
# COMPETITION, THE LABOR SHARE, AND MONETARY POLICY (NOV 2024)

Pascual Restrepo, Yale
Economics Department

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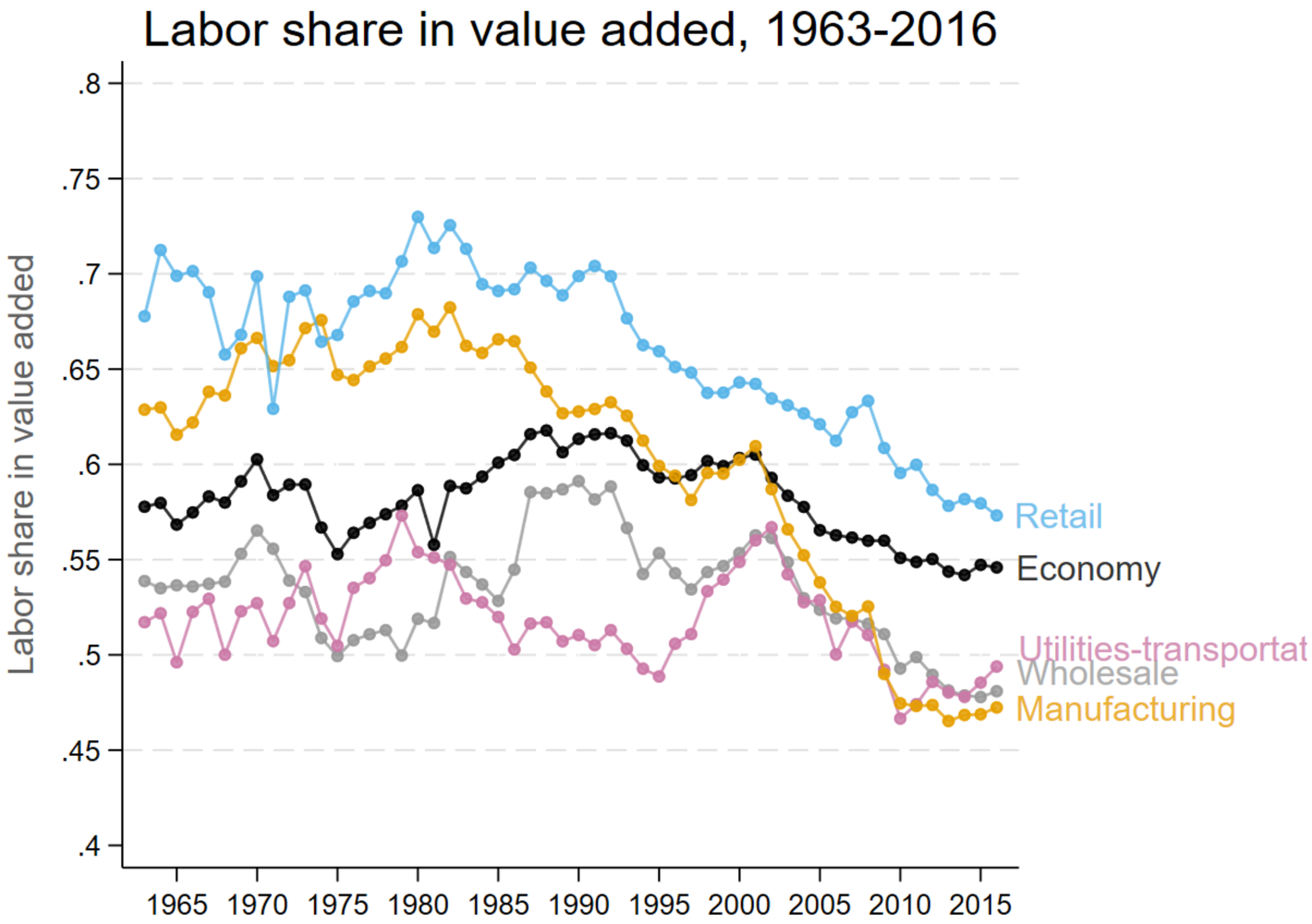

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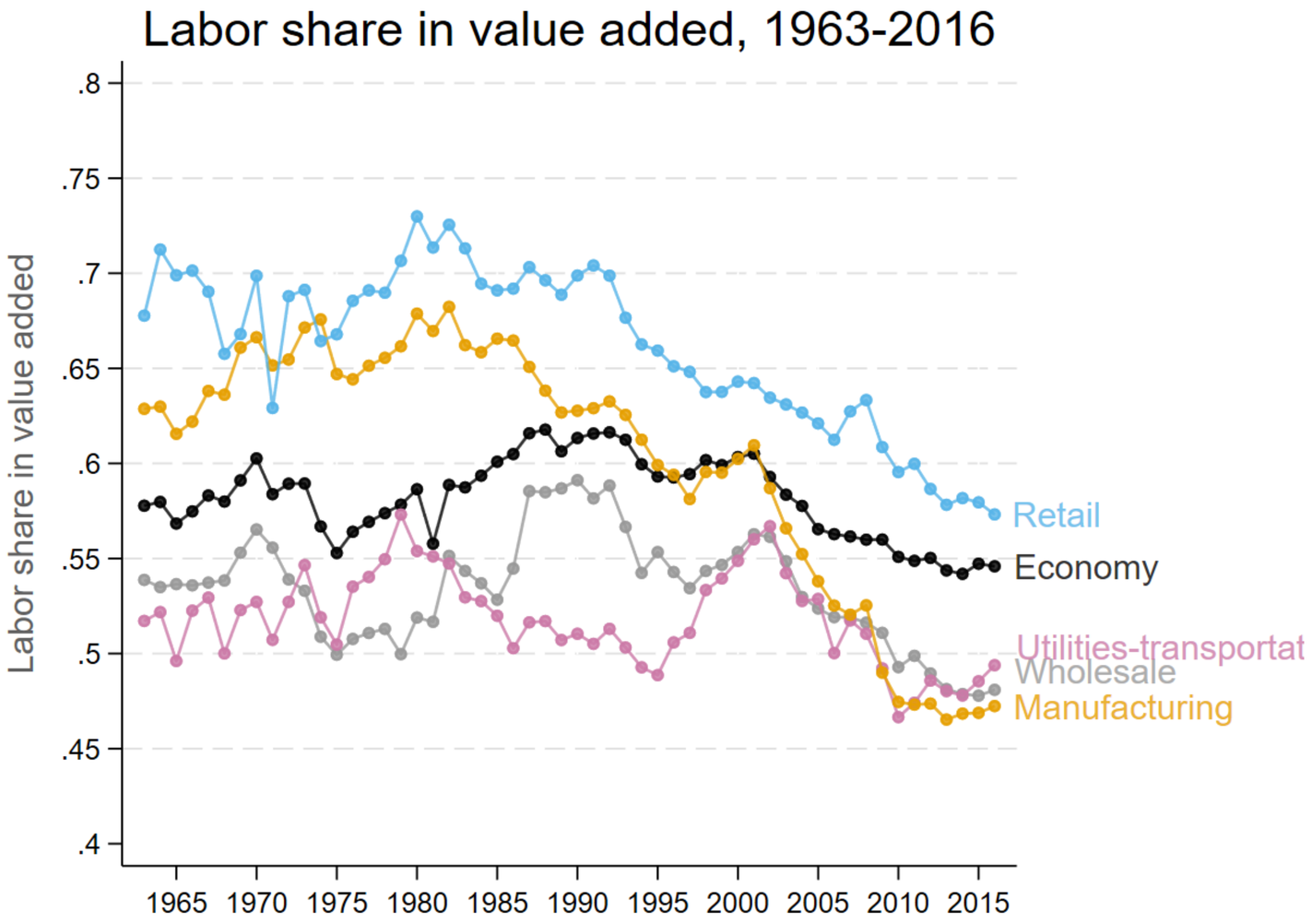

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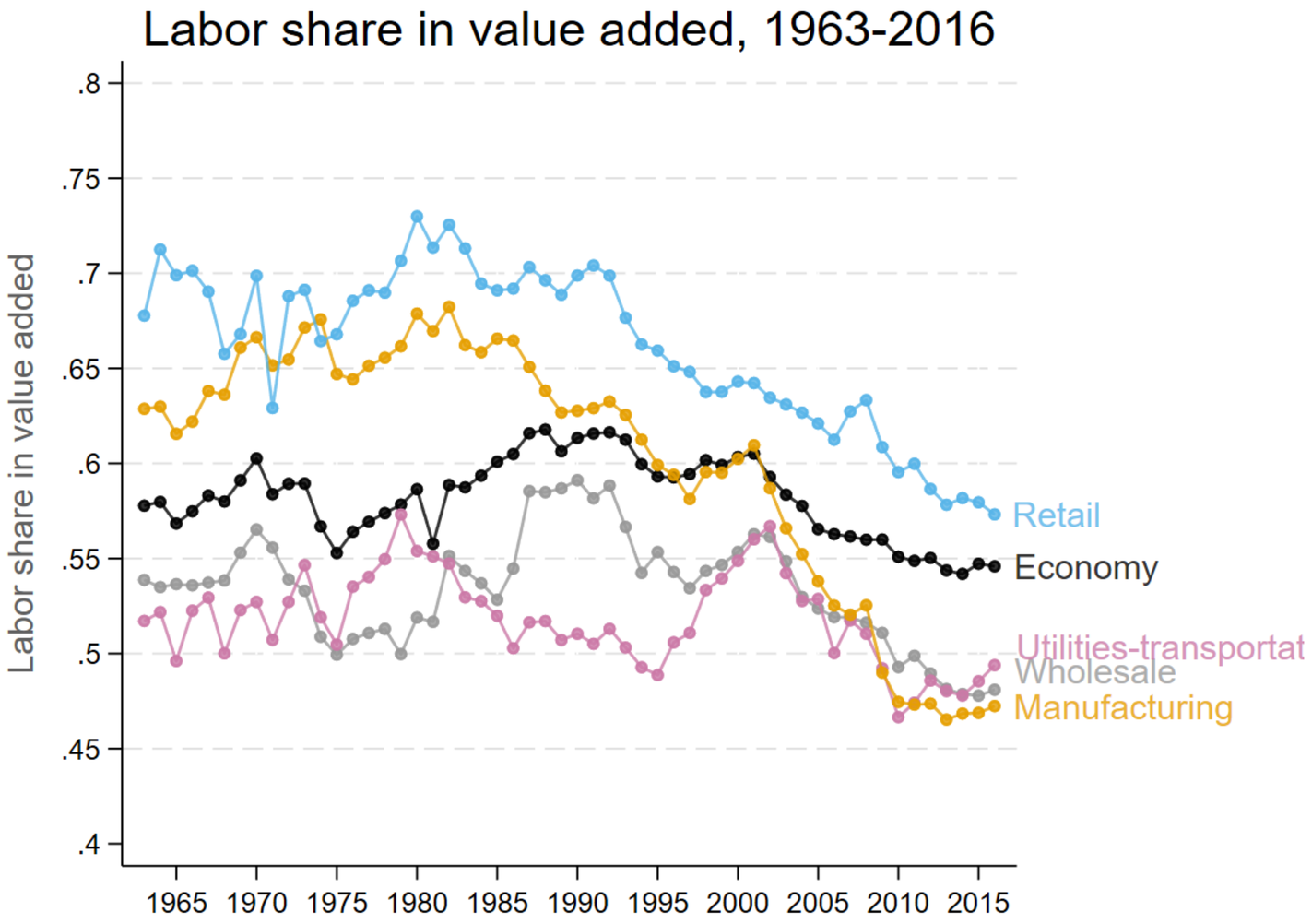

