

ECON 8602-Industrial Organization: Firm Dynamics

University of Minnesota, Fall, 2001 Session 2

Lecture: TTh 12:45-2:30, SocSci 1383

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Description This course will cover theoretical and empirical models of firm dynamics.

Grading There will be three problem sets (45 % of the grade), a class presentation of a paper on the reading list (15 %) and a final exam (40 %).

Readings The list of readings follow. Those with a * or ** will get more emphasis. Those with ** can be chosen for the class presentation. Many of the required readings are available from JSTOR
<http://www.lib.umn.edu/articles/ej.phtml> (click on JSTOR).
Some are available from my web site
<http://www.econ.umn.edu/kortum/>

Topics By week:

1. (10/25) Concepts of the Firm

- *Coase, "The Nature of the Firm," *Economica*, 1937: 386-405.
- *Penrose, *The Theory of the Growth of Firms*, Blackwell, 1959.

2. (10/30, 11/1) Firm Growth and the Size Distribution

- *Sutton, "Gibrat's Legacy," *JEL*, 35: 40-59.
- *Lucas, "On the Size Distribution of Business Firms," *Bell (RAND)*, 1978: 508-523.
- Axtell, "Zipf Distribution of U.S. Firm Sizes," *Science*, 2001 (Sept. 7): 1818-1820.
- Gabaix, "Zipf's Law for Cities: An Explanation," *QJE*, 1999: 739-767.

- *Hall, “The Relationship Between Firm Size and Firm Growth in the U.S. Manufacturing Sector,” *J. Ind. Econ.*, 1987: 583-606.
 - Stanley, Buldyre, Havlin, Mantegna, Salinger, and Stanley, “Zipf Plots and the Size Distribution of Firms,” *Econ. Letters*
 - Amaral, Buldyrev, Havlin, Salinger, and Stanley, “Power Law Scaling for a System of Interacting Units with Complex Internal Structure,” *Physical Review Letters*, 1998: 1385-1388.
3. (11/6, 11/8) **Adjustment Costs and Competitive Equilibrium**
- *Lucas, “Adjustment Costs and the Theory of Supply,” *JPE*, 1967: 321-334.
 - *Prescott and Visscher, “Organizational Capital,” *JPE*, 1980: 446-461.
 - *Lucas and Prescott, “Investment Under Uncertainty,” *ECTA*, 1971: 659-681.
4. (11/13, 11/15) **Firm Entry and Exit**
- *Hopenhayn, “Entry, Exit, and Firm Dynamics in Long Run Equilibrium,” *ECTA*, 1992: 1127-1150.
 - **Jovanovic, “Selection and the Evolution of Industry,” *ECTA*, 1982: 649-670.
 - *Dunne, Roberts, and Samuelson, “Patterns of Firm Entry and Exit in U.S. Manufacturing Industries,” *RAND*, 1988: 495-515.
 - Dunne, Roberts, and Samuelson, “The Growth and Failure of U.S. Manufacturing Plants,” *QJE*, 1989: 671-698.
 - *Baily, Hulten, and Cambell, “Productivity Dynamics in Manufacturing Plants,” *Brookings: Micro*, 1992: 187-267.
 - Caves, “Industrial Organization and New Findings on the Turnover and Mobility of Firms,” *JEL*, 1998: 1947-1982.
5. (11/20) **Firms and International Trade**
- *Bernard, Eaton, Jensen, and Kortum, “Plants and Productivity in International Trade,” 2001.

- **Melitz, “The Impact of Trade on Intra-Industry Reallocations and Aggregate Industry Productivity,” 2001.
 - Eaton, Kortum, and Kramarz, “An Anatomy of International Trade: Evidence from French Firms,” 2001.
6. **(11/27, 11/29) Industry Dynamics with Research**
- *Ericson and Pakes, “Markov Perfect Industry Dynamics: A Framework for Empirical Analysis,” *RESTUD*, 1995: 53-82.
 - Pakes and McGuire, “Computing Markov-Perfect Nash Equilibria: Numerical Implications of a Dynamic Differentiated Product Model,” *RAND*, 1994: 555-589.
7. **(12/4, 12/6) Endogenous Technological Change**
- *Grossman and Helpman, chapter 4 of *Innovation and Growth in the Global Economy*, MIT, 1991.
 - **Aghion, Harris, Howitt, and Vickers, “Competition, Imitation and Growth with Step-by-Step Innovation,” forthcoming in the Review of Economic Studies.
8. **(12/11, 12/13) Innovating Firms and Growth**
- *Klette and Kortum, “Innovating Firms and Aggregate Innovation”.
 - Cohen and Klepper, “A Reprise of Size and R&D,” *EJ*, 1996: 925-951.
 - Klette, “How and Why do Firms Differ?” (seminar 12/12).
 - **Klepper, “Entry, Exit, Growth, and Innovation Over the Product Life Cycle,” *AER*, 1996: 562-583.
9. **Final ()**