詹丞甲 D11323002

Markups, Labor Share, and Wage Dispersion

1. What is the main question(s) raised in the paper (the issue)?

   The author argues that overall wages have declined since 2000 because of the monopoly power of firms, especially for the lower percentile wages. It will increase in wage dispersion and a decrease in the aggregate labor share.

2. Why should we care about it (the significance)?

   Inequality is always a popular issue that we concern about. Additionally, unlike the papers for recent year, which are talking about the distortion of markup, this paper focus on the consequences of product markup on the labor market, especially wage dispersion. At the same time, we also wondered what caused the decline in the labor share, or precisely, besides fall in the relative price of investment goods, technology change etc., increasing monopsony power in the labor market is what the author wants to emphasize.

3. What is the author's answer (the findings)?

   A reduction in the labor market competitiveness(may be caused by unemployment) led small firm to reduce wages more and increase its monopsony power. Hence, the aggregate wage would drop but wage dispersion would rise, just like Q1. said. And although increasing productivity dispersion have positive effect on wage, but it almost offset by the effect of markup.

4. How did the author get there (the strategy, empirical approach)?

   The author built a heterogeneous firms model monopolistic competition with non-CES demand with the Kimball (1995) aggregator and on-the-job search in the labor market to calibrate the rising market power in product market and labor market.