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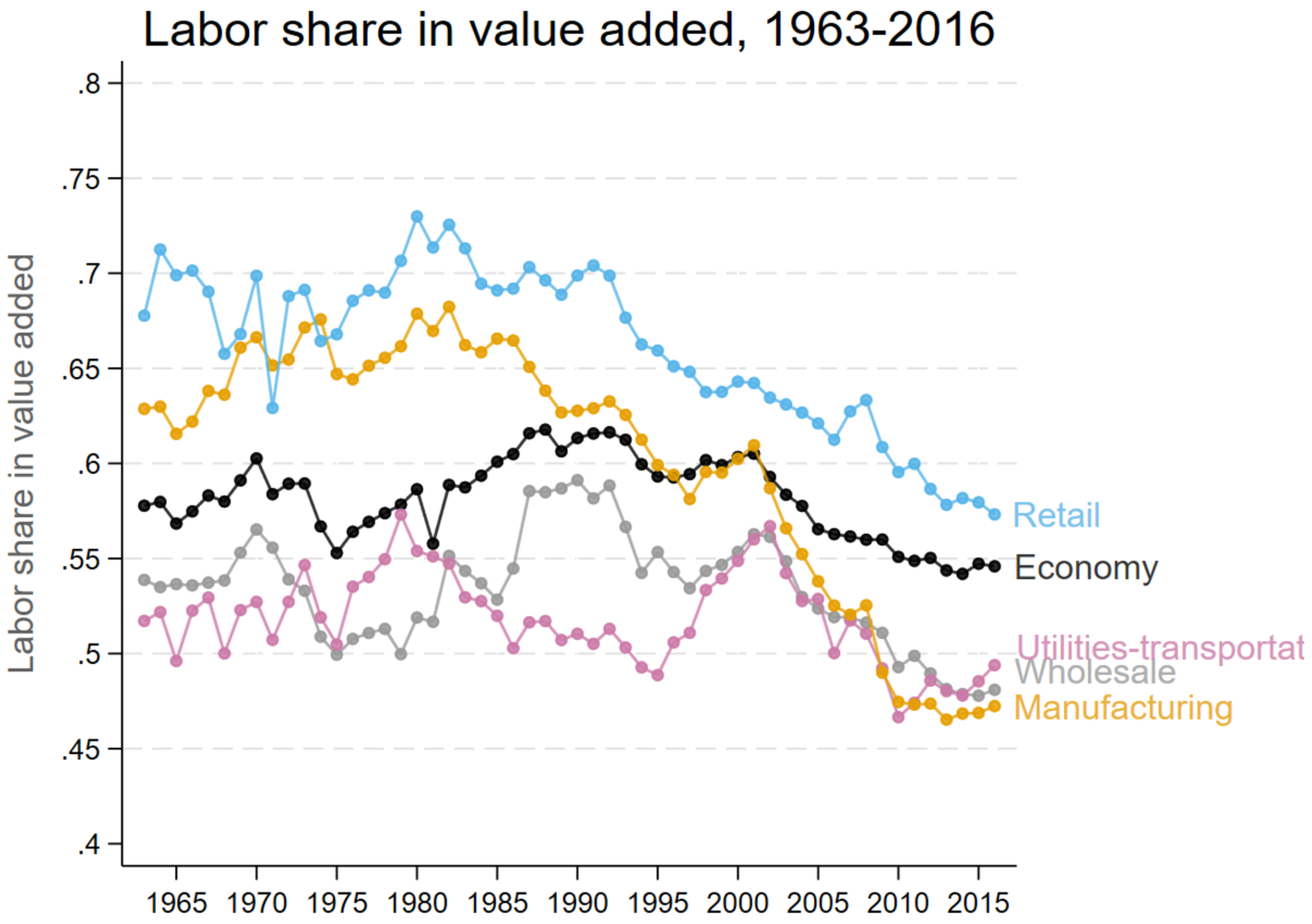

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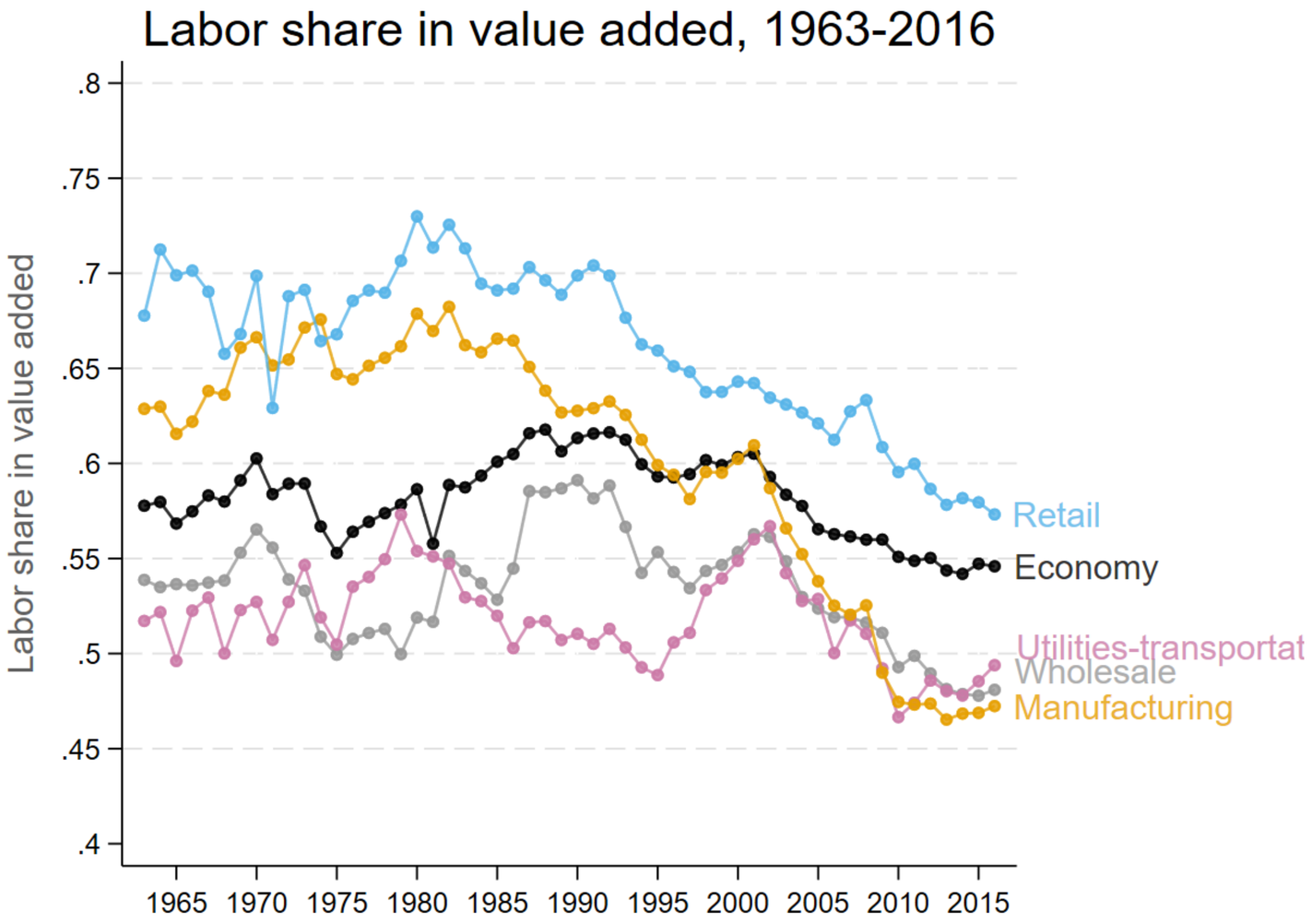

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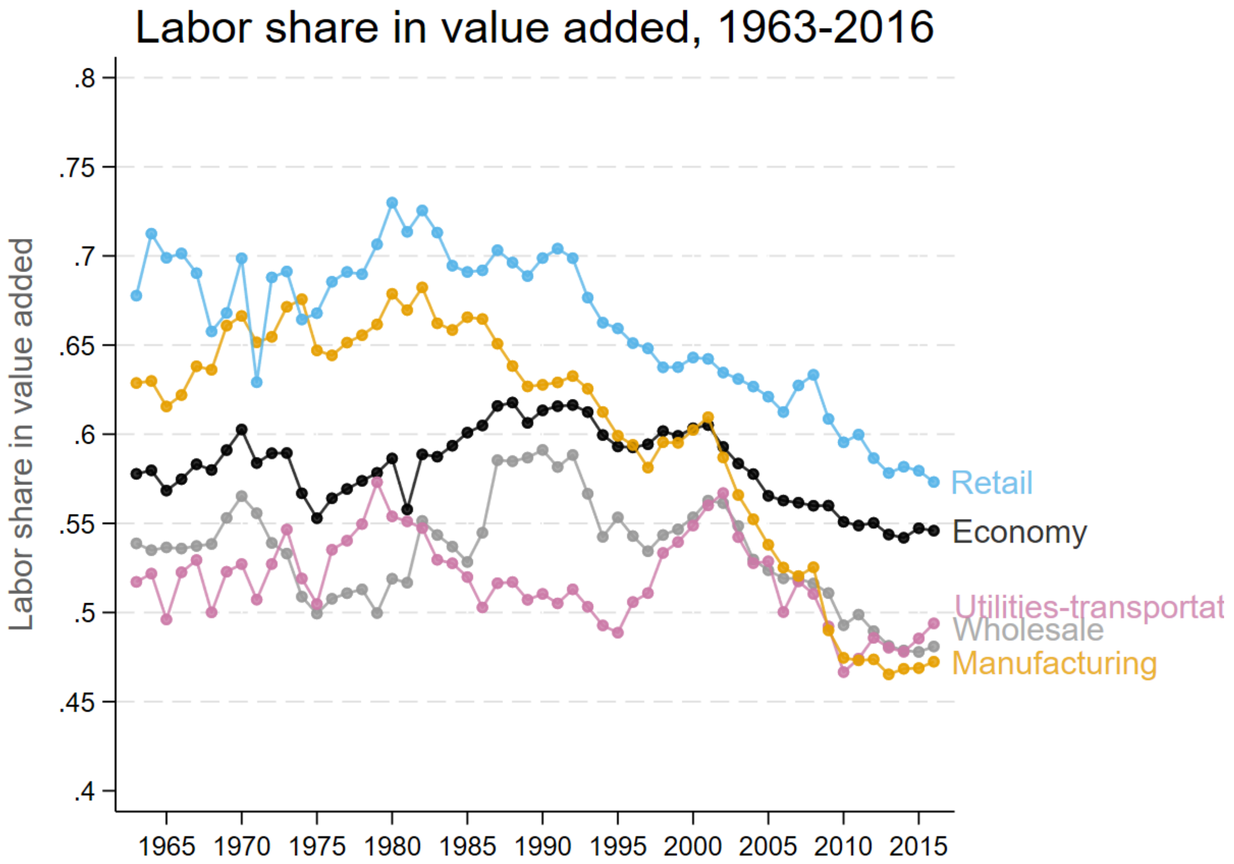

