

Discussion of

The Aging Hypothesis

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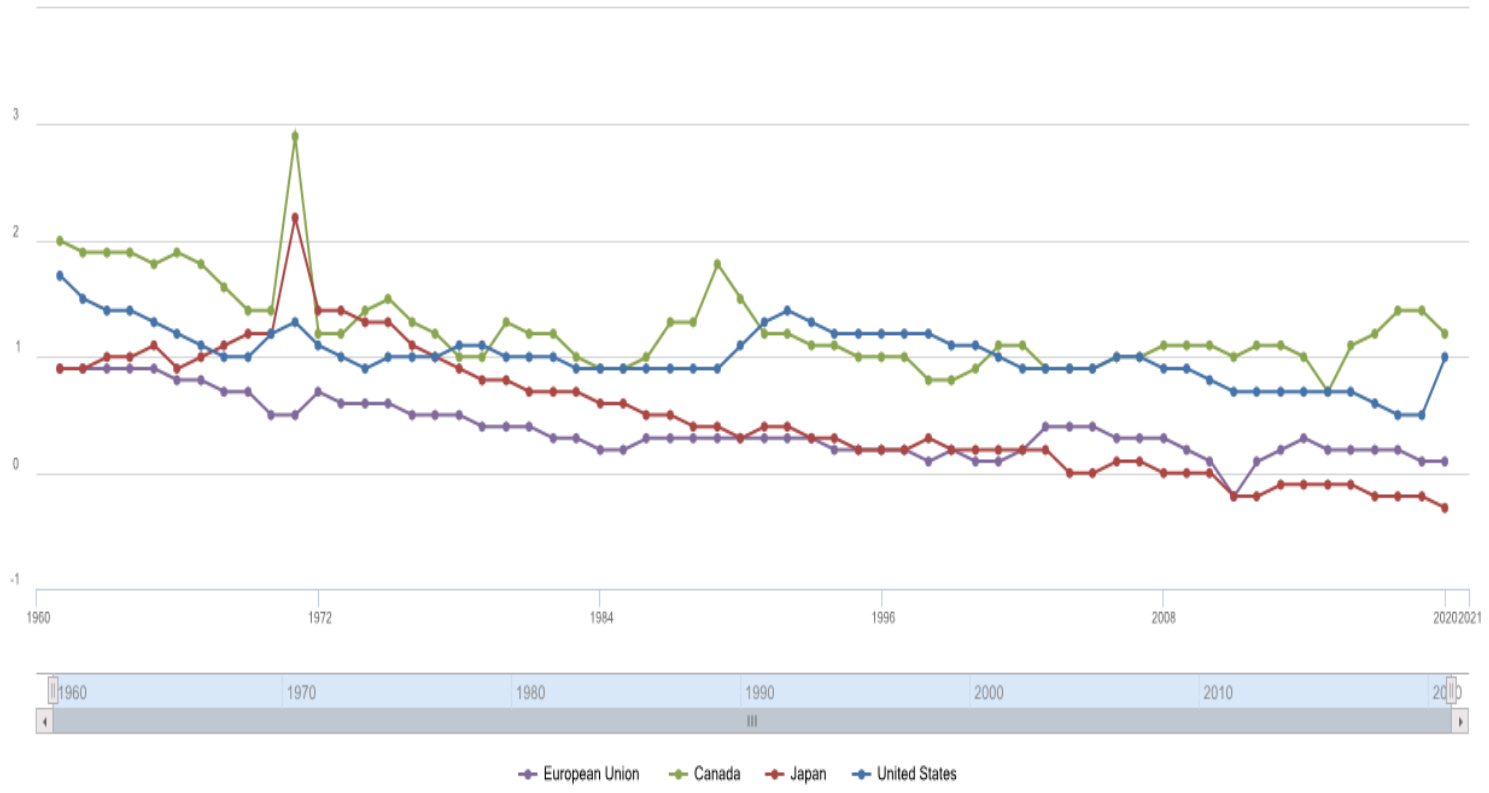
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The paper

- **Very nice paper**
- **Clear Intuition driven by transparent assumptions**
- **Important topic (large literature)**

