Research Topics*

Chair of Macroeconomics and Political Economy

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*The listed topics should not be taken literally. Students are welcome to present their own ideas related to one of the indicated topics.
1 Open Research Topics for Students

1.1 Topics on China

1.1.1 Savings Behavior and Income Inequality

- Discuss the influence of urban versus rural savings behavior on income inequality in China.

- Literature:

1.1.2 Chinese Housing Markets

Homeownership rates and house prices have increased rapidly in urban China during the last decades. These facts have attracted global attention from investors, but also from the Chinese government and regulators. Interesting research questions related to these developments are:

- What drives house prices?

- What drives the development of the homeownership rate?

- How does the increase in house prices (and/or the rise of the homeownership rate) affect the economic behavior of Chinese households (e.g. their saving behavior, marriage markets etc.)

These questions could be approached empirically or in form of a literature survey, by summarizing existing explanations. Since there is a lack of consistent data, a thesis that carefully documents these trends for different Chinese provinces/cities by constructing historical indices would be particularly valuable. For this type of project, knowledge of Chinese would be a plus.

- Literature:
1.1.3 Interaction of the Political Institution and Economic Performance in China

How can China maintain its fast economic growth for so long with little improvement on its political institution and related economic institution, and how long will her economic miracle sustain? China’s growth without good property right protection, free and competitive market, and inclusive political and economic institution seem to be challenging two traditional ideas: that good institution is essential for economic growth; and that economic growth brings institution improvement automatically.

Some research and explanations are offered by the scholars. In "Why National Fail" (2012), Acemoglu and Robinson, from a pure institutional view, conclude if there’s no further institutional improvement, the growth in China will not last long. On the other hand, researches focusing on pure economic factors show that there is still growth potential for China, due to the growth of human capital, and rural-urban migration, such as in Song et al. (2011, 2012).

To better understand the phenomenon in China, it is useful to combine the political and the economic analysis. Acemoglu (2008) offers an example. One can study the difference of political power and decision in the oligarchic and the democratic society and how this difference would shape a different economic institution and affect economic policy and performance. The following differences and their consequences can be studied theoretically and empirically. Certain combination of them, or your own new view can be studied in the thesis.

- **Tax**: in oligarchy, rich capitalists are taxed less than in democracy. This can boost capital accumulation.

- **Barrier and competition**: in oligarchy, capitalists can set entrance barrier and protect their business from competition. Less efficient firms may survive with this protection.

- **Resource distortion**: the ruling group may distort resource allocation for their own interest. More resource to state firms and higher wage to state workers and supporters are commonly observed in oligarchy.
• Education and human capital: in oligarchy, the return of education is not necessarily equal to the market value, but is affected by the ruling elites’ interests. How will this affect human capital and innovation?

Literature:


• Daron Acemoglu. and James Robinson (2012). “Why Nations Fail.”


1.1.4 Political System and its Sustainability in China

How can China keep the oligarchic system relatively stable for so long, though modernization theory predicts that the economic growth, education improvement, and the middle class growth should lead to higher demand for democracy? Several possibilities can be studied carefully:

• Support from the beneficiary: for example, state sector workers get high wage and become supporters of the government.

• Common interest: though there is some interest conflicts between the ruler and the ruled, common interest, usually against the outside world, may make the ruled accept the current regime. Nationalism may play a role here.

• Polarization: it is the opposite of the common interest, but its effect is ambiguous. More polarized society implies more incentive for both the ruler and ruled to fight for their favorite system, so it is not clear that whether there is a higher chance of regime change.

• Political coalition: within the ruling elites, there’s frequently political conflicts which undermine the stability of the regime. China’s ruling elites seem to form a quite stable coalition and the power transitions between each term of the government have been smooth since 1990s. What is the structure of the political coalition?

Literature


• Daron Acemoglu, Georgy Egorov and Konstantin Sonin (2012), ”Dynamics and Stability of Constitutions, Coalitions, and Clubs”.