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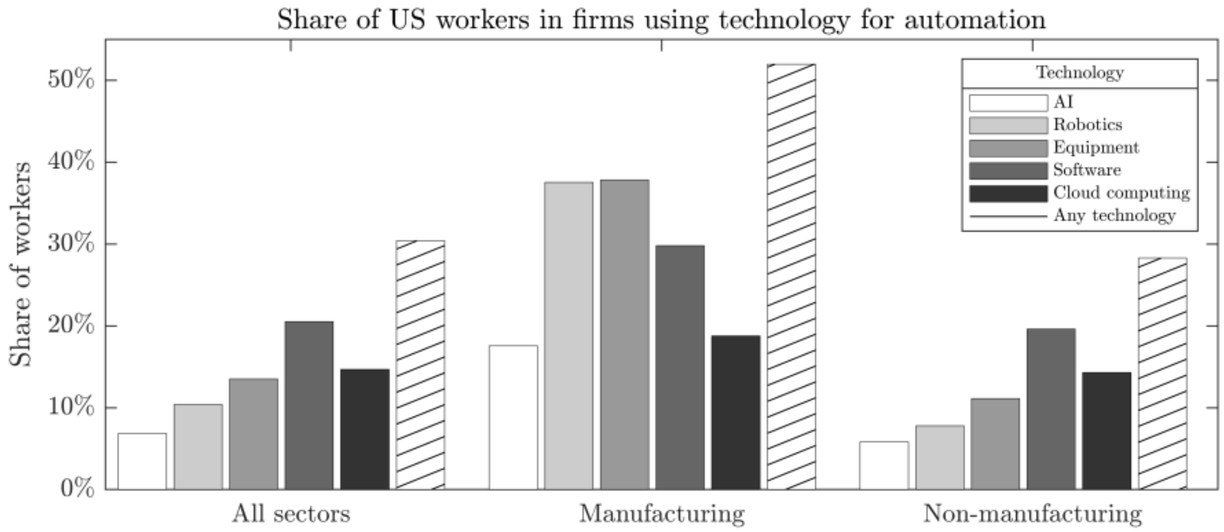


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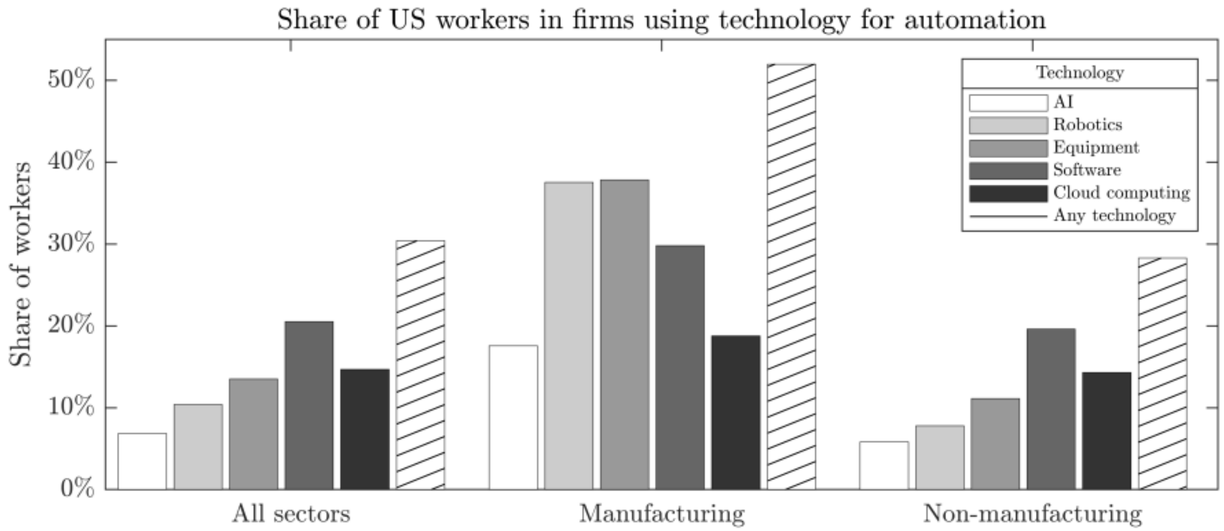


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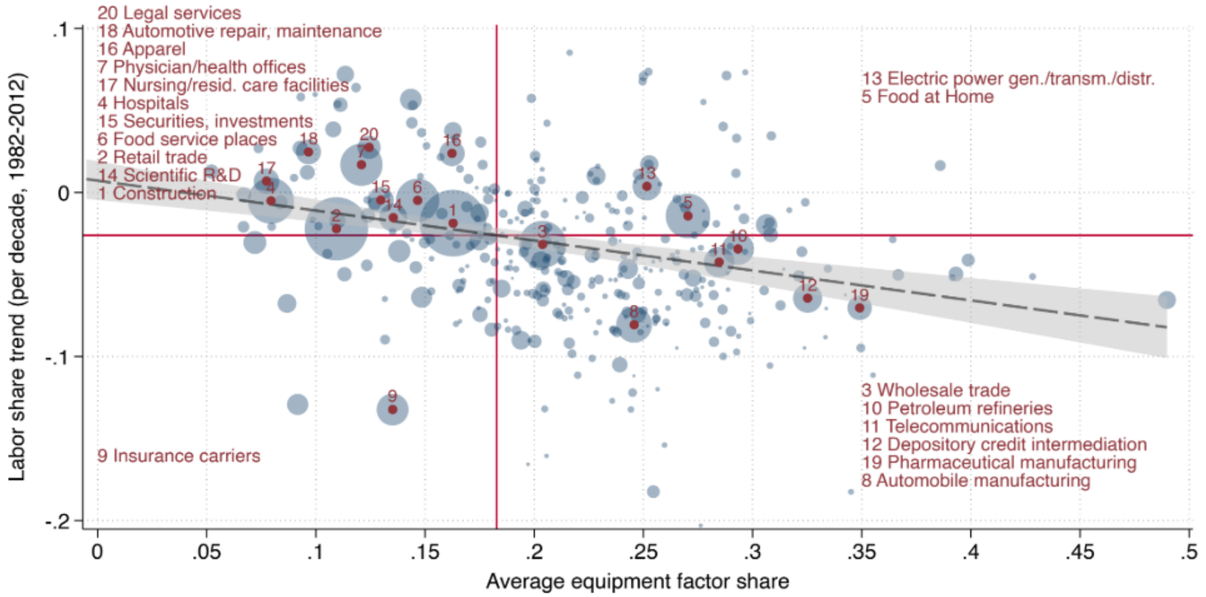


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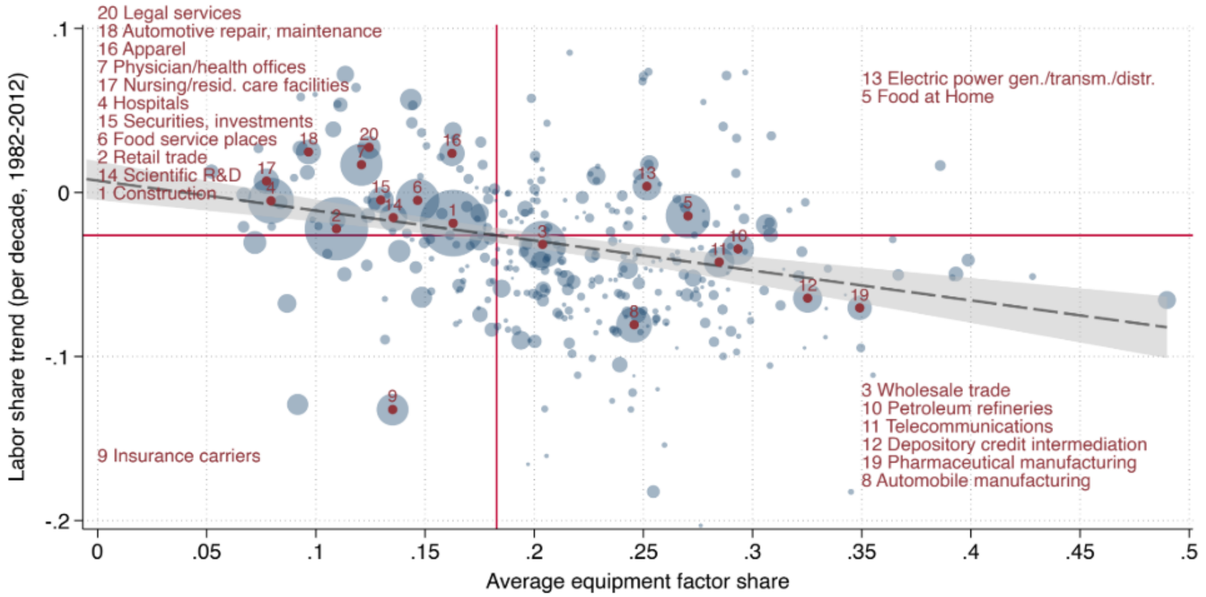


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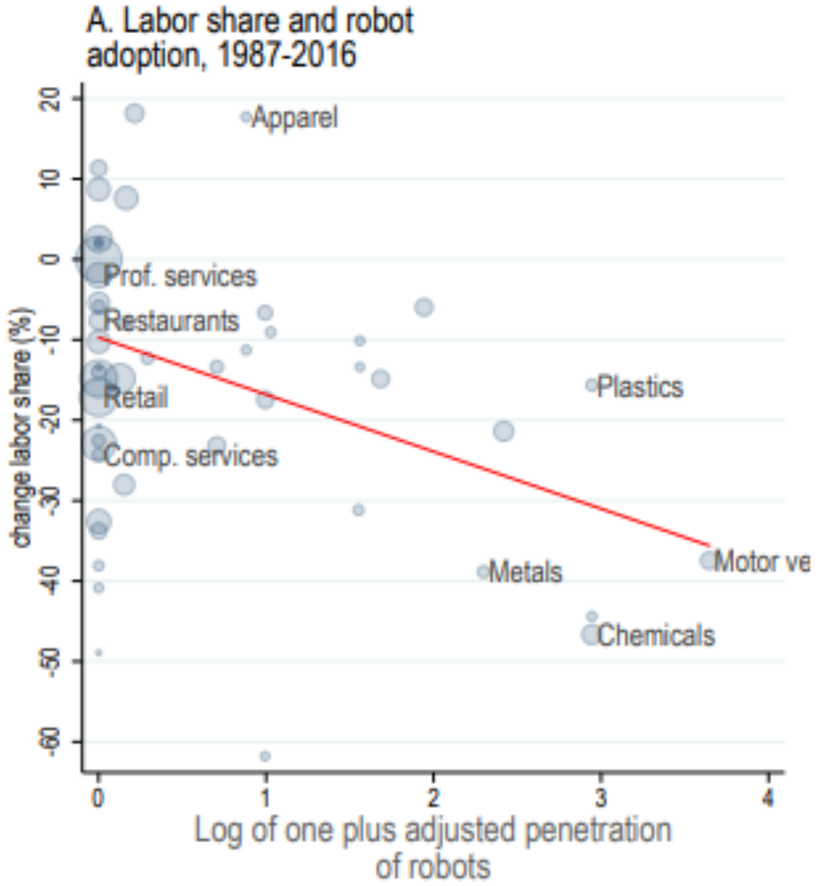