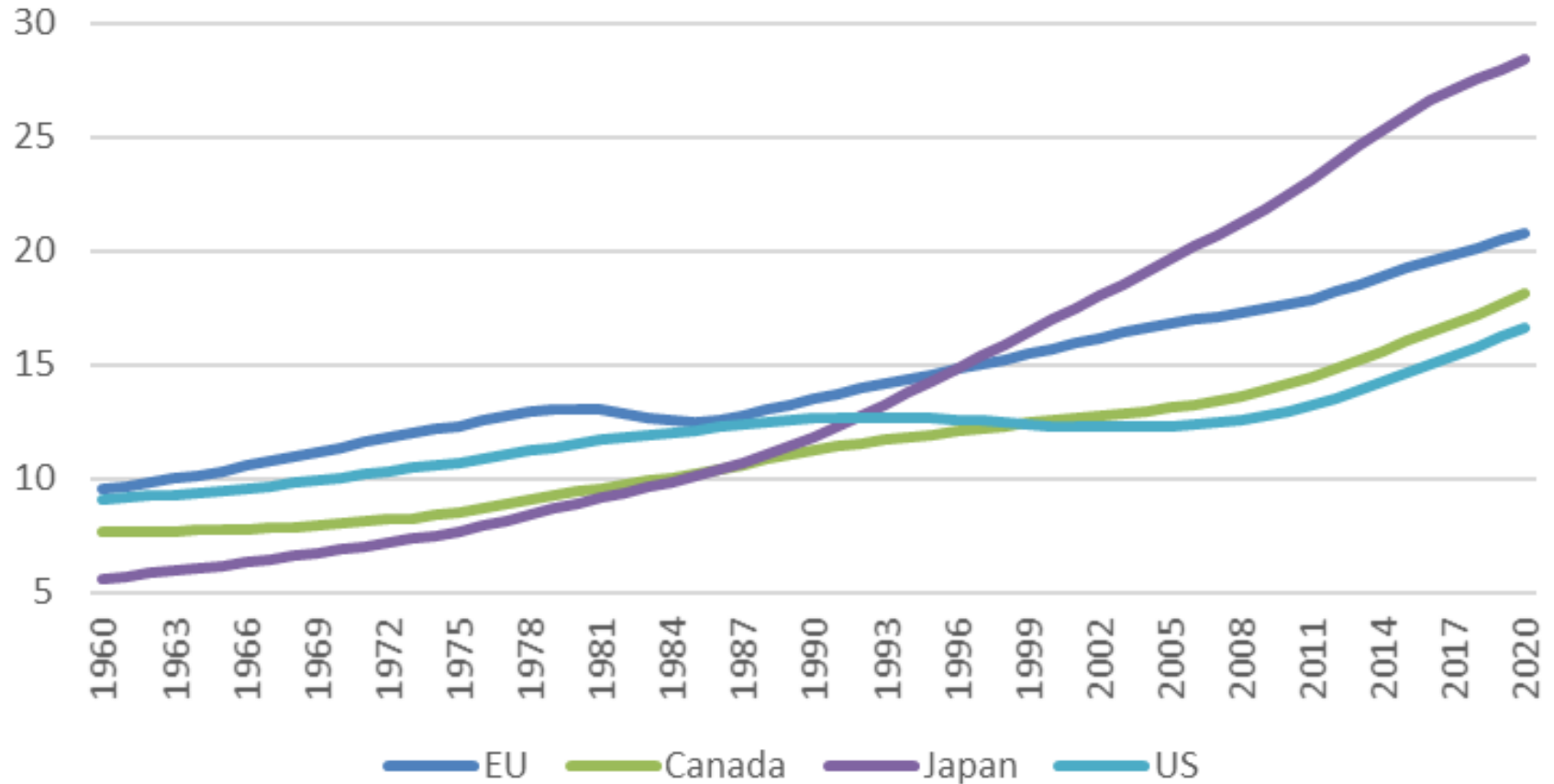
The paper in a nutshell: Population aging

- consumer loyalty of elders => \uparrow markups
- \uparrow markups => \uparrow profits => some owned the firms, others do not => \uparrow inequality
- \uparrow inequality => rich people save more => \uparrow savings => $\downarrow r^*$
- consumer loyalty of elders as a barrier to entry because of lower expected future profits => \downarrow entry/business dynamism
- Entering firms more productive => \downarrow productivity



Series : Population growth (annual %)
 Source: World Development Indicators
 Created on: 05/31/2022

Population 65 and above (% total population)



Large literature

- Large literature exploring the rise in market concentration and markups, decrease of labor share/raising profit share, increase in inequality (e.g. Edmond et al, 2018; Grullon et al. 2019; De Loecker et al., 2020) => Factors
 - Increase in entry cost (Gutierrez and Philippon, 2019)
 - Rise of superstar firms (Autor et al., 2020)
 - Increasing returns to scale
 - Decrease in R&D (Bloom et al., 2020; Colciago and Mechelli, 2021)
 - **Demographics** (Pugsely and Sahin, 2014)
 - younger are more likely to be entrepreneurs
 - Shrinking labor supply can deter entry
- Like: demand driven explanation

Demand-driven explanation

- **KEY: consumer loyalty of elders**
- **some owned the firms, others do not**
- **rich people save more**
- **consumer loyalty of elders as a barrier to entry because of lower expected future profits**
- **Entering firms more productive**