1.2 Human Capital and Unemployment

How does unemployment (frequency and duration) change across industry, occupation, and/or education groups? Is it true that the current high unemployment rate in various countries might be due to mismatch, i.e. the unemployed do not qualify for the open positions? Currently, we observe high vacancy rates, but also high unemployment rates (see Beveridge curve, see also http://krugman.blogs.nytimes.com/2010/07/29/beveridge-worries/)

• Literature:

1.3 Growth and Technical Change

1.3.1 Intellectual Property Rights (IPR) Protection and Economic Growth

Provide an overview over the different effects and policy implications brought forth by the existing literature (both theoretical and empirical studies)

• Literature:
1.3.2 International Trade Networks, Technology Spillovers and Economic Growth

How can an economy grow and develop from relative poverty to prosperity and how can more advanced nations sustain growth? The basic idea to answer this question is that economic growth in relatively backward economies takes the form of adoption and imitation of existing technologies and of sectoral reallocation. In more advanced economies, growth is largely driven by innovation. Imitation and innovation are affected by technology diffusion, trade and interdependencies, and these factors are crucial for the stages of growth. Such interdependencies can be viewed as a network of relationships between individuals, firms, sectors and countries. Moreover, these networks evolve over time as economic transition takes place.

The goal of this project is to provide an overview of the main empirical findings and stylized facts related to trade and/or international technology spillovers. Of particular relevance is the economic development of China and its transition from an imitator to an innovator economy, together with the observed changes in trade volume and composition. Moreover, the project aims at giving an overview of the main theoretical models that try to explain some of these empirical observations, as well as highlighting the shortcomings of these models. Finally, relevant policy interventions and implications should be discussed.

A non-exhaustive list of references and relevant literature for this project will be provided which can serve as a starting point for a more detailed study. Note that, since this project consists mostly of a literature review, it is most suitable for a Bachelor thesis.
1.3.3 International Migration Networks, Unemployment and Economic Growth

International migration networks have an impact on trade and knowledge spillovers between countries. Business and social networks that operate across national borders can help to overcome informal trade barriers related to weak enforcement of international contracts and inadequate information about international trading opportunities. In an influential paper, Rauch and Trindade (2002) show that the network formed by the overseas Chinese population has a strong effect on trade. They find that the ethnic Chinese network of the magnitude observed in Southeast Asia increases bilateral trade by nearly 60%.

There are two possible projects associated with the above described topic:

(a) Provide an overview over both, theoretical and empirical studies, brought forth by the existing literature that analyze the link between trade, migration, unemployment, growth and income. A non-exhaustive list of references and relevant literature for this project will be provided which can serve as a starting point for a more detailed study. Note that, since this project consists mostly of a literature review, it is most suitable for a Bachelor thesis.

(b) Compile a comprehensive panel dataset for migration flows between countries over time. This task involves the collection and merging of already existing data sets (such as Felbermayr et al. 2010). Moreover, complement the migration data with country and regional data for various economic indicators. Once the data collection process is completed, various network statistics need to be computed (based on already existing routines that will be provided), and interpreted in light of the current empirical literature.

1.4 Macroeconomics with Informational Frictions

Informational frictions, which originate from the existence of private information and incomplete communication, is a widespread phenomenon in any economic environment, especially in macroeconomics environments, which are typically coordination games. There is a growing literature in this research area ranging from discussions about whether central bank transparency is a good thing or not to the optimal design of fiscal and monetary policy under informational frictions. This strand of literature
also sheds light on the nature of business cycles, where informational frictions such as "noise shocks" or "confidence shocks" can help explain most of the salient features of business cycles.

Possible projects could be developed from the following topics:

(a) Provide an overview over the theoretical answers to the question whether a central bank should communicate as much or as accurately as it can. Why is there a discrepancy between various theoretical works? What are the practical implications for example under inflation targeting?

(b) What is the optimal fiscal and monetary policy when the economy faces various types of informational frictions? Does the real world policy look like its theoretical counterpart? What is the main difficulty underlying the implementation of "optimal policy" implied by the theory?

• Literature:

2 Completed Research Papers


Büsser, Manuel, “Path Dependency and Directed Technical Change in Clean and Dirty Technologies” Bachelor’s Thesis, University of Zurich, August 2012.


Grädel, Lars, “Governance and Aid,” Semester Project, University of Zurich, April 2009.


Ottinger, Sebastian, “The Dynamics of Chinese Household Expenditure Patterns and the Link to the Economy’s Production Side” Bachelor’s Thesis, University of Zurich, March 2013.


Ruffner, Jan “China’s and South Korea’s Current Accounts and Their Main Contributors,” Bachelor’s Thesis, University of Zurich, December 2009.


Tscharky, Fabian, “Saving Behavior and Inequality in post-Reform China,” Bachelor’s Thesis, University of Zurich, December 2012.


Zürcher-Bevza, Daria, “Household Portfolio Composition over the Life Cycle,” Bachelor’s Thesis, University of Zurich, August 2011.