): 707-720.

(*) Hsieh, Chang-Tai, and Peter J. Klenow. "The Life Cycle of Plants in India and Mexico" *The Quarterly journal of economics* 124.4 (2014)

(*) Bils, Mark, Peter J. Klenow, and Cian Ruane. "Misallocation or mismeasurement?." *Journal of Monetary Economics* 124 (2021): S39-S56.

Hsieh, Chang-Tai, and Peter J. Klenow. "Misallocation and manufacturing TFP in China and India." *The Quarterly journal of economics* 124.4 (2009): 1403-1448.

Haltiwanger, John, Robert Kulick, and Chad Syverson. *Misallocation measures: The distortion that ate the residual*. No. w24199. National Bureau of Economic Research, 2018.

Bento, P. and Restuccia, D. (2017). Misallocation, Establishment Size, and Productivity. *American Economic Journal: Macroeconomics*, 9(3):267–303.

Hsieh, Chang-Tai, and Benjamin A. Olken. "The missing "missing middle"." *Journal of Economic Perspectives* 28.3 (2014): 89-108.

Review: Hopenhayn, Hugo A. "Firms, misallocation, and aggregate productivity: A review." *Annu. Rev. Econ.* 6.1 (2014): 735-770.

2. Micro Foundations of Wedges & Misallocation

(*) Bergquist, Lauren Falcao, Danial Lashkari, Eric Verhoogen. "Wedges: A Microeconomic Perspective on Misallocation", Working Paper

(*) Carrillo, Paul, Dave Donaldson, Dina Pomeranz, and Monica Singhal, "Misallocation in Firm Production: A Nonparametric Analysis Using Procurement Lotteries," 2023. NBER working paper no. 31311.

(*) Bau, Natalie and Adrien Matray, "Misallocation and Capital Market Integration: Evidence From India," *Econometrica*, 2023, 91 (1), 67–106.

Atkin, David, et al. "Organizational barriers to technology adoption: Evidence from soccer-ball producers in Pakistan." *The Quarterly Journal of Economics* 132.3 (2017): 1101-1164.

Walker, Michael W., et al. *Slack and economic development*. No. w33055. National Bureau of Economic Research, 2024.

Eslava, Marcela, John Haltiwanger, and Nicolas Urdaneta. "The size and life-cycle growth of plants: The role of productivity, demand, and wedges." *Review of Economic Studies* 91.1 (2024): 259-300.

Midrigan, Virgiliu, and Daniel Yi Xu. "Finance and misallocation: Evidence from plant-level data." *American Economic Review* 104.2 (2014): 422-458.

Hashemi, Arshia, Ivan Kirov, and James Traina. "The production approach to markup estimation often measures input distortions." *Economics Letters* 217 (2022): 110673.

3. Markups, Market Power, and Measurement

(*) De Loecker, Jan, Jan Eeckhout, and Gabriel Unger. "The rise of market power and the macroeconomic implications." *The Quarterly journal of economics* 135.2 (2020): 561-644.

(*) Bond, Steve, et al. "Some unpleasant markup arithmetic: Production function elasticities and their estimation from production data." *Journal of Monetary Economics* 121 (2021): 1-14.

(*) Edmond, Chris, Virgiliu Midrigan, and Daniel Yi Xu. "How costly are markups?" *Journal of Political Economy* 131.7 (2023): 1619-1675.

Review: De Ridder, Maarten, Basile Grassi, and Giovanni Morzenti. "The Hitchhiker's Guide to Markup Estimation." (2022).

Benkard, C. Lanier, Nathan H. Miller, and Ali Yurukoglu. *The Rise of Market Power and the Macroeconomic Implications: Comment*. No. w34513. National Bureau of Economic Research, 2025.

Albrecht, Brian C., and Ryan A. Decker. "Markups and Business Dynamism across Industries." (2025).

Traina, James. "Is Aggregate Market Power Increasing? Production Trends Using Financial Statements." (2018).

Anderson, Eric, Sergio Rebelo, and Arlene Wong. "Markups Across Space and Time." (2018).

4. Heterogeneous Markups & Endogenous Misallocation

(3 among these 4 papers (*))

(*) Peters, Michael. "Heterogeneous markups, growth, and endogenous misallocation." *Econometrica* 88.5 (2020): 2037-2073.

(*) Bornstein, Gideon, and Alessandra Peter. "Nonlinear pricing and misallocation." *American Economic Review* 115.11 (2025): 3853-3908. [Note: Selected by Sahil last quarter]

(*) Atalay, Enghin, et al. "Scalable demand and markups." *Accepted Journal of Political Economy*, 2025

(*) Gupta, Apoorv, "Demand for Quality, Variable Markups and (Mis)allocation: Evidence from India," 2024. Unpub. Paper.

