

***“Marshallian Externality, Industrial Upgrading, and Industrial Policies”***  
*(in English)*



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**Abstract:**

A growth model with multiple industries is developed to study how industries evolve as capital accumulates endogenously when each industry exhibits Marshallian externality (increasing returns to scale) and to explain why industrial policies sometimes succeed but sometimes fail. The authors show that, in the long run, the laissez-faire market equilibrium is Pareto optimal when the time discount rate is sufficiently small or sufficiently large. When the time discount rate is moderate, there exist multiple dynamic market equilibria with diverse patterns of industrial development. To achieve Pareto efficiency, it would require the government to identify the industry target consistent with the comparative advantage and to coordinate in a timely manner, possibly for multiple times. However, industrial policies may make people worse off than in the market equilibrium if the government picks an industry that deviates from the comparative advantage of the economy.

**Date: 23 November 2011(Wednesday)**  
**Time: 2:00pm – 3:30pm**  
**Venue: SO322, Dorothy Y. L. Wong Building**

**Biography:**

Dr. Yong Wang obtained his PhD in Economics from the University of Chicago in 2009, his MA in CCER at Peking University (2003), and BA at Fudan University (2000). His research interests include Economic Growth, International Trade, Political Economy, China and India Economies. His recent research mainly focuses on the macroeconomic analyses of structural change, industrial dynamics, and industrial policies in developing countries. Dr. Wang was a resident research fellow at the World Bank during the 2010-2011 academic year and he has been serving as a consultant there since 2008.

**All are welcome**