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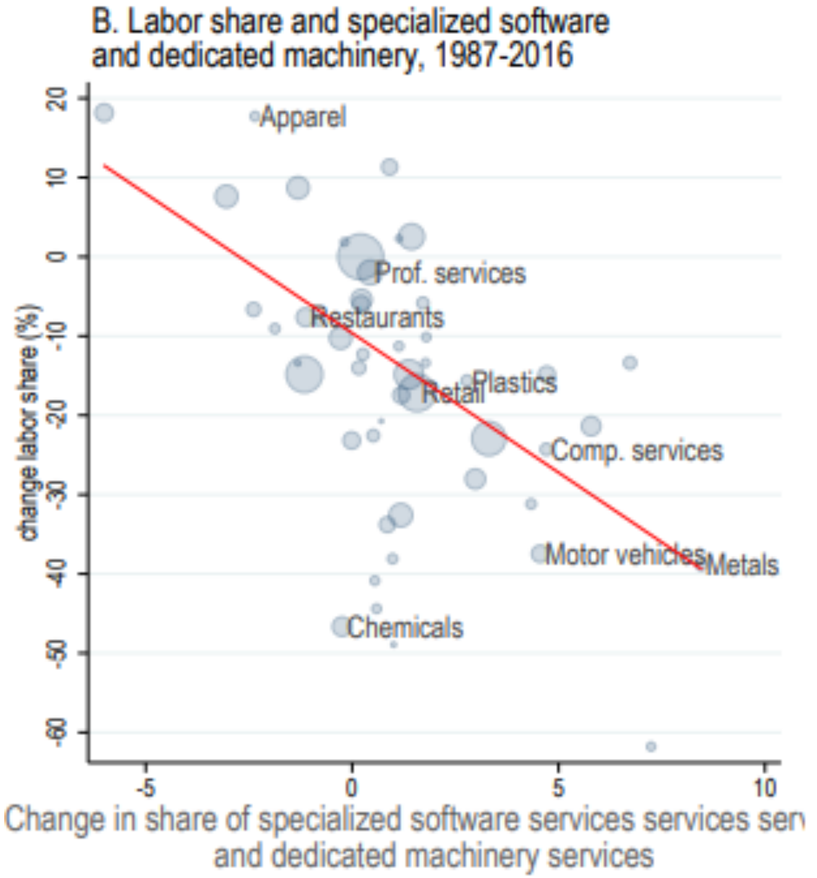


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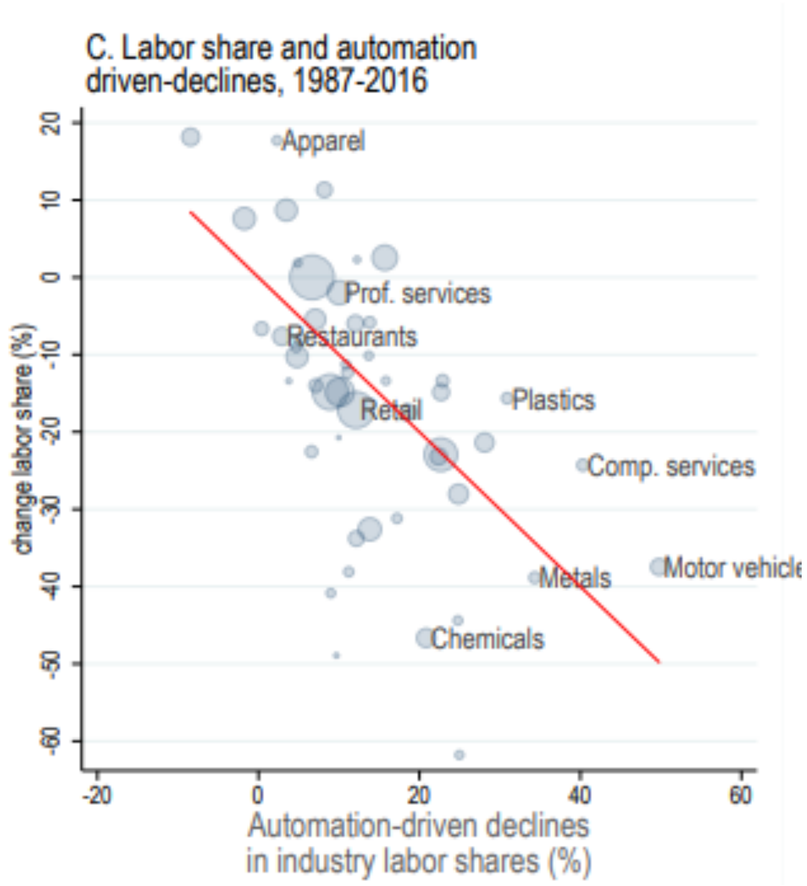


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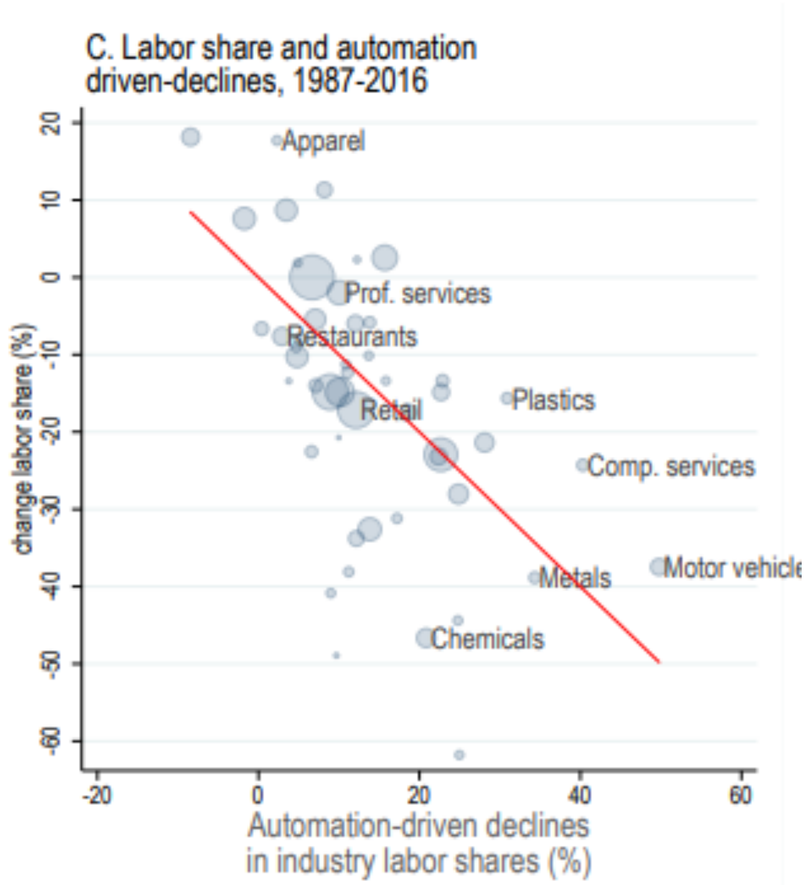


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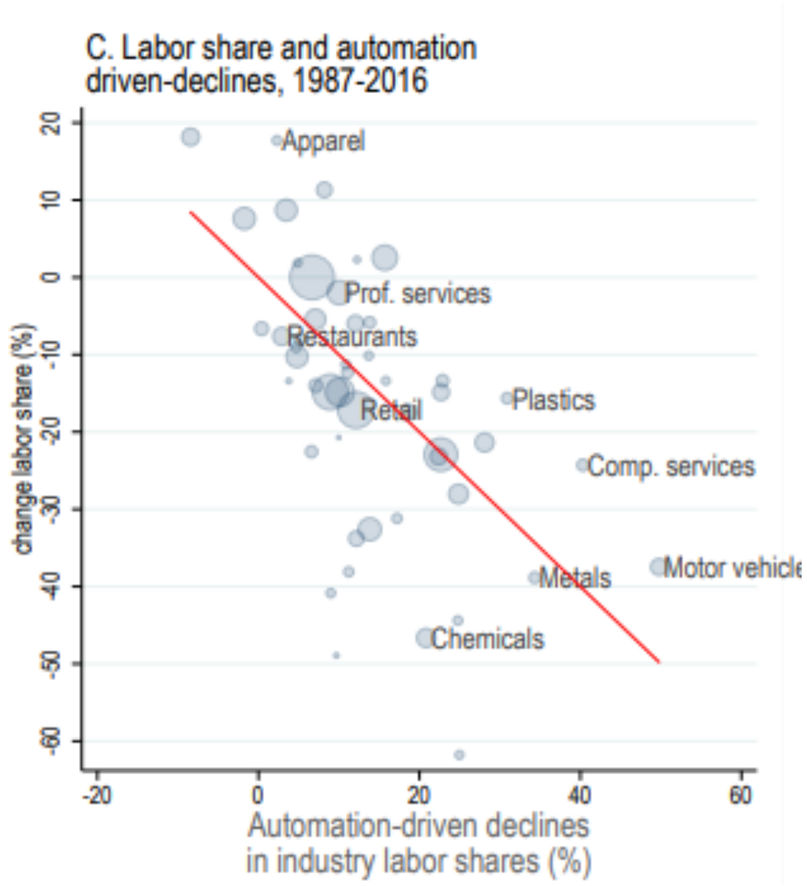


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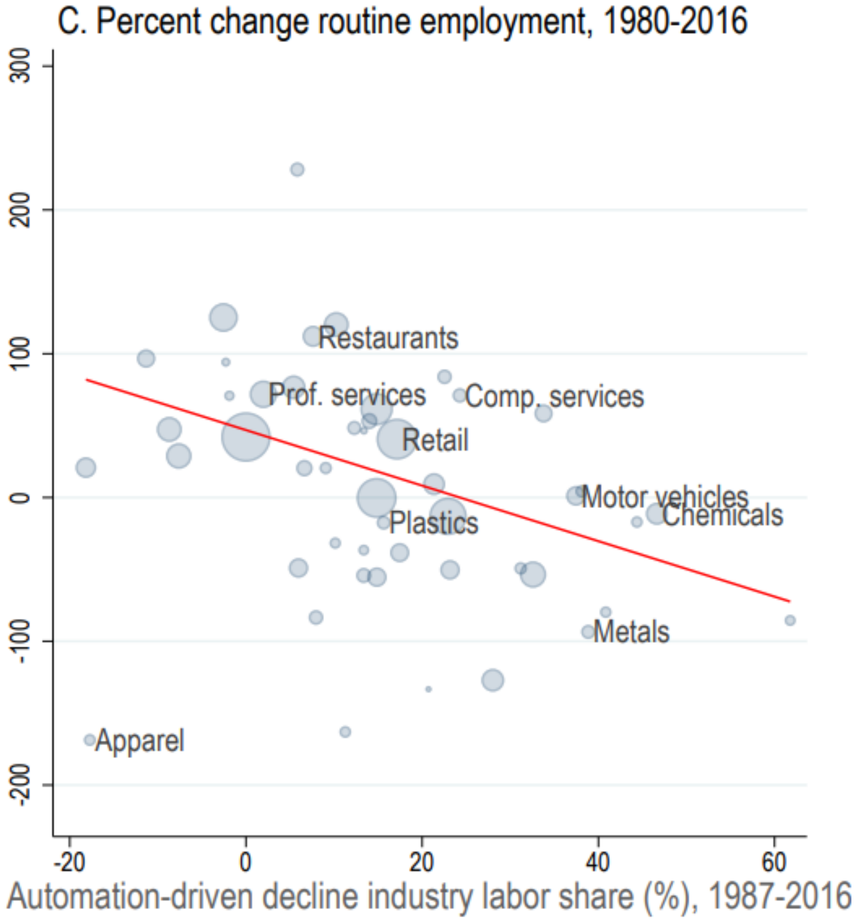