Empirical Facts and Implications

➤ This large literature however uncovered many stylized facts

➤ **Timing**

➤ **Cross-country**

➤ **Heterogeneity**

➤ **Across sectors**

➤ **Across large and small firms**

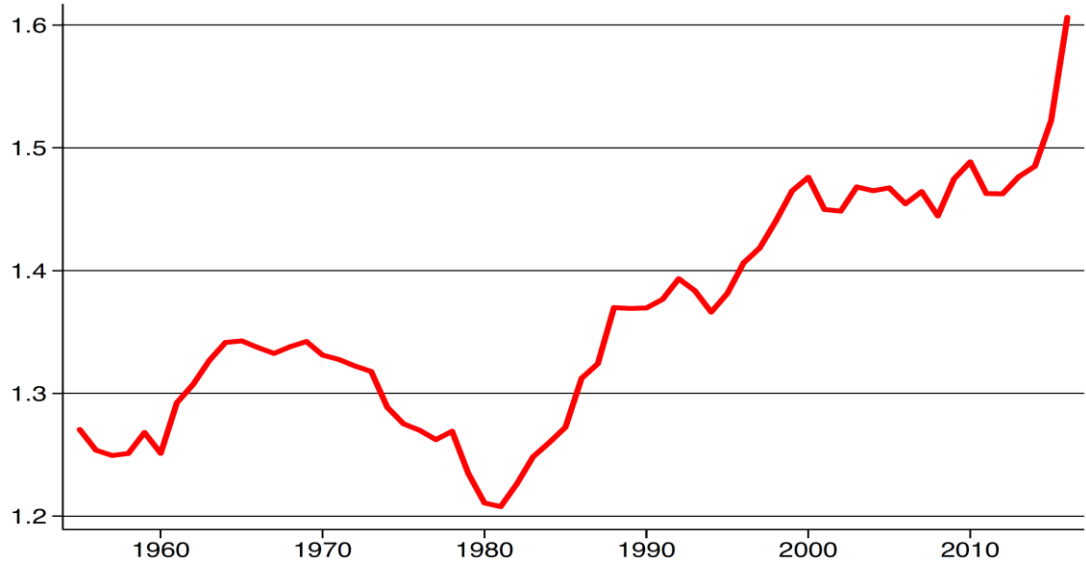
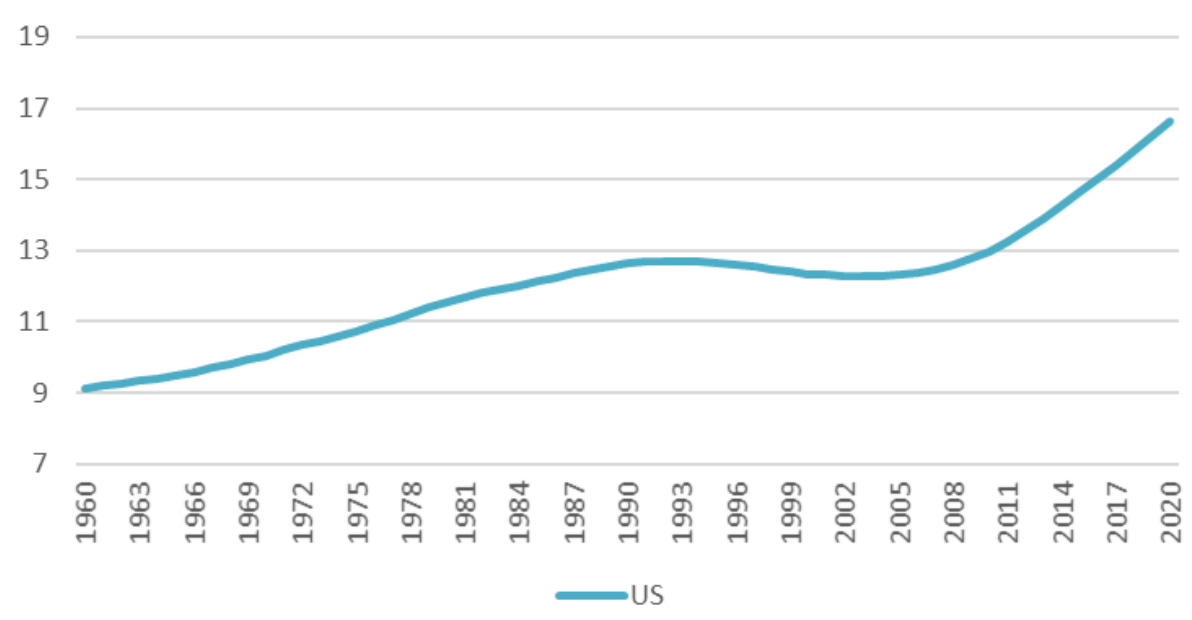