Atkeson, Andrew, and Ariel Burstein. "Pricing-to-market, trade costs, and international relative prices." *American Economic Review* 98.5 (2008): 1998-2031.

Kugler, Maurice, and Eric Verhoogen. "Prices, plant size, and product quality." *The Review of Economic Studies* 79.1 (2012): 307-339.

5. Firm Boundaries, Input Markets, and Production Networks

(2 among these 3 papers (*))

(*) Atalay, Enghin, et al. "How wide is the firm border?." *The Quarterly Journal of Economics* 134.4 (2019): 1845-1882.

(*) Oberfield, Ezra. Boehm, Johannes. "Growth and the Fragmentation of Production" (2022)

(*) Boehm, Johannes, and Ezra Oberfield. "Misallocation in the Market for Inputs: Enforcement and the Organization of Production." *The Quarterly Journal of Economics* 135.4 (2020): 2007-2058.

Liu, Ernest, and Song Ma. "Innovation networks and R&D allocation." *National Bureau of Economic Research*, No. w29607, 2024.

6. Firm dynamics, Size distribution, and Entry

(*) Luttmer, Erzo GJ. "Selection, growth, and the size distribution of firms." *The Quarterly Journal of Economics* 122.3 (2007): 1103-1144

(*) Sterk, Vincent, Petr Sedláček, and Benjamin Pugsley. "The nature of firm growth." *American Economic Review* 111.2 (2021): 547-579.

(*) Clementi, Gian Luca, and Berardino Palazzo. "Entry, exit, firm dynamics, and aggregate fluctuations." *American Economic Journal: Macroeconomics* 8.3 (2016): 1-41.

(*) Crouzet, Nicolas, and Neil R. Mehrotra. "Small and large firms over the business cycle." *American Economic Review* 110.11 (2020): 3549-3601.

Adamopoulos, Tasso, et al. "Misallocation, selection, and productivity: A quantitative analysis with panel data from China." *Econometrica* 90.3 (2022): 1261-1282.

Jaimovich, Nir, Stephen J. Terry, and Nicolas Vincent. *The empirical distribution of firm dynamics and its macro implications*. No. w31337. National Bureau of Economic Research, 2023.

Fattal-Jaef, Roberto N. "Entry barriers, idiosyncratic distortions, and the firm size distribution." *American Economic Journal: Macroeconomics* 14.2 (2022): 416-468.

Haltiwanger, John, Ron S. Jarmin, and Javier Miranda. "Who creates jobs? Small versus large versus young." *Review of Economics and Statistics* 95.2 (2013): 347-361.

Bilbiie, Florin O., Fabio Ghironi, and Marc J. Melitz. "Monopoly power and endogenous product variety: Distortions and remedies." *American Economic Journal: Macroeconomics* 11.4 (2019): 140-174.

Gourio, François, Todd Messer, and Michael Siemer. "Firm entry and macroeconomic dynamics: A state-level analysis." *American Economic Review* 106.5 (2016): 214-218.

Chodorow-Reich, Gabriel, et al. "Bank liquidity provision across the firm size distribution." *Journal of Financial Economics* 144.3 (2022): 908-932.

Decker, Ryan A., et al. "Declining business dynamism: What we know and the way forward." *American Economic Review* 106.5 (2016): 203-207.

Akcigit, Ufuk, and Sina T. Ates. "What happened to US business dynamism?." *Journal of Political Economy* 131.8 (2023): 2059-2124.

7. Large firms, Scale and Efficiency

(*) Autor, David, et al. "The fall of the labor share and the rise of superstar firms." *The Quarterly journal of economics* 135.2 (2020): 645-709.

(*) Bassi, Vittorio, et al. "Achieving scale collectively." *Econometrica* 90.6 (2022): 2937-2978.

Kwon, Spencer Y., Yueran Ma, and Kaspar Zimmermann. "100 years of rising corporate concentration." *American Economic Review* 114.7 (2024): 2111-2140.

Chen, Zhang. "Economic growth and the rise of large firms." *R&R Econometrica* (2022)

Gouin-Bonfant, Émilien. "Productivity dispersion, between-firm competition, and the labor share." *Econometrica* 90.6 (2022): 2755-2793.

Akcigit, Ufuk, and William R. Kerr. "Growth through heterogeneous innovations." *Journal of Political Economy* 126.4 (2018): 1374-1443.

Milosavljević, Filip. "Mergers and Acquisitions: Market Power or Efficiency?" *Job Market Paper, Washington University in St. Louis*, 2025

8. Search, Intermediation, Relational Frictions

(4 among these 5 papers (*))

(*) Vitali, Anna. "Consumer search and firm location: Theory and evidence from the garment sector in Uganda." IGC, 2023.

