The Growth Slowdown and Rising Market Power in the US

Faculty Member: Michael Peters

Proposal Description:

There is mounting evidence that the US economy experienced both a slowdown in “economic dynamism” and an increase in corporate market power in the last two decades. The former manifests itself in a declining firm entry rate, lower measures of aggregate reallocation like job-to-job worker flows and a slowdown in aggregate productivity growth. As for the latter, some recent studies have pointed towards an increase in corporate markups, a decline in the aggregate labor share and a rise in corporate profits and industry concentration. If true, both of these trends have potentially important consequences for welfare and inequality, as well as the future growth trajectory of the U.S. economy.

In this project, which is joint work with Conor Walsh, one of our graduate students, we want to study to what extent these phenomena are related. To do so, we use firm-level census data from the US and Europe and a quantitative growth model to analyze why such changes might have occurred and to quantify the implications for aggregate productivity growth and welfare.

Requisite Skills and Qualifications:

Primary RA responsibilities (or rather learning opportunities!) include empirical work using the US Census data and computational work in analyzing and solving the model. Hence, experience in STATA (or comparable software like R) and MATLAB is required. Experience with SAS and previous work with large datasets would be a plus, but is not necessary.

In particular, students who took the class “Econ 417b. Computational Methods in Economics” or related classes in the math or computer science department and have an interest in gaining a deeper understanding in computational methods are strongly encouraged to apply. Students with an interest in economic growth and macroeconomics would also strongly benefit from this opportunity. We are particularly interested in applicants who are seriously considering applying to graduate school in economics after graduation.

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