



Upcoming Seminars

Monday, 30.5.2022

Departmental Seminar

13.30-14.30

AWI room 00.010

Rüdiger Bachmann, Université du Notre Dame

"Monopsony Makes Firms not only Small but also Unproductive: Why East Germany has not Converged"

(host: Zeno Enders)

Departmental Seminar

Rüdiger Bachmann

"Monopsony Makes Firms not only Small but also Unproductive: Why East Germany has not Converged"*

When employers face a trade-off between growing large and paying low wages—that is, when they have monopsony power—some productive employers will decide to acquire fewer customers, forgo sales, and remain small. These decisions have adverse consequences for aggregate labor productivity. Using high-quality administrative data from Germany, we document that East German plants (compared to West German ones) face a steeper size-wage curve, invest less into marketing, and remain smaller. A model with labor market monopsony, product market power, and customer acquisition matching these features of the data predicts 10 percent lower aggregate labor productivity in East Germany.

Talks and Research visits

Zeno Enders presented the paper "Cross-country unemployment insurance, transfers, and trade-offs in international risk sharing" (joint with David Vespermann, BCG) at the Standing Field Committee for International Economics of the Verein für Socialpolitik, Zürich, May 20-21.