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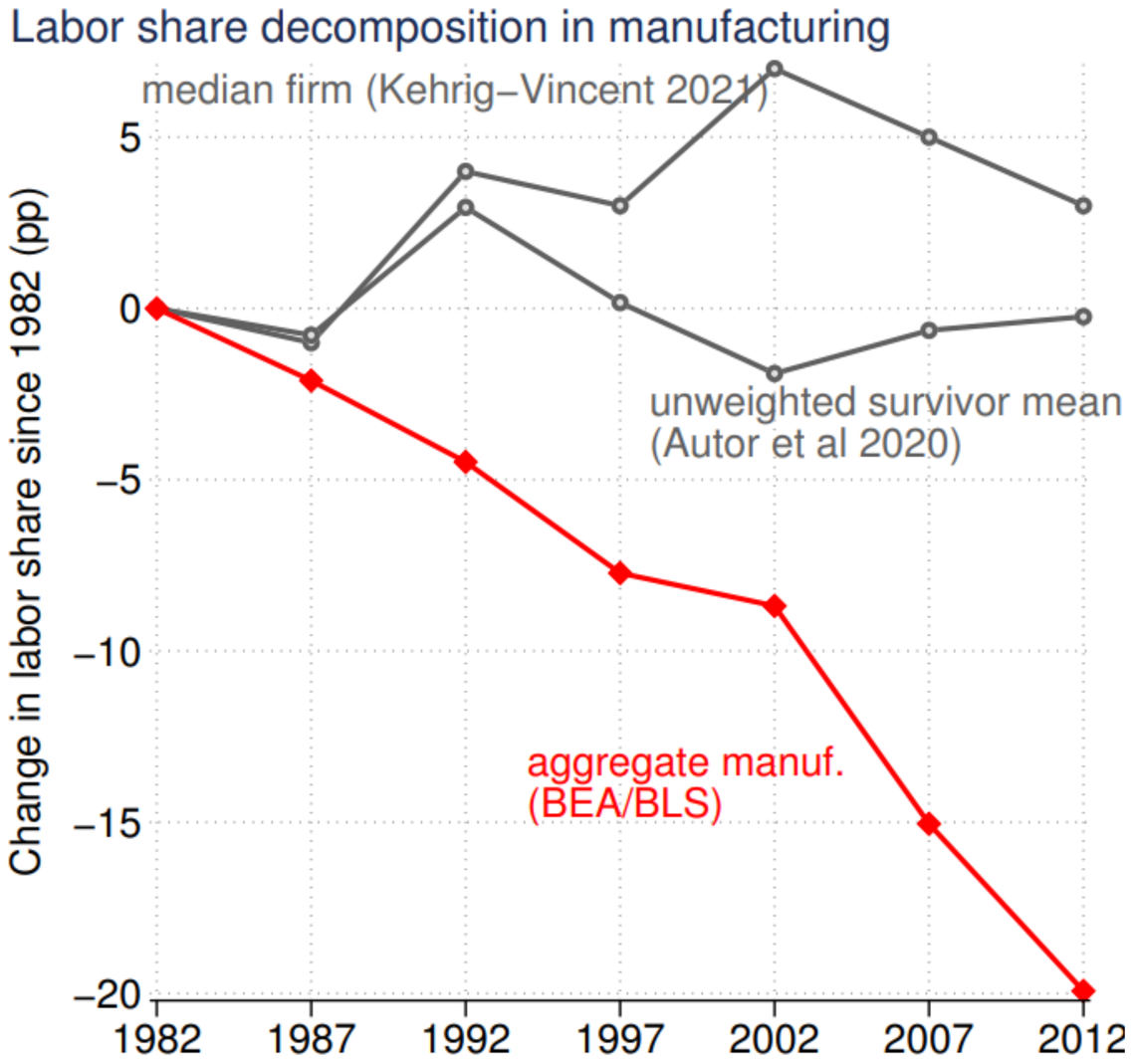

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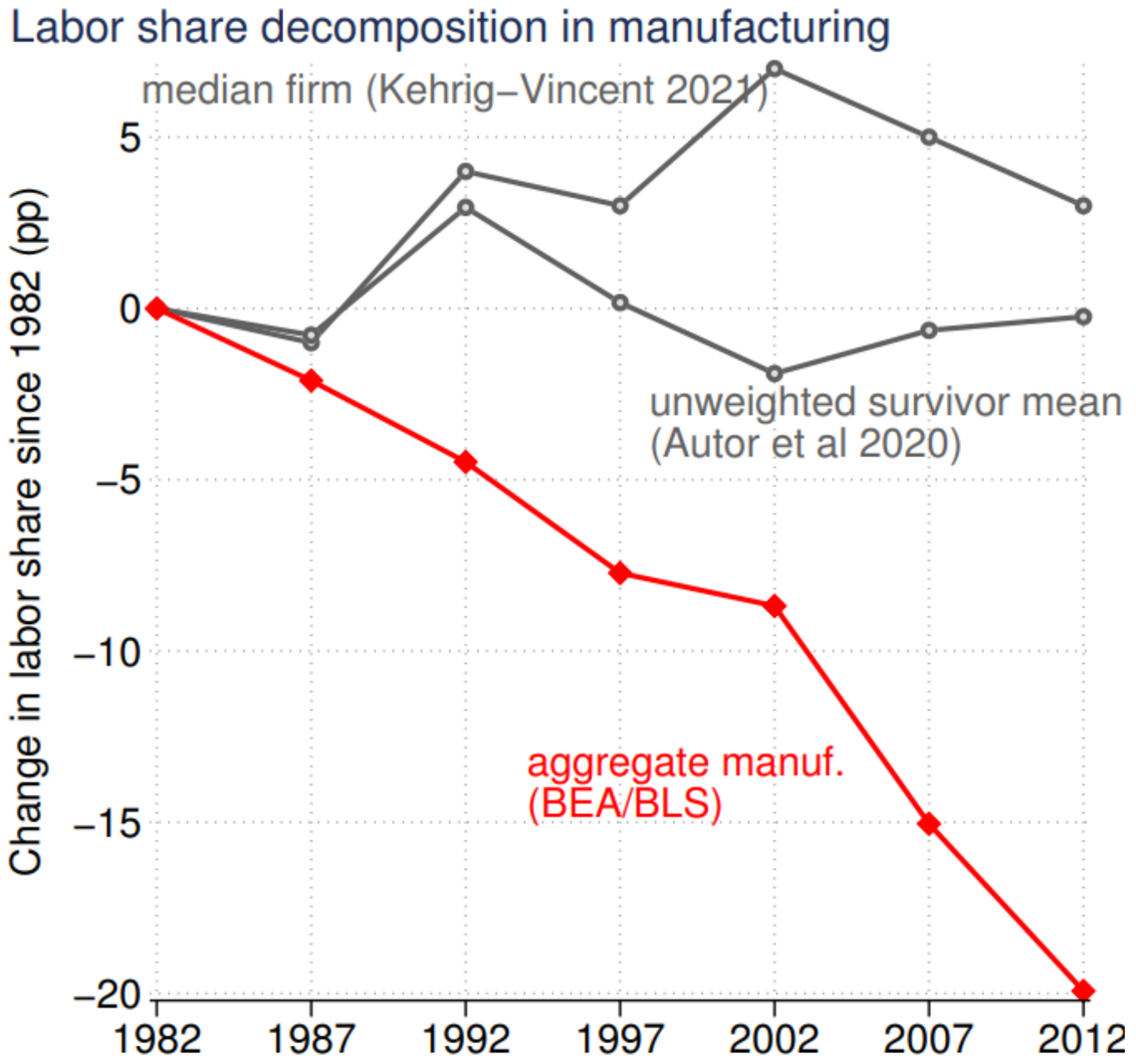

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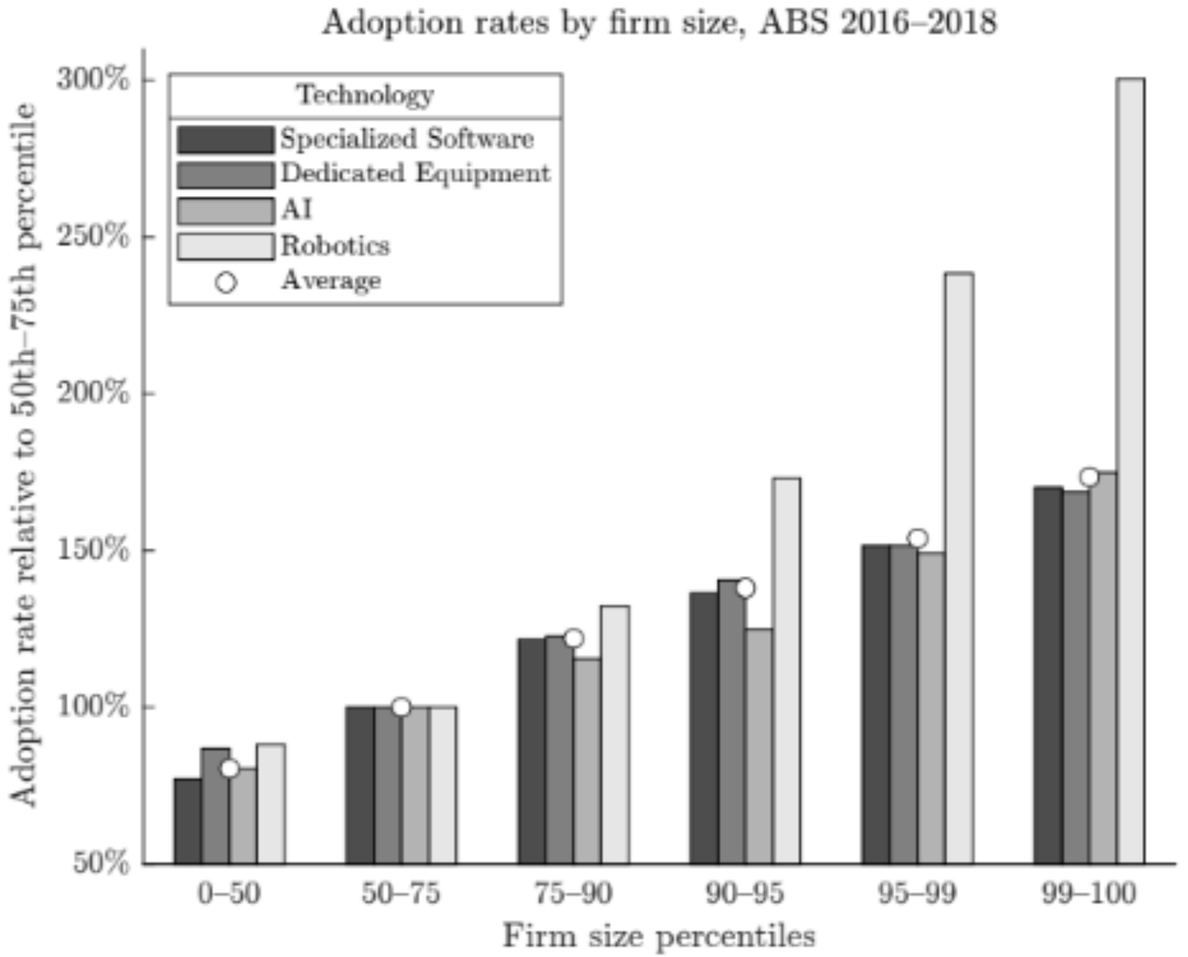


