

Panel data estimates of the production function and product and labor market imperfections*

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Abstract

Embedding the efficient bargaining model in a microeconomic version of Hall's framework for estimating price-cost margins shows that both product and labor market imperfections generate a wedge between factor elasticities in the production function and their corresponding shares in revenue. Using an unbalanced panel of 10646 French firms in 38 manufacturing industries over the period 1978-2001, we assess both across-industry and within-industry heterogeneity in the estimated average price-cost mark-up and rent-sharing parameters. To determine the degree of true firm heterogeneity, we adopt the Swamy methodology as a variance decomposition approach. We do not only quantify the estimated across-industry and within-industry heterogeneity in the parameters of interest, we also tie this heterogeneity to industry and firm observables respectively.

JEL classification : C23, D21, J51, L13.

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

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