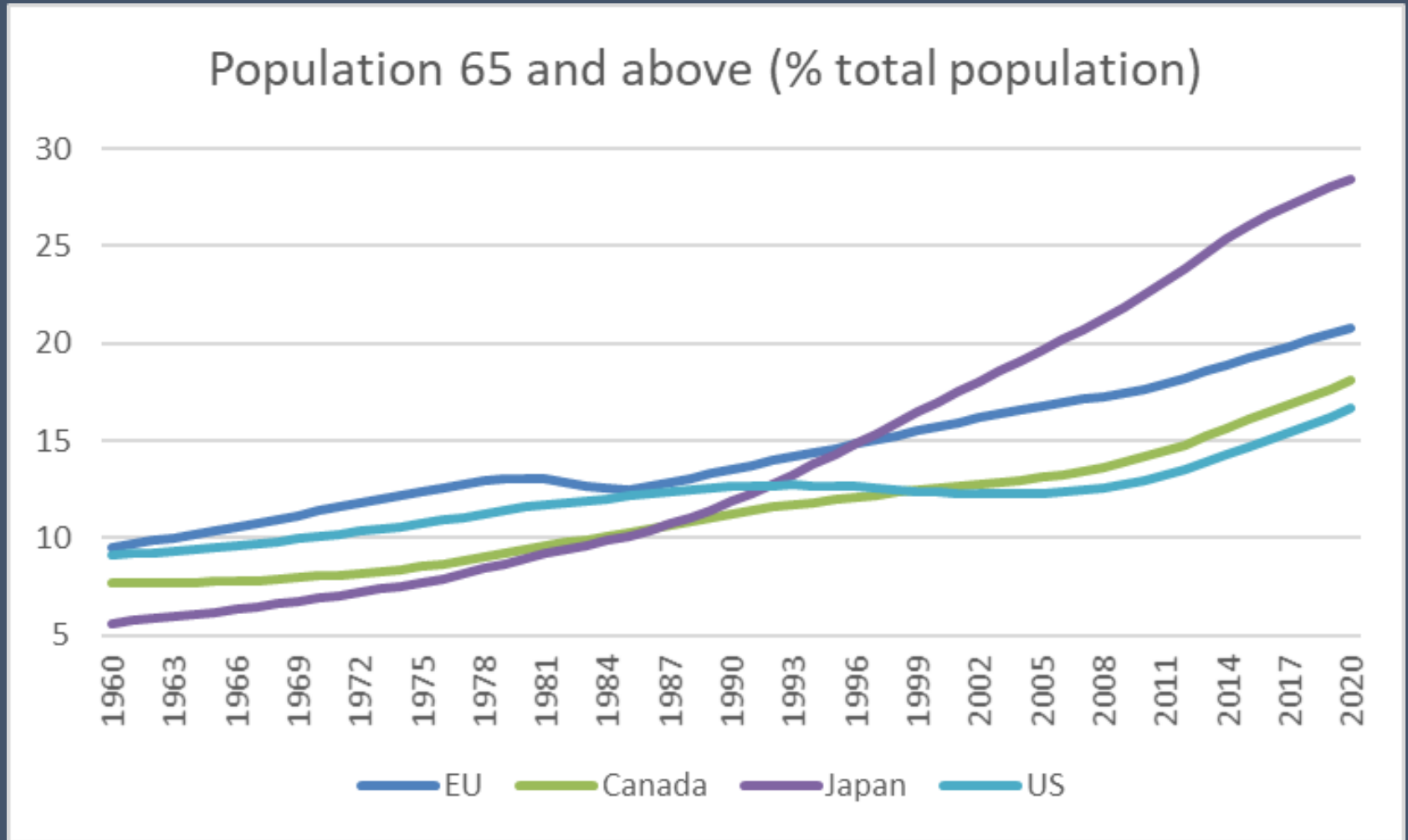
FIGURE I
Average Markups

Timing

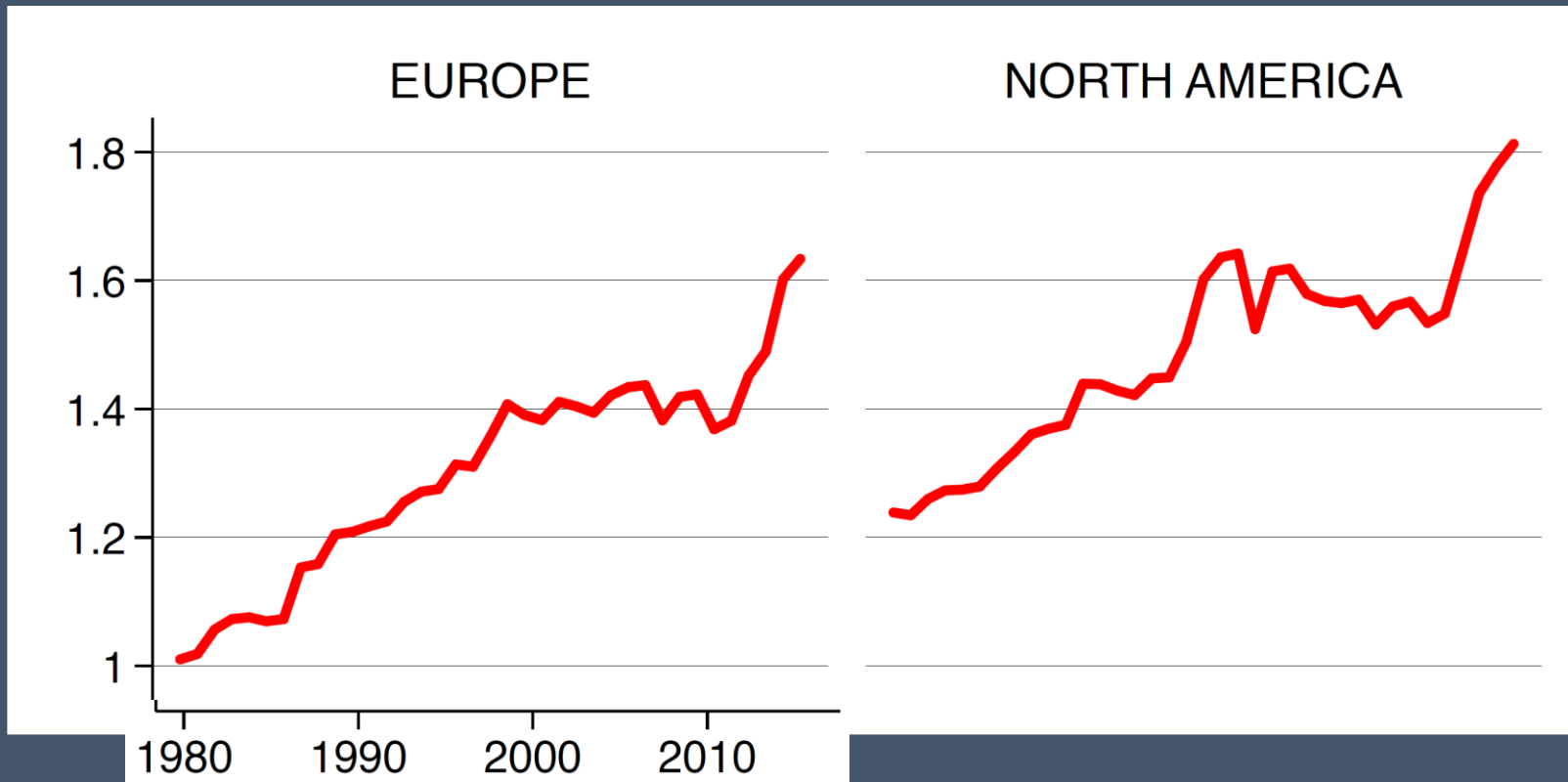
Population 65 and above (% total population)