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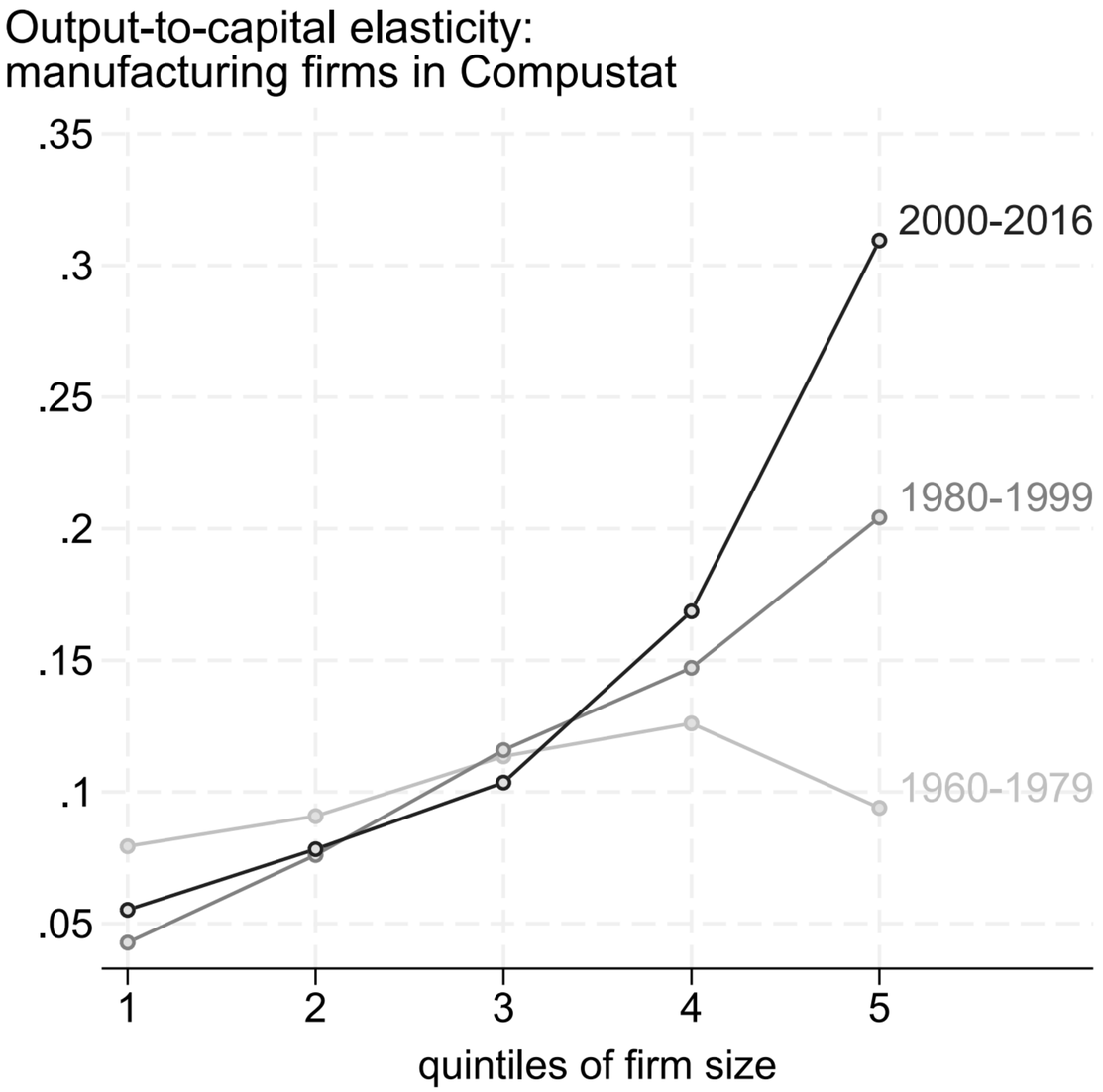


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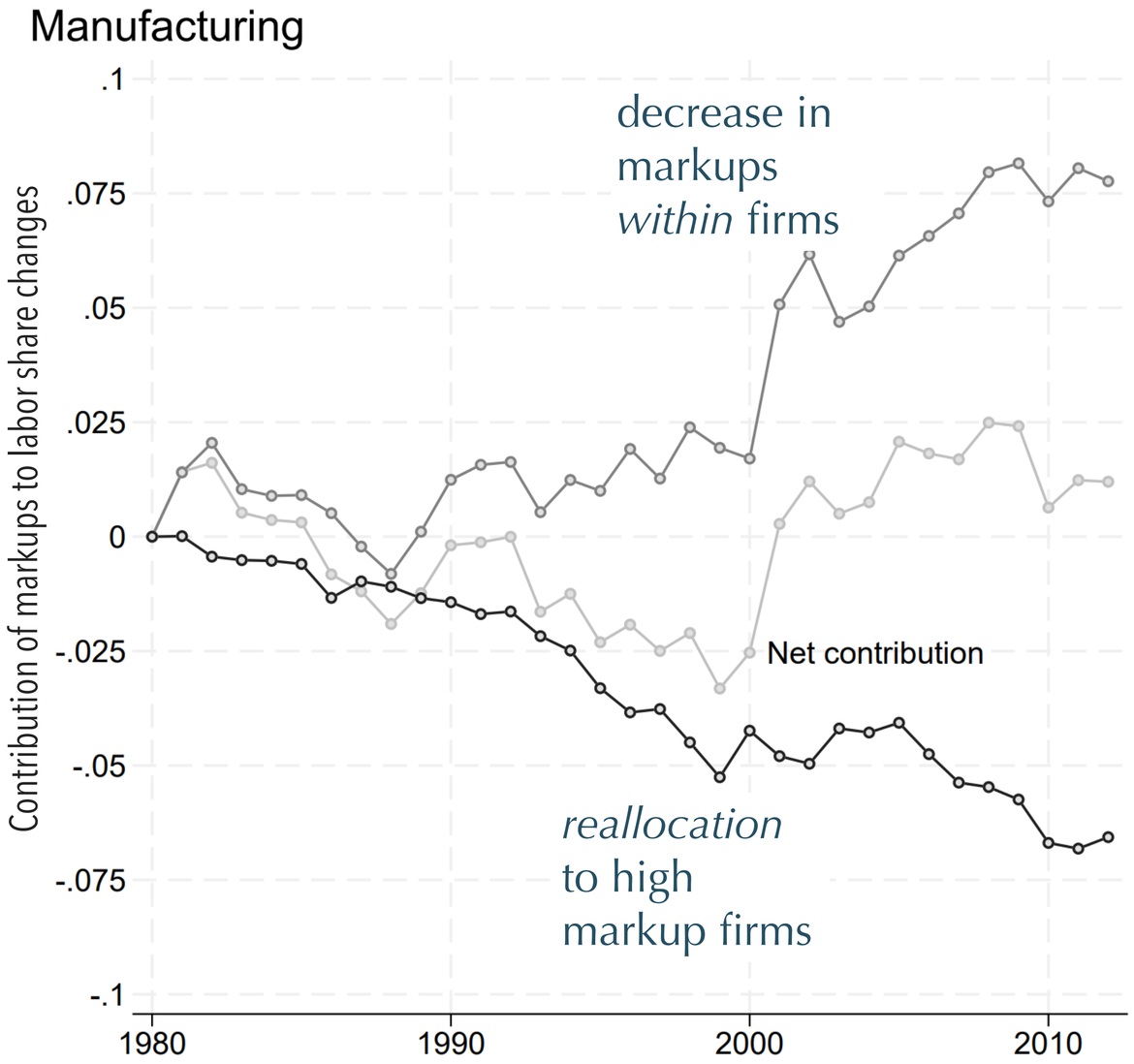


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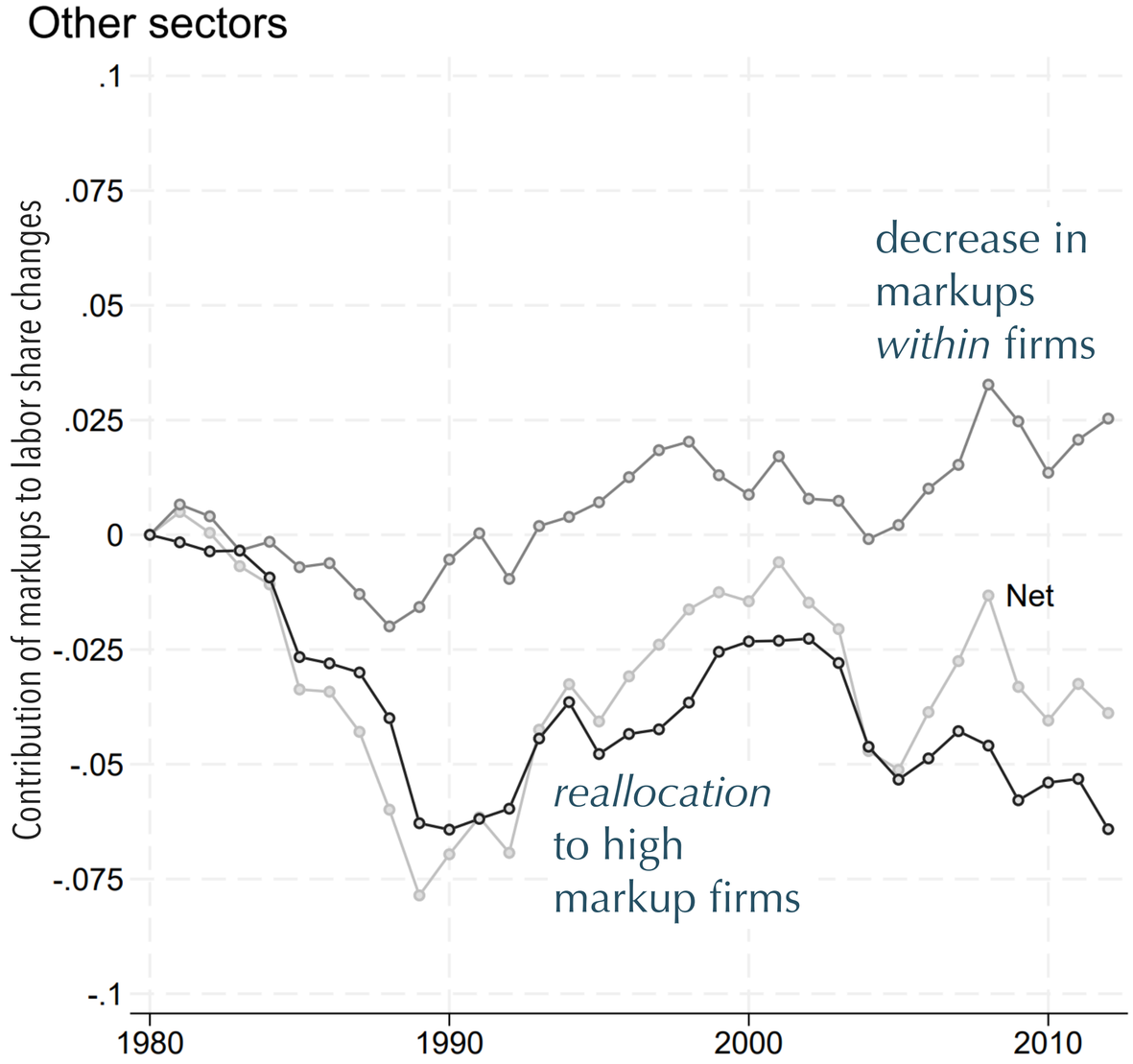


