

Macroeconomics of “Large Firms”

Alessandro Ruggieri

University of Nottingham

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This course treats selected topics in macroeconomics of “large” firms, with an emphasis on quantitative works.

1. **The basics of firm dynamics: a review**

We review the canonical models of firm dynamics (Hopenhayn 1992, Hopenhayn and Rogerson 1993), with a focus on how to generate firm turnover and job reallocation. Various applications will be explored (labor market policies, size-dependent distortions).

2. **Search frictions and large firms**

We embed search frictions into a model of large firms, with a focus on how to generate unemployment, worker flows and wage inequality. We will also explore how to account for on-the-job search.

3. **Large firms, search and trade frictions**

We study the effect of trade frictions when firms are large and subject to search frictions, with a focus on how to generate trade-induced worker displacement, within and between-industry reallocation, and firm growth.

4. **Large firms, search and development**

We look at firm dynamics and search frictions along different stages of development, extending the canonical model of firm dynamics along two dimensions: 1) workers heterogeneity and human capital accumulation, 2) intensive and extensive margins of informality.

Reading list

1 The basics of firm dynamics: a review

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2 Search frictions and large firms

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4. CAHUC, Pierre; MARQUE, Francois; WASMER, Etienne. A theory of wages and labor demand with intra-firm bargaining and matching frictions. *International Economic Review*, 2008, vol. 49, no 3, p. 943-972.
5. COOPER, Russell; HALTIWANGER, John; WILLIS, Jonathan L. Search frictions: Matching aggregate and establishment observations. *Journal of Monetary Economics*, 2007, vol. 54, p. 56-78.
6. COOPER, Russell; WILLIS, Jonathan L. The cost of labor adjustment: Inferences from the gap. *Review of Economic dynamics*, 2009, vol. 12, no 4, p. 632-647.
7. DAVIS, Steven J.; FABERMAN, R. Jason; HALTIWANGER, John C. The establishment level behavior of vacancies and hiring. *The Quarterly Journal of Economics*, 2013, vol. 128, no 2, p. 581-622.
8. ELSBY, Michael; GOTTFRIES, Axel. Firm dynamics, on-the-job search and labor market fluctuations. *Review of Economic Studies*, forthcoming.
9. ELSBY, Michael; MICHAELS, Ryan. Marginal jobs, heterogeneous firms, and unemployment flows. *American Economic Journal: Macroeconomics*, 2013, vol. 5, no 1, p. 1-48
10. KAAS, Leo; KIRCHER, Philipp. Efficient firm dynamics in a frictional labor market. *American Economic Review*, 2015, vol. 105, no 10, p. 3030-60.
11. YASHIV, Eran. Hiring as investment behavior. *Review of Economic Dynamics*, 2000, vol. 3, no 3, p. 486-522.

3 Large firms, search and trade frictions

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3. FAJGELBAUM, Pablo D. Labor market frictions, firm growth, and international trade. *The Review of Economic Studies*, 2020, vol. 87, no 3, p. 1213-1260
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8. HELPMAN, Elhanan, et al. Trade and inequality: From theory to estimation. *The Review of Economic Studies*, 2017, vol. 84, no 1, p. 357-405
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4 Large firms, search and development

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12. LAGAKOS, David; MOLL, Benjamin; PORZIO, Tommaso; QIAN, Nancy; SCHOELLMAN, Todd. Life-Cycle Wage Growth Across Countries. *Journal of Political Economy*, 2018, vol 126 no 2
13. TYBOUT, James R. Manufacturing firms in developing countries: How well do they do, and why?. *Journal of Economic literature*, 2000, vol. 38, no 1, p. 11-44.
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