Cross-country

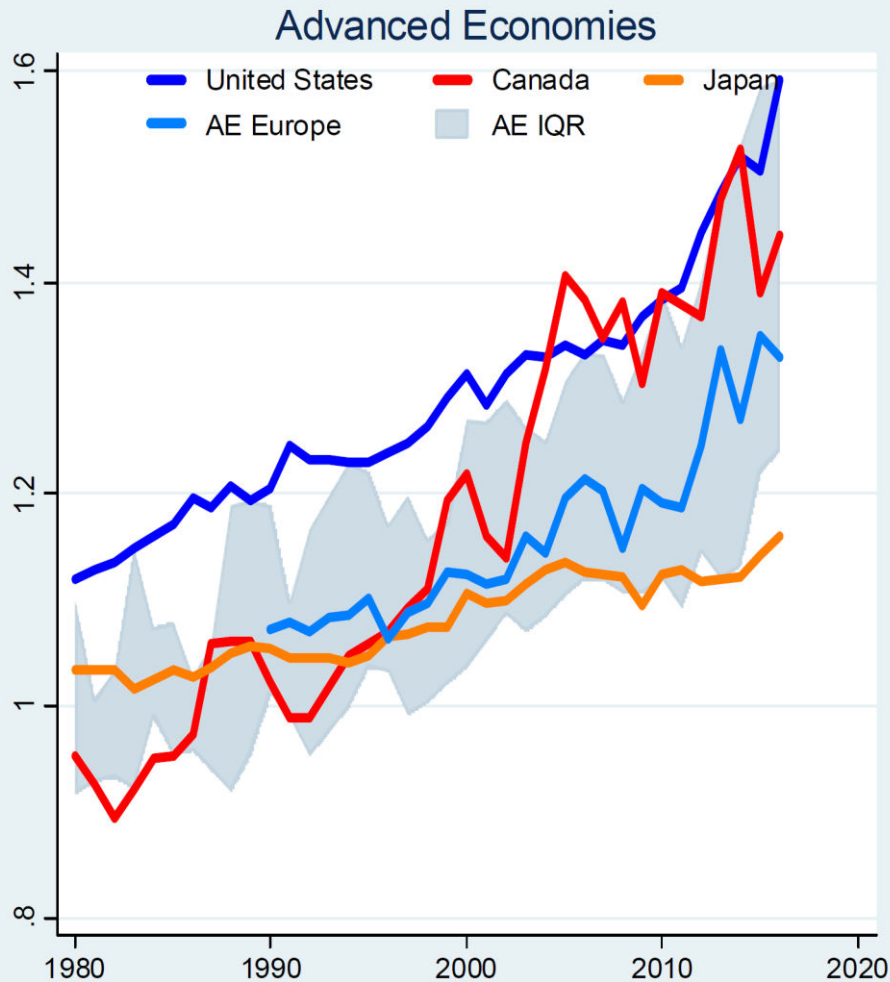


Cross-country



De Loecker and Eeckhout, wp, 2021.
Markup measured from firm level data

Cross-country

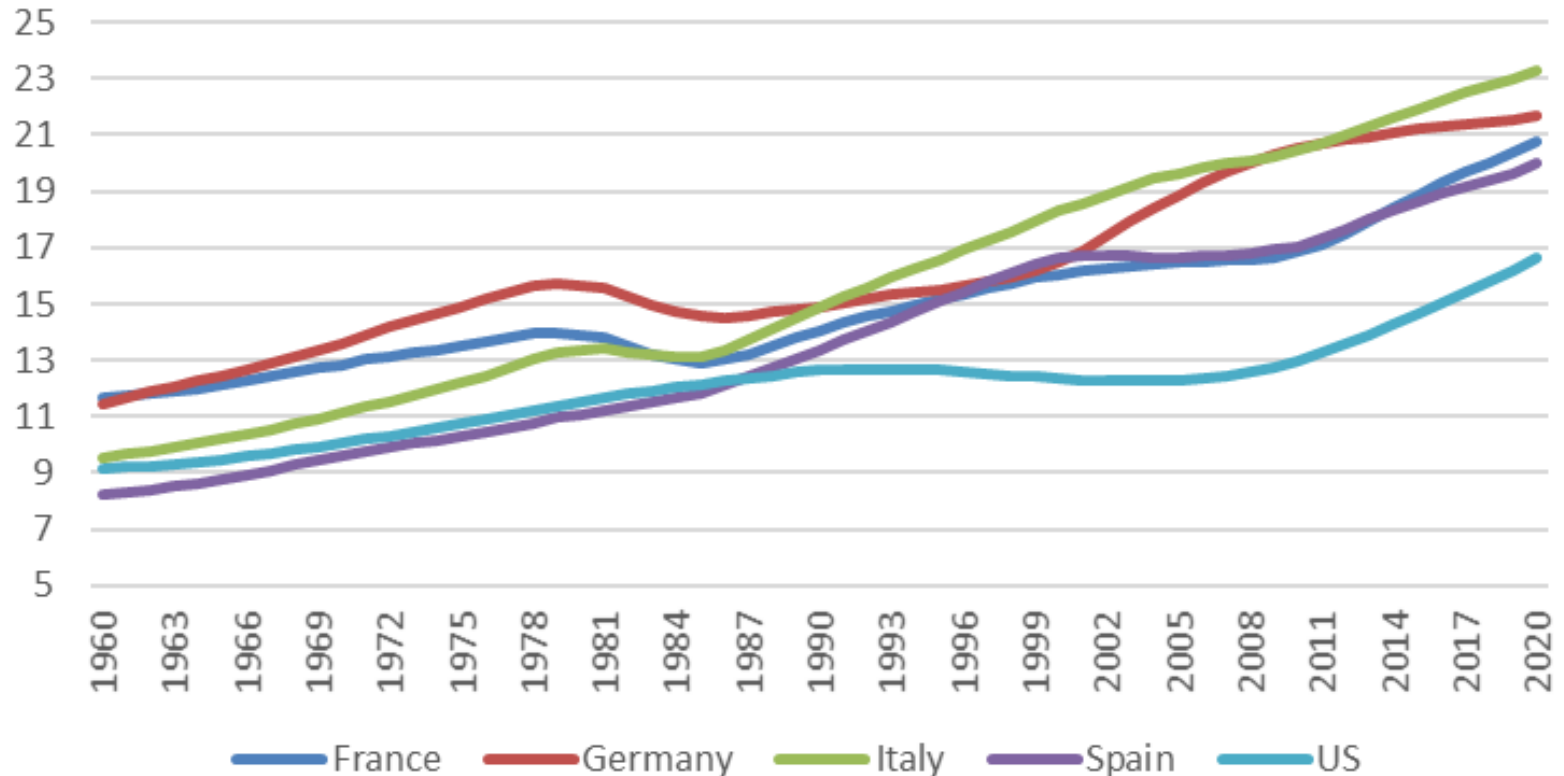


Diez et al., 2018, IMF