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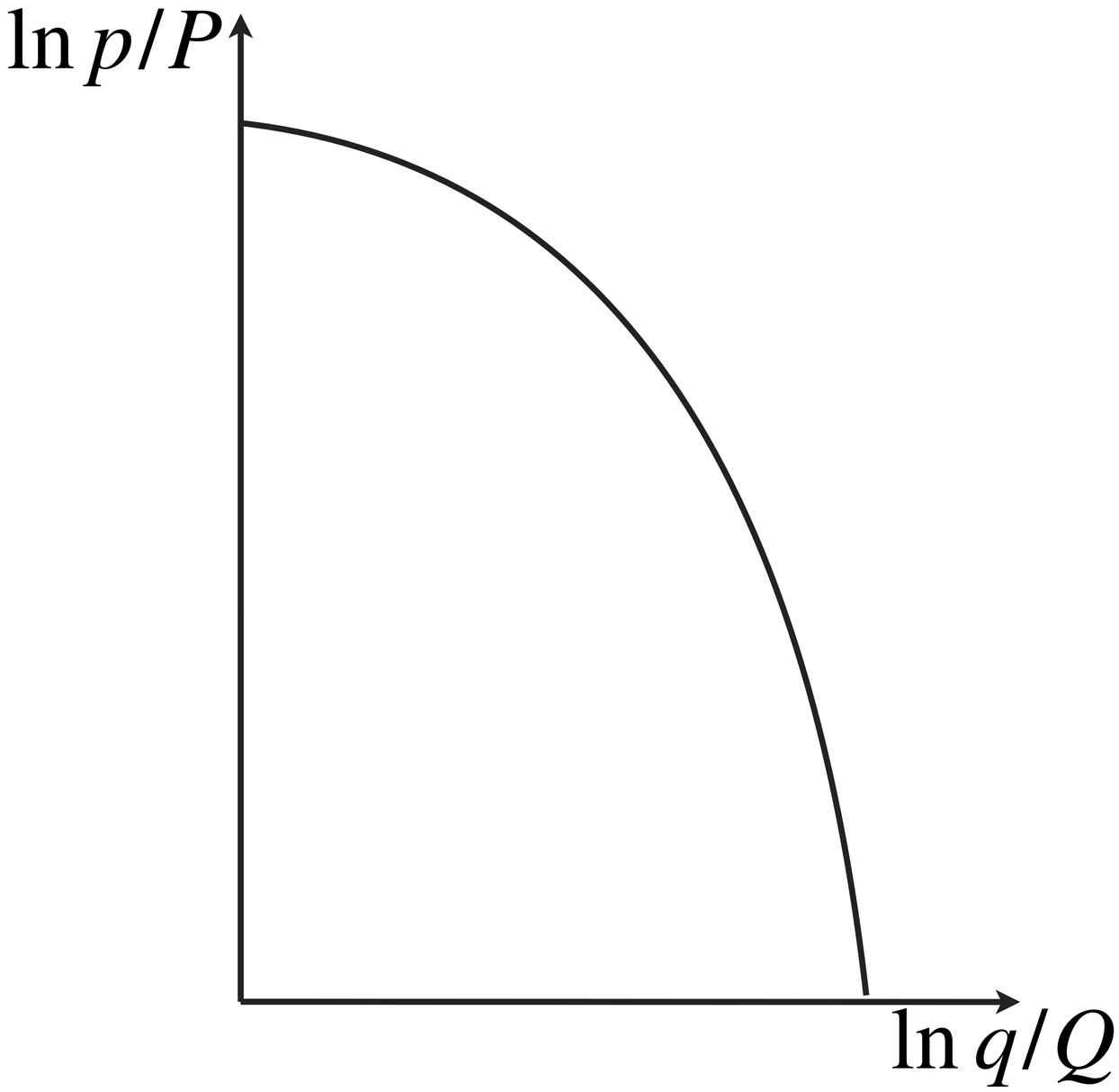

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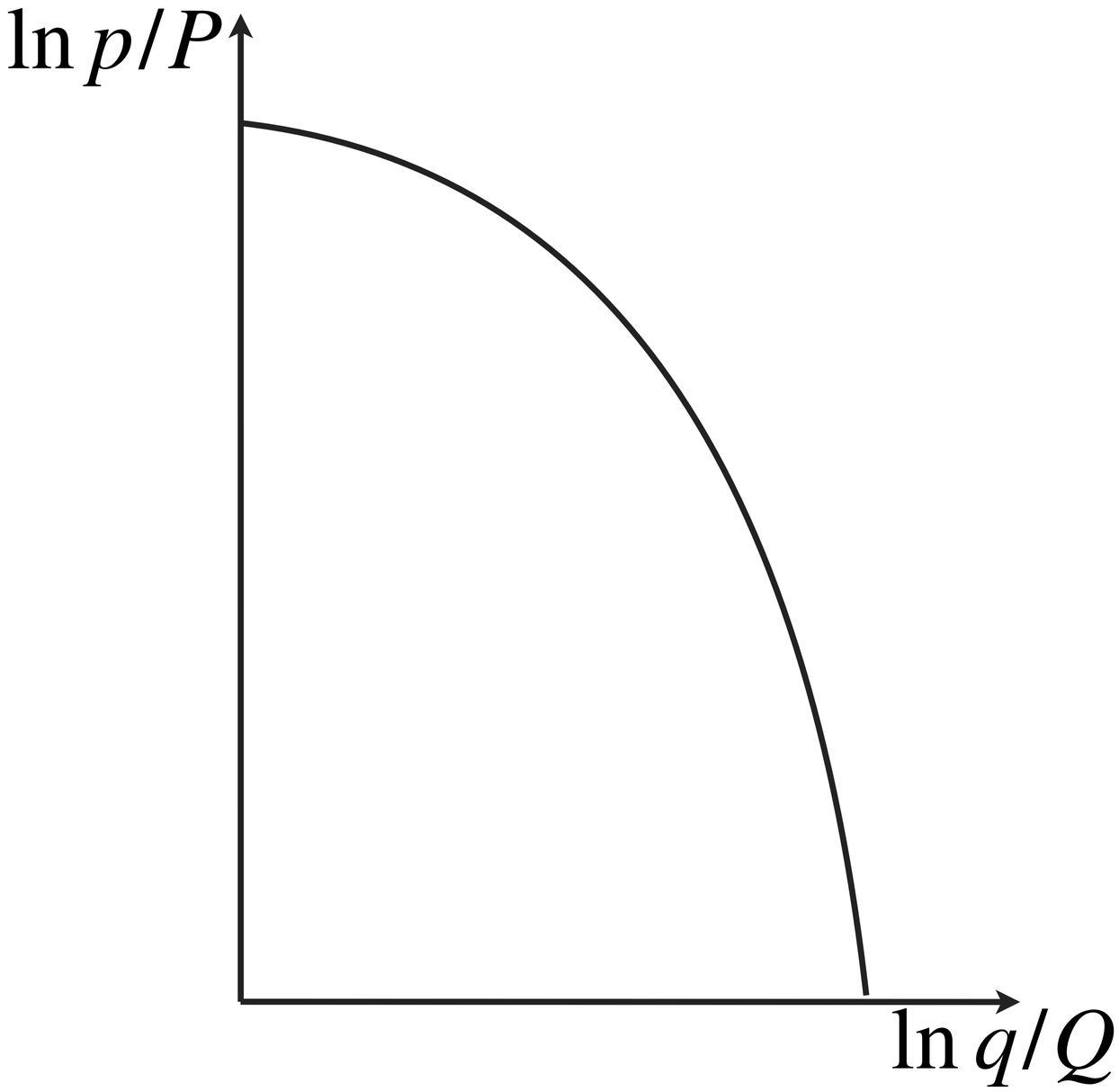

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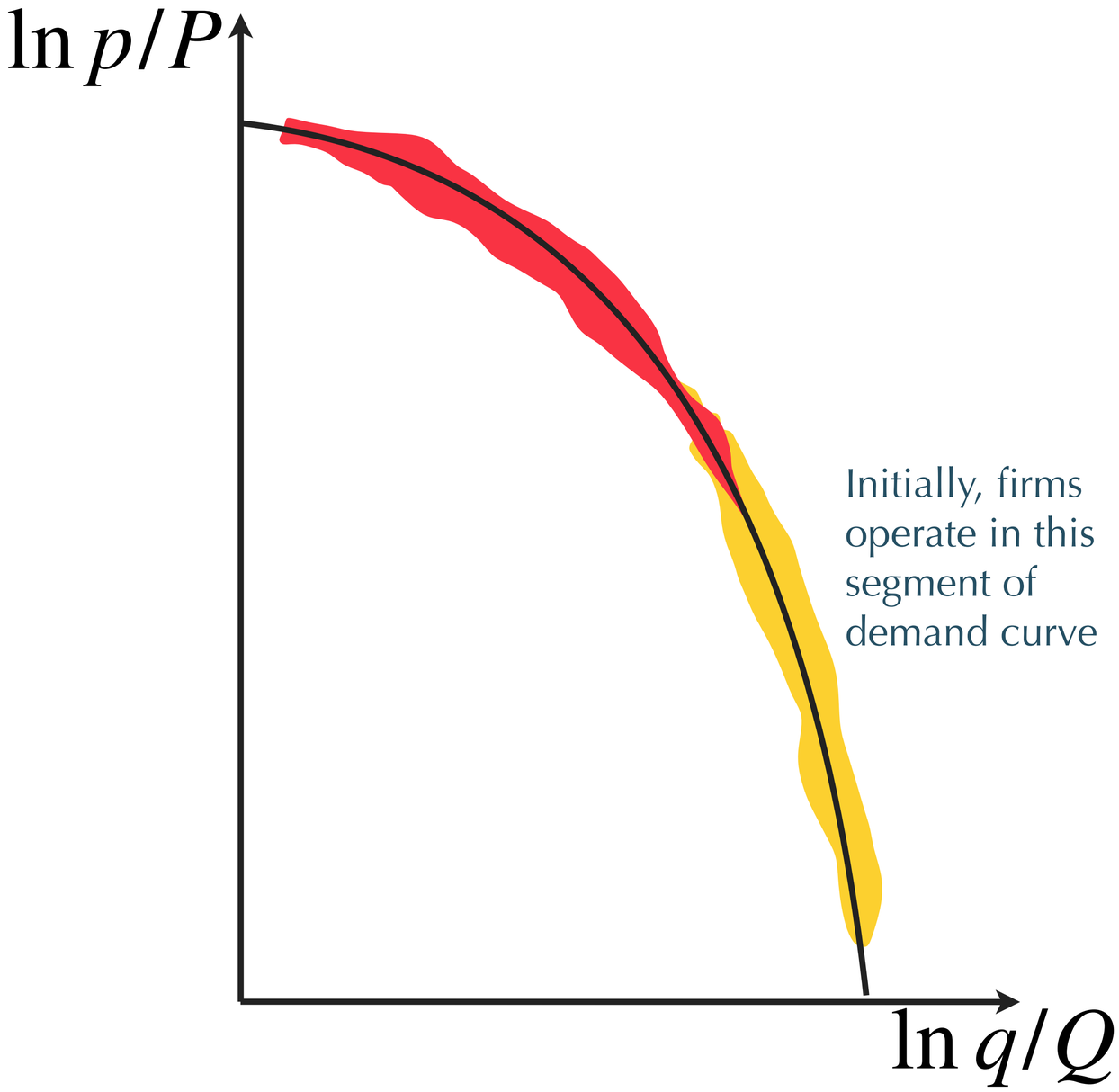

