

Macroeconomic Consequences of Production Networks

1 Outline

This course will cover the study of the macroeconomic consequences of production networks. It will consist of three classes:

1. Production Networks and Labor Markets: How access to better suppliers and buyers affect worker pay and thus earnings inequality.
2. Production Networks and Trade: How the static formation of firm-to-firm relationships affects the spatial distribution of economic activity, and what is the role of search and matching frictions, and iceberg trade cost frictions in shaping spatial economic activity.
3. Production Networks and Firm Dynamics: How the dynamic formation of firm-to-firm relationships affect firm dynamics and aggregate dynamics.

The presentation of these topics will be both in terms of theory, empirical methods, and quantitative methods. Also, it will go from the grounds up, from micro to macro.

Finally, the last class will also cover future topics on production networks that are relatively unexplored. These topics will be connected to questions typically asked in Macro, Trade, Labor and Industrial Organization.

2 Reading List

- Abowd, J. M., F. Kramarz, and D. N. Margolis (1999). High wage workers and high wage firms. *Econometrica* 67(2), 251–333.
- Adao, R., C. Arkolakis, and F. Esposito (2019). General equilibrium effects in space: Theory and measurement. *NBER Working Paper*.
- Alfaro-Ureña, A., I. Manelici, and J. P. Vasquez (2020). The Effects of Multinationals on Workers: Evidence from Costa Rica. Working paper.
- Antràs, P. and D. Chor (2013). Organizing the global value chain. *Econometrica* 81(6), 2127–2204.
- Antràs, P. and D. Chor (2018). On the measurement of upstreamness and downstreamness in global value chains. Technical report, National Bureau of Economic Research.
- Antràs, P. and D. Chor (2021). Global value chains. *NBER Working Paper*.
- Arkolakis, C., F. Huneus, and Y. Miyauchi (2022). Spatial production networks.
- Baqaei, D. and E. Farhi (2019). Networks, barriers, and trade. Technical report, National Bureau of Economic Research.
- Bernard, A. B., E. Dhyne, G. Magerman, K. Manova, and A. Moxnes (2022). The origins of firm heterogeneity: A production network approach. *Journal of Political Economy* 130(7), 1765–1804.

- Blaum, J., C. Lelarge, and M. Peters (2018). The gains from input trade with heterogeneous importers. *American Economic Journal: Macroeconomics* 10(4), 77–127.
- Boehm, C. E., A. Flaaen, and N. Pandalai-Nayar (2019). Input linkages and the transmission of shocks: Firm-level evidence from the 2011 tōhoku earthquake. *Review of Economics and Statistics* 101(1), 60–75.
- Bonhomme, S., T. Lamadon, and E. Manresa (2019). A distributional framework for matched employer employee data. *Econometrica* 87(3), 699–739.
- Buera, F. J., H. Hopenhayn, Y. Shin, and N. Trachter (2021). Big push in distorted economies. Technical report, National Bureau of Economic Research.
- Carvalho, V. M., M. Nirei, Y. Saito, and A. Tahbaz-Salehi (2016). Supply chain disruptions: Evidence from the great east japan earthquake. *Columbia Business School Research Paper* (17-5).
- Carvalho, V. M. and A. Tahbaz-Salehi (2019). Production networks: A primer. *Annual Review of Economics* 11, 635–663.
- Demir, B., A. C. Fieler, D. Y. Xu, and K. K. Yang (2018). O-Ring Production Network. Working paper.
- Dhyne, E., A. K. Kikkawa, M. Mogstad, and F. Tintelnot (2021). Trade and domestic production networks. *Review of Economic Studies* 88(2), 643–668.
- Dhyne, E., K. Kikkawa, T. Komatsu, M. Mogstad, and F. Tintelnot (2022). How do firms grow in response to demand shocks? a network perspective. Working paper.
- Doraszelski, U. and J. Jaumandreu (2018). Measuring the bias of technological change. *Journal of Political Economy* 126(3), 1027–1084.
- Eaton, J., S. Kortum, and F. Kramarz (2019). Firm-to-Firm Trade: Imports, Exports, and the Labor Market. Working paper.
- Gouin-Bonenfant, É. (2022). Productivity dispersion, between-firm competition, and the labor share. *Econometrica* 90(6), 2755–2793.
- Hubmer, J. and P. Restrepo (2022). Not a typical firm: The joint dynamics of firms, labor shares, and capital-labor substitution.
- Huneus, F. (2019). Production Network Dynamics and the Propagation of Shocks. Working paper.
- Huneus, F., K. Kroft, and K. Lim (2022). Earnings inequality in production networks.
- Johnson, R. C. (2018). Measuring global value chains. *Annual Review of Economics* 10, 207–236.
- Johnson, R. C. and A. Moxnes (2019). Gvcs and trade elasticities with multistage production. *NBER Working Paper*.
- Jones, C. I. (2011). Intermediate goods and weak links in the theory of economic development. *American Economic Journal: Macroeconomics* 3(2), 1–28.
- Karabarbounis, L. and B. Neiman (2013, 10). The Global Decline of the Labor Share*. *The Quarterly Journal of Economics* 129(1), 61–103.
- Kehrig, M. and N. Vincent (2021, 03). The Micro-Level Anatomy of the Labor Share Decline*. *The Quarterly Journal of Economics* 136(2), 1031–1087.

- Kikkawaa, A. K., G. Magerman, and E. Dhyne (2020). Imperfect competition in firm-to-firm trade. Working paper.
- Lamadon, T., M. Mogstad, and B. Setzler (2022, January). Imperfect competition, compensating differentials, and rent sharing in the us labor market. *American Economic Review* 112(1), 169–212.
- Lim, K. (2019). Production Networks and the Business Cycle. Working paper.