(*) Bergquist, Lauren Falcao and Michael Dinerstein, "Competition and Entry in Agricultural Markets: Experimental Evidence from Kenya," *American Economic Review*, December 2020, 110 (12), 3705–47.

(*) Bergquist, Lauren Falcao, Craig McIntosh, and Meredith Startz, "Search Cost, Intermediation, and Trade: Experimental Evidence from Ugandan Agricultural Markets," 2024. NBER working paper no. 33221.

(*) Cai, Jing and Adam Szeidl, "Interfirm Relationships and Business Performance," *Quarterly Journal of Economics*, 2018, 133 (3), 1229–1282.

(*) Cai, Jing, Wei Lin, and Adam Szeidl, "Firm-to-Firm Referrals," 2024. NBER working paper no. 33082.

9. Innovation, Knowledge Diffusion, and Long-run Growth

(4 among these 5 papers (*))

(*) Benhabib, Jess, Jesse Perla, and Christopher Tonetti. "Reconciling models of diffusion and innovation: A theory of the productivity distribution and technology frontier." *Econometrica* 89.5 (2021): 2261-2301.

(*) Buera, Francisco J., and Ezra Oberfield. "The global diffusion of ideas." *Econometrica* 88.1 (2020): 83-114.

(*) Lucas Jr, Robert E., and Benjamin Moll. "Knowledge growth and the allocation of time." *Journal of Political Economy* 122.1 (2014): 1-51.

(*) Bloom, Nicholas, et al. "Are ideas getting harder to find?" *American Economic Review* 110.4 (2020): 1104-1144.

(*) Aghion, Philippe, et al. "A theory of falling growth and rising rents." *Review of Economic Studies* 90.6 (2023): 2675-2702.

Review: Verhoogen, Eric. "Firm-level upgrading in developing countries." *Journal of Economic Literature* 61.4 (2023): 1410-1464.

Atkin, David, Arnaud Costinot, and Masao Fukui. "Globalization and the Ladder of Development: Pushed to the Top or Held at the Bottom?." *Review of Economic Studies* (2025): rdaf077.

Perla, Jesse, and Christopher Tonetti. "Equilibrium imitation and growth." *Journal of Political Economy* 122.1 (2014): 52-76.

Kalyani, Aakash, et al. "The diffusion of new technologies." *The Quarterly Journal of Economics* 140.2 (2025): 1299-1365.

Juhász, Réka, Mara P. Squicciarini, and Nico Voigtländer. "Technology adoption and productivity growth: Evidence from industrialization in France." *Journal of Political Economy* 132.10 (2024): 3215-3259.

Juhász, Réka, Shogo Sakabe, and David Weinstein. *Codification, technology absorption, and the globalization of the industrial revolution*. Forthcoming *Quarterly Journal of Economics*, (2025).

Suri, Tavneet. "Selection and comparative advantage in technology adoption." *Econometrica* 79.1 (2011): 159-209.

10. Technology Adoption, Learning, and Development

(4 among these 6 papers (*))

(*) Buera, Francisco J., and Roberto N. Fattal-Jaef. "The dynamics of development: Innovation and reallocation." *American Economic Journal: Macroeconomics* 17.4 (2025): 45-81.

(*) Choi, Jaedo, and Younghun Shim. "From Adoption to Innovation: State-Dependent Technology Policy in Developing Countries" *R&R American Economic Review*. 2025

(*) Chaurey, Ritam, Gaurav Nayyar, Siddharth Sharma, and Eric Verhoogen, "Social Learning among Urban Manufacturing Firms: Energy-Efficient Motors in Bangladesh," 2025. NBER working paper no. 34296.

(*) Cirera, Xavier, Diego A. Comin, and Marcio Cruz, "Technology Sophistication Across Establishments," *Quarterly Journal of Economics*, forthcoming.

(*) Ariel Akerman, Jacob Moscona, Heitor S. Pellegrina, and Karthik Sastry, "Public R&D Meets Economic Development: Embrapa and Brazil's Agricultural Revolution," NBER Working Paper 34213 (2025), <https://doi.org/10.3386/w34213>.

(*) Wiles, Edward and Deivy Houeix, "Relational Frictions Along the Supply Chain: Evidence from Senegalese Traders," 2025

De Souza, Gustavo, Gabriel Garber "R&D Subsidy and Import Substitution: Growing in the Shadow of Protection", *Working Paper*, 2025.

Lai, Ting-Wei, et al. *Productivity Catch-Up or Factor Shift in the Race for Global Industrial Dominance*. No. w34393. National Bureau of Economic Research, 2025.