Markup measured from firm level data

Cross-country

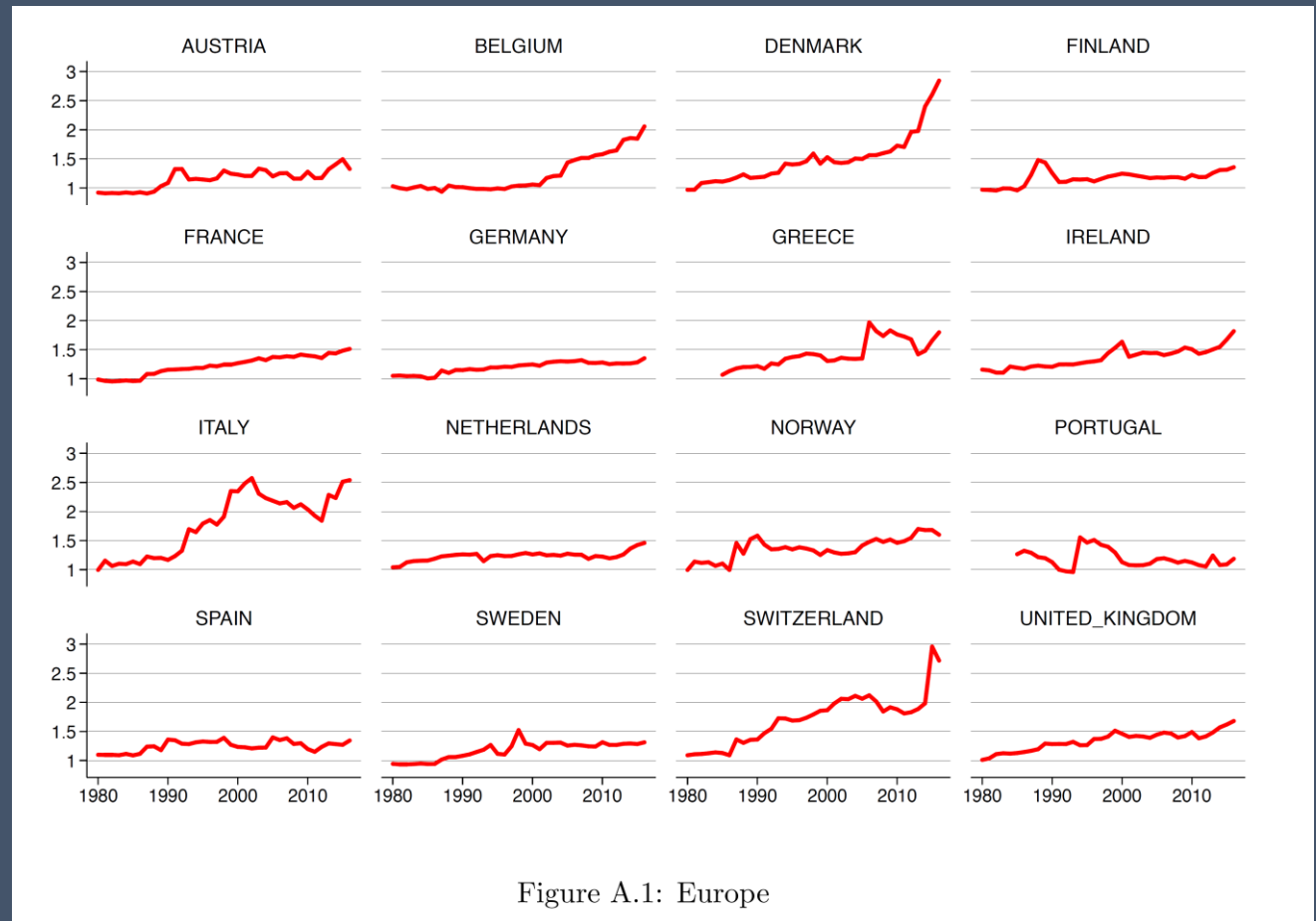
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Cross-country

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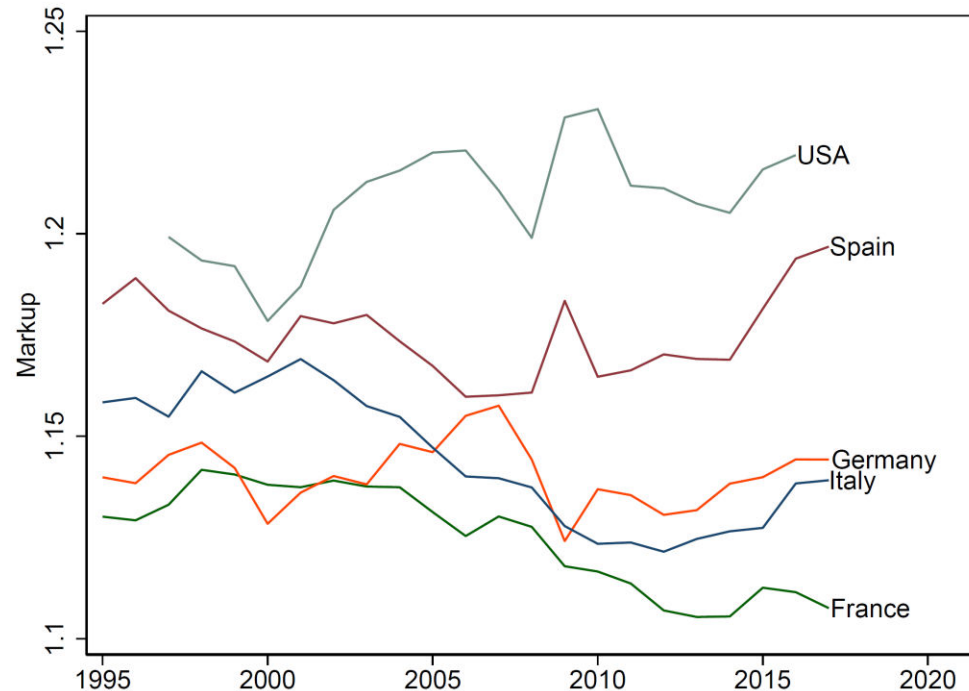


