"Changing Business Dynamism and Productivity: Shocks vs. Responsiveness"

by Decker, Haltiwanger, Jarmin and Miranda

Discussion by Matthias Kehrig

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- link that reallocation decline to employment dynamics and cross-establishment TFPR dispersion,
- illustrate how a model with more severe labor market frictions can explain this set of facts,
- conclude that declining reallocation and rising TFP dispersion lower aggregate productivity growth.

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- This paper: Labor adjustment costs will lower productivity growth via...
  - ▸ less between-firm reallocation
  - ▸ slower within-firm productivity growth (lower firm-worker match quality)

Comments in general

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- ... extend analysis beyond manufacturing $\Rightarrow$ valuable for profession,
- ... look at declining dynamism in both labor and capital.

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1976-80	0.158		−1.1	0.8
1981-85	0.169	...	−1.9	0.7
1986-90	0.174		−1.0	0.4
1991-95	0.170		−0.9	0.4
1996-00	0.186		−0.5	0.3
2001-05	0.196		−0.4	0.0
2006-09	0.216		−0.0	0.4

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  - ▶ Why not regress employment growth on output growth; labor productivity contains employment...

Broaden theoretical scope

Inform profession what labor market frictions matter most:

- fixed and convex adjustment costs

  $\Rightarrow$ can you match employment spikes given shock process?

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- policy distortions
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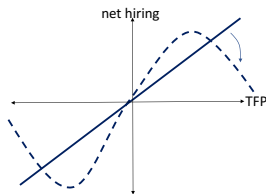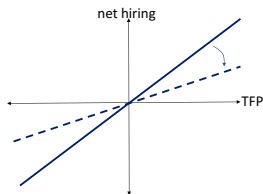
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Other comments

- Investment response (Table 3) great, look also at joint dynamics?

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Capital	expand	shrink
expand	growth	labor saving investment
shrink	???	getting small

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- Does receiving a productivity shock entail a different production function? Think of a putty-clay technology with less workers. Or labor-saving technical change (Did the EOS become larger?)

- Did frictions become tighter or did shocks become more dispersed which filter through the same friction and mean less efficiency?