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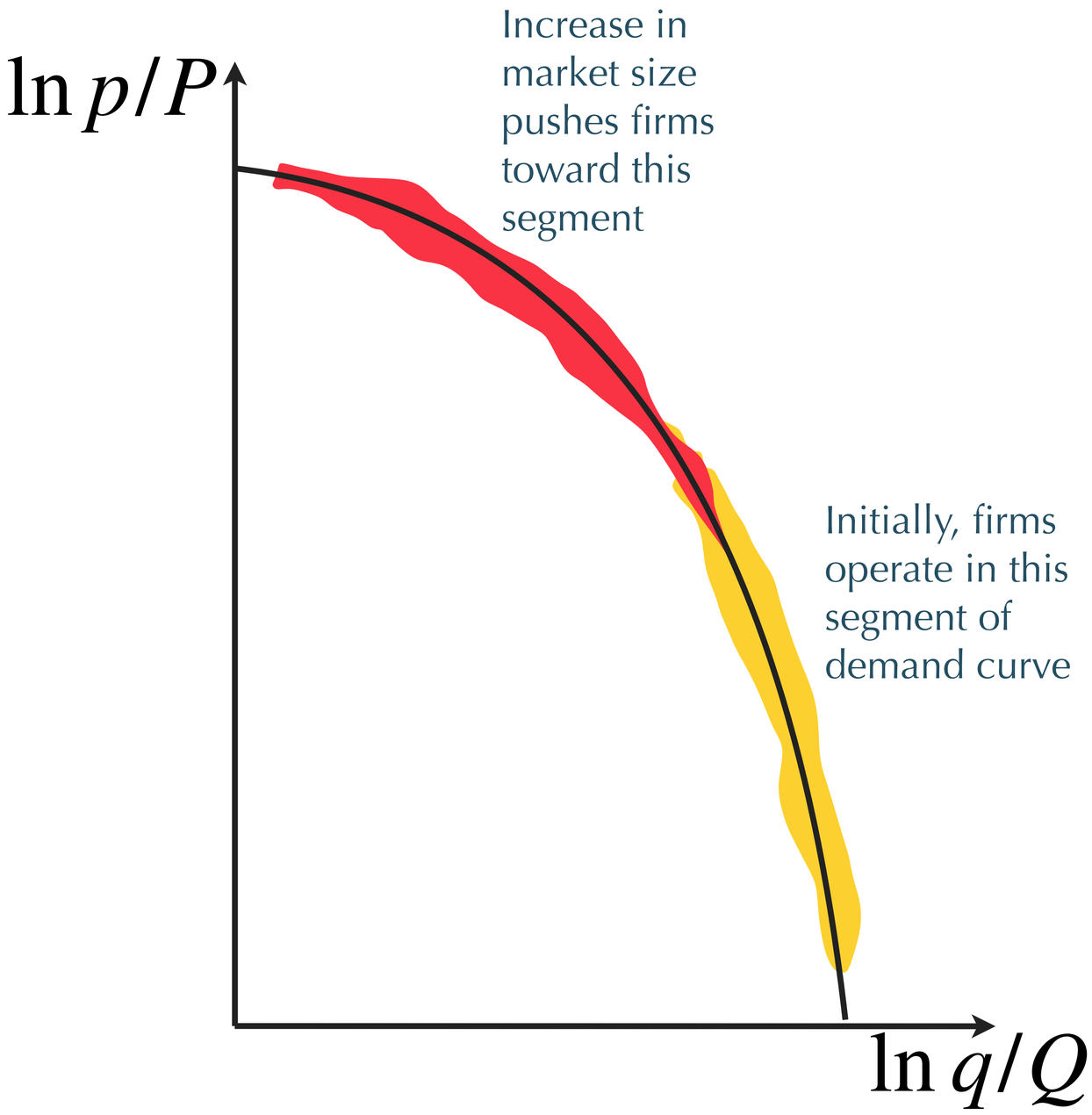

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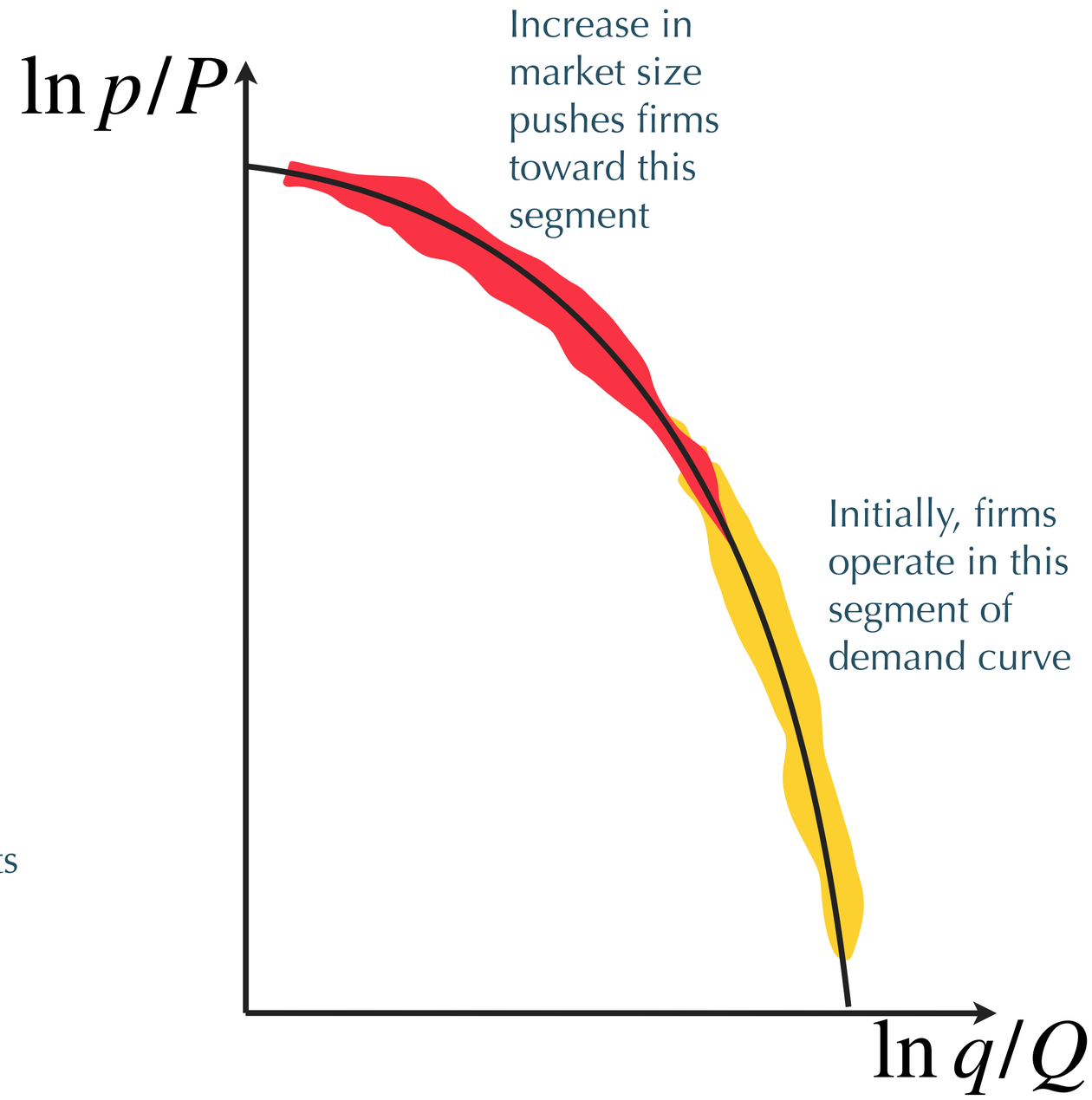
  - Sectors with rising concentration saw growing markets
  - In line with markup estimates



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  - **Automation:** firms face more severe DRS in short run. They go from $y = \ell$ to $y = k^{\alpha}\ell^{1-\alpha}$ where $k$ fixed in short run)
    - Price-level changes

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DRS due to automation reduce price response if $\sigma - 1 > \varepsilon$

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Shift in input mix due to automation/offshoring reduces price response if $\varepsilon_o > \varepsilon$

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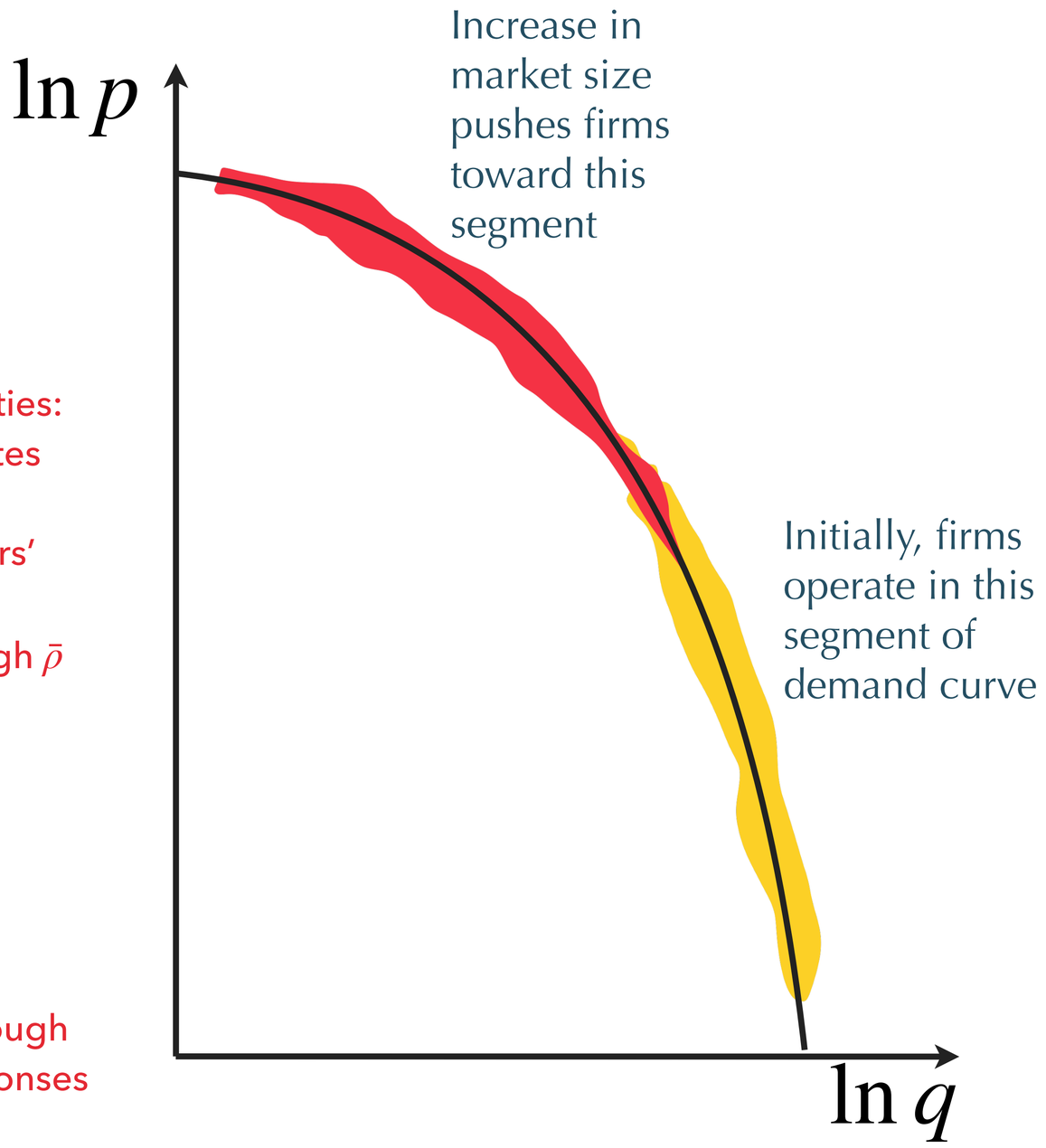

## TAKEAWAY

- **Two forces**

  - Automation (+ offshoring?) and rising competition

  - Relevant for labor share and market dynamics, but also for monetary policy:

    - DRS in short run

    - Shift to variable inputs of different elasticity

    - Firms operate in zone of lower markups and higher passthroughs (but also, reallocation toward large firms with lower passthroughs)

  - Large firms (more automated, different input mixes, lower passthroughs) vs small firms (more labor intensive and passthroughs close to 1)