Cross-country

Battiati et al, wp, 2021

Markups are measured as a ratio between price and average variable costs using aggregate NIPA data from EUROSTAT and EU KLEMS.

Figure 2: Aggregate markup trends in US, France, Germany, Italy and Spain.

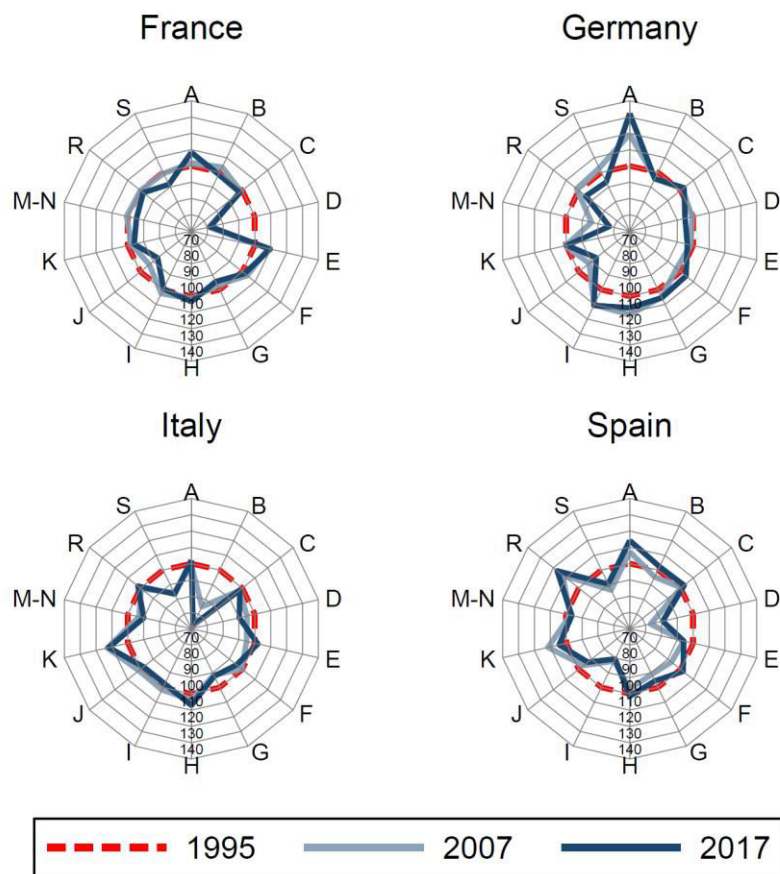


Heterogeneity across sectors

Battiati et al, wp, 2021

Markups are measured as a ratio between price and average variable costs using aggregate NIPA data from EUROSTAT and EU KLEMS.

Figure 6: Markups by industry over time (1995=100).



Heterogeneity across sectors

- Markiewicz and Silvestrini, wp, 2021
- US: steepest increase in markups concentrated in ICT sectors
- These sectors are characterized by large reallocation of market shares and large turnover
- Similar conclusions for 7 European economies
- Gauti's model implies older firms have higher markups

