Topics in Macroeconomics I,

Firms in the Aggregate Economy

Vasco M. Carvalho

Fall 2010

Course Description

This is a graduate course in the second year macroeconomics field. We will deal with aggregate implications of intermediate organization of economic activity. In particular, we will consider the implications of theories of organizations and firm dynamics on aggregate outcomes. The class will draw from recent material at the intersection of Industrial Organization and Macroeconomics. While doing so, we will introduce some tools for analyzing dynamic economic models that will allow us to provide theoretical restrictions on aggregate outcomes while still allowing extensive heterogeneity at the micro level – across firms (e.g., productivity, size or survival rates).

Outline (Updated):

I. Industry Equilibrium, Firm Dynamics, and Entry and Exit

I.1. Entry, Exit and Size Distributions: A Quick Look at the Data
I.2. The Selection Effect as a Basic Modeling Tool
I.3. Incorporating Financial Market Imperfections
I.4. Human capital and innovation

II. Firms and Aggregate Fluctuations

III. Firms, Misallocation and Aggregate TFP
References:

I. Industry Equilibrium, Firm Dynamics, and Entry and Exit

I.1. Entry, Exit and Size Distributions: A Quick Look at the Data


Further readings:


I.2. The Selection Effect as a Basic Modeling Tool


**Further readings:**


### I.3. Incorporating Financial Market Imperfections


**Further readings:**


### I.4. Human Capital and Innovation


**Further readings:**


### II. Firms and Aggregate Fluctuations


**Further readings:**


Davis, Haltiwanger, Jarmin and Miranda, 2006, “Volatility and Dispersion in Business Growth Rates: Publicly Traded versus Privately Held Firms, NBER W.P. # 12354


### III. Firms, Misallocation and Aggregate TFP


Further readings:


Midrigan and Xu, 2009, “Accounting for Plant-Level Misallocation,” mimeo. NYU.