

Misallocation and Aggregate Productivity

Central Bank of Chile

Virgiliu Midrigan
New York University

Objective: Study heterogeneous-agent models of firm dynamics. We focus on understanding the effect of firm-level frictions on the efficiency with which resources are allocated across productive units and their impact on aggregate productivity.

Course Outline: We will cover the following topics below. I plan to cover the papers listed with an asterisk (*) during lectures. The other papers are useful additional readings.

I. Introduction

1. * Hopenhayn and Rogerson, 1993, “Job Turnover and Policy Evaluation: A General Equilibrium Analysis,” *Journal of Political Economy*
2. * Restuccia and Rogerson, 2008, “Policy Distortions and Aggregate Productivity with Heterogeneous Establishments,” *Review of Economic Dynamics*.
3. * Hopenhayn, 2014, “On the Measure of Distortions,” NBER Working Paper 20404.

II. Measuring Misallocation

1. * Hsieh and Klenow, 2009, “Misallocation and Manufacturing TFP in China and India,” *Quarterly Journal of Economics*.
2. * Midrigan and Xu, 2009, “Accounting for Plant-Level Misallocation,” *NYU Working Paper*.
3. Bartelsman, Haltiwanger, Scarpetta, 2013, “Cross-Country Differences in Productivity: The Role of Allocation and Selection,” *American Economic Review*.
4. Olley and Pakes, 1996, “The Dynamics of Productivity in the Telecommunications Equipment Industry,” *Econometrica*.
5. Song and Wu, 2015, “Identifying Capital Misallocation.” *Chicago Booth Working Paper*.

III. Financial Frictions

1. Banerjee and Duflo, 2005, “Growth Theory through the Lens of Development Economics,” *Handbook of Economic Growth 1 (1)*.

2. Buera, Kaboski, Shin, 2009, "Finance and Development: A Tale of Two Sectors," *American Economic Review*
3. * Midrigan and Xu, 2013, "Finance and Misallocation: Evidence from Plant-Level Data," *American Economic Review*
4. * Moll, 2014, "Productivity Losses from Financial Frictions: Can Self-financing Undo Capital Misallocation?" *American Economic Review*
5. Greenwood, Sanchez, Wang, 2009, "Financial Development: The Role of Information Costs," *American Economic Review*
6. Cooley and Quadrini, 2001, "Financial Markets and Firm Dynamics," *American Economic Review*
7. Clementi and Hopenhayn, 2006, "A Theory of Financing Constraints and Firm Dynamics," *Quarterly Journal of Economics*

IV. Variable Markups

1. Atkeson and Burstein, 2008. "Pricing-to-Market, Trade Costs, and International Relative Prices," *American Economic Review*.
2. * Edmond, Midrigan, Xu, 2015. "Competition, Markups and the Gains from International Trade," *American Economic Review*.
3. * Edmond, Midrigan, Xu, 2015. "Variable Markups and Financial Frictions," *NYU working paper*.
4. Epifani and Gancia, 2011. "Trade, Markup Heterogeneity and Misallocations," *Journal of International Economics*.
5. De Blas and Russ, 2014. "Understanding Markups in the Open Economy," *AEJ Macro*.
6. Peters, 2013. "Heterogeneous Markups, Growth and Endogenous Misallocation," *LSE Working Paper*
7. Holmeses, Hsu, Lee, 2015. "Allocative Efficiency, Mark-ups and the Welfare Gains from Trade," *Journal of International Economics*.