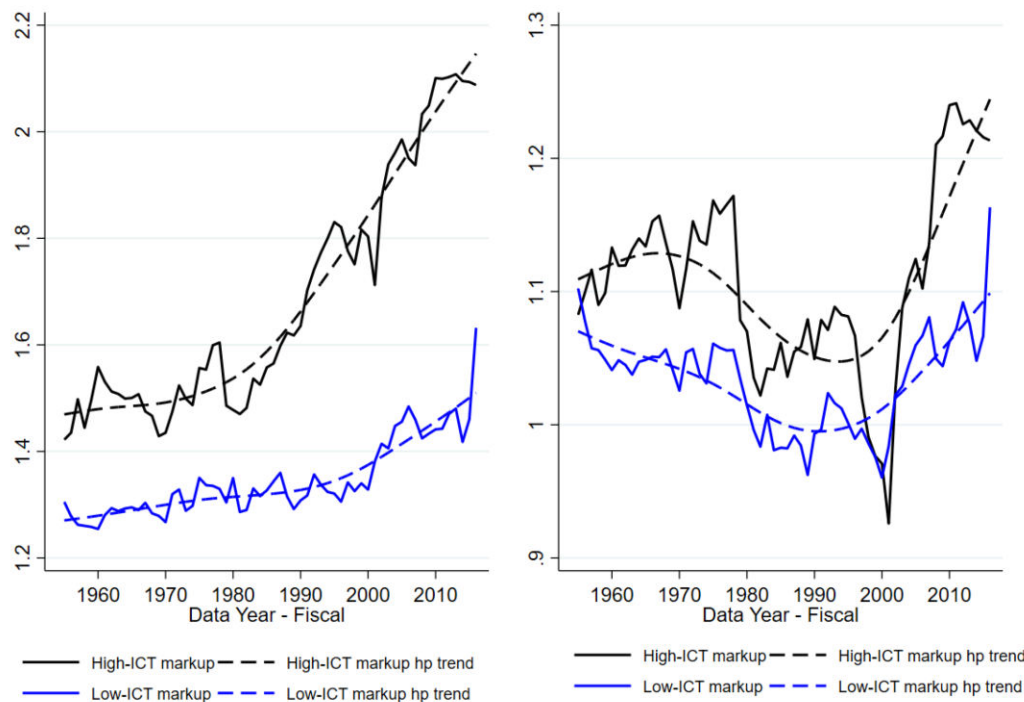
Heterogeneity across sectors

Markiewicz and
Silvestrini, wp, 2021

Markups are
measured... ask
Agnieska!

Firm level, Compustat
data

Figure 1: Evolution of average markups in high-ICT and low-ICT sectors in the U.S.



Heterogeneity across sectors

Markiewicz and
Silvestrini, wp, 2021

Positive
relationship
b/w reallocation
of mkt shares
and markups

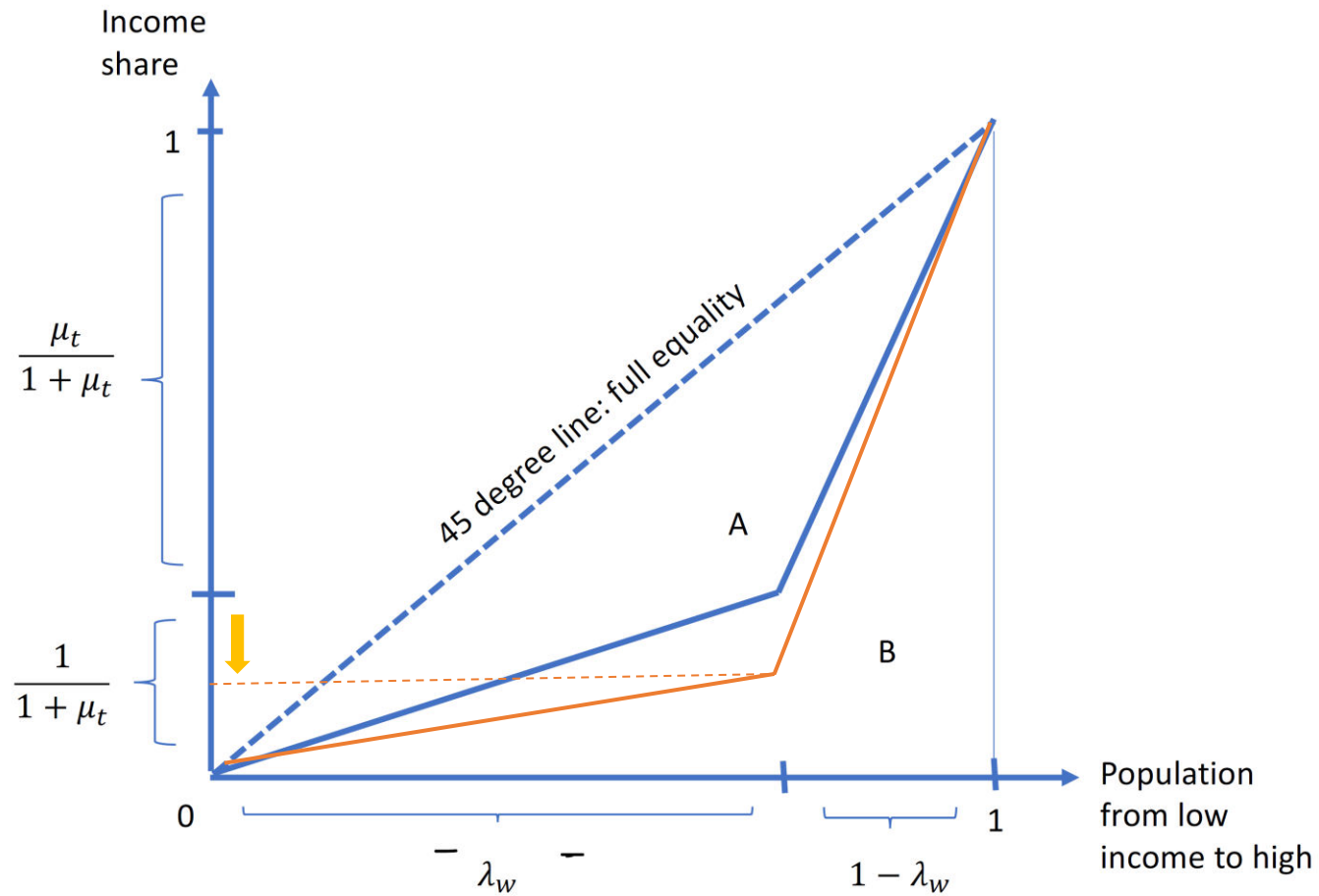
Figure 11: Reallocation of market shares and markups growth in CompNet



Notes: This figure shows results of panel regressions between the reallocation component and markup's growth. The coefficients are standardized. The dots indicate point estimates for individual countries and the bars 95% confidence intervals.

some owned the firms, others do not:

- Exogenous => Who own the firms? Old or young? In the paper there is no link
- cannot say much about the income/wealth distribution => quite mechanical



some owned the firms, others do not:

- Fixed share of workers and capitalists, but stock market participation in the US has increased quite substantially
- The increase in inequality concentrated at the very top => the elephant curve

