

The Research Centre of the School of Economics and Business,
in cooperation with **the Bank of Slovenia,**
cordially invites you to a free research seminar
on **Wednesday, 5 June 2024, at 13:00 CEST** in room **P-119**
at the **School of Economics and Business, University of Ljubljana**

Author

Filippo Biondi (KU Leuven, Düsseldorf Institute for Competition Economics)

will present the article

Firm productivity and derived factor demand under variable markups

Under perfect competition, productivity growth leads firms to expand production and demand more inputs. If firms have market power, I prove that this is not always the case. At high levels of markups, firms may reduce their input demand when they become more productive. This decoupling of input demand from productivity growth is driven by the incomplete pass-through of productivity to output. I characterize the theoretical conditions that lead to this result in terms of the shape of output demand and market structure. Many widely-used demand functions meet these conditions in workhorse models of monopolistic and oligopolistic competition. I also discuss under what circumstances this decoupling can be detected in the data. In an empirical illustration based on Chinese manufacturing firms, I find patterns consistent with this result in many narrowly-defined industries.

Please sign up for the free seminar at <http://raziskave.ef.uni-lj.si/a/1725>.

We look forward to seeing you.