

Product and labor market imperfections and scale economies: Micro-evidence on France, Japan and the Netherlands*

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December 21, 2011

Abstract

Allowing for three labor market settings, this paper generalizes Klette's econometric framework for estimating simultaneously price-cost mark-ups and scale economies. Using an unbalanced panel of 18 720 firms over the period 1978-2001 in France, 10 195 firms over the period 1994-2006 in Japan and 42 941 firms over the period 1993-2008 in the Netherlands, we first classify 30 comparable manufacturing industries in 6 distinct regimes that differ in terms of the type of competition prevailing in product and labor markets. For each of the three predominant regimes, we then investigate industry differences in the estimated product and labor market imperfections and scale economies in each country. We do not only find important regime differences across the three countries, we also observe differences in the levels of product and labor market imperfections and scale economies within a particular regime.

JEL classification : C23, D21, J51, L13.

Keywords : Rent sharing, monopsony, price-cost mark-ups, production function, panel data.

*The analysis using the Japanese firm-level data was conducted at the Research Institute of Economy, Trade and Industry (RIETI). Kiyota acknowledges financial support from the Japan Society for the Promotion of Science (Grant-in-aid A-22243023). All errors or omissions are the sole responsibility of the authors.

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