Eclipse of Rent-Sharing: The Effects of Managers' Business Education on Wages and the Labor Share in the US and Denmark

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This paper

- Investigates the relation between the background of a CEO and the firms' performance and wage setting

- New evidence on the role of education in shaping firms' performance and labor market outcomes
  - Broad perspective
  - Contribution to the inequality literature
  - Relevant comparison between countries with different institutions and market structure
  - Extremely rich paper!

This discussion

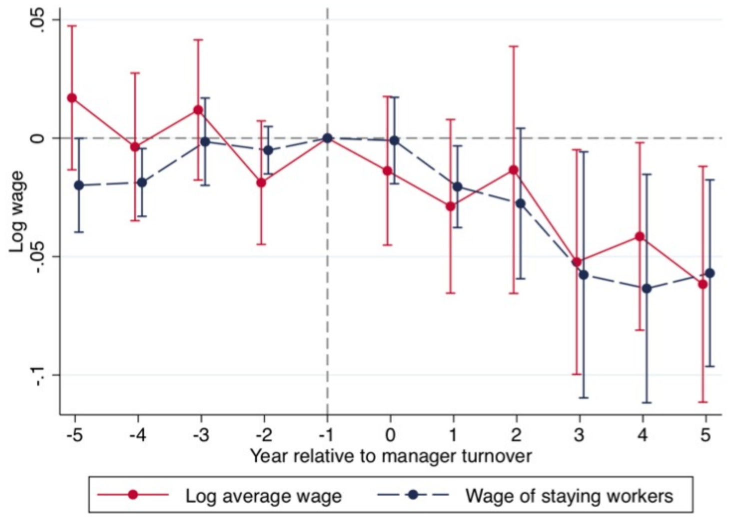
- Mechanisms and interpretation
- Empirical methods
- Miscellaneous

Interpretation and mechanisms

Wage reduction

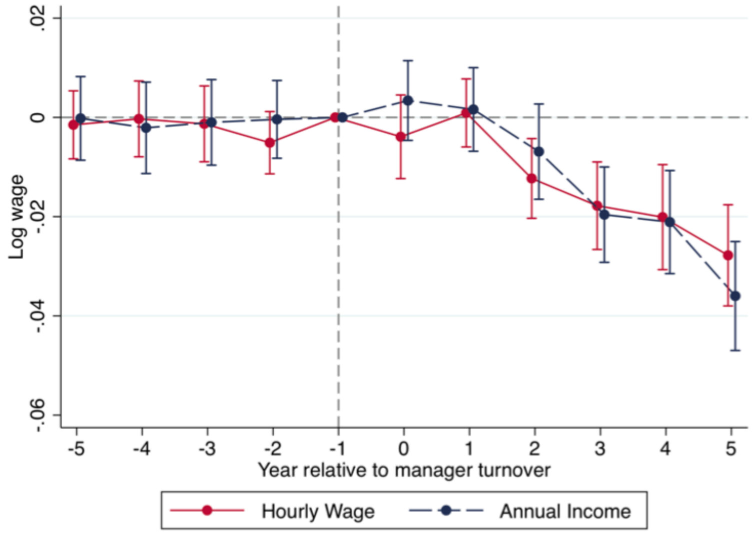
- Main result: business CEOs reduce average wage
  - This seems not to be related to a direct reduction of employees' wages

US



(a) Wage

Denmark



(a) Wage

Wage reduction

- If that is not related to a decrease in employees' wages, it can be because
  - Previous employees quit and new hires are cheaper (since employment remains constant)
    - Is it because new hires are younger and have lower labor market tenure?
    - Are new hires in 'lower quality' contracts?
  - Business CEOs promote less than others

- What the (prevalent?) driver of the effect is may have important implications

- Stronger connection with the rent sharing results:
  - **NO** reaction to negative shocks with wage cuts
  - **BUT** a *smaller* positive wage *reaction* to *positive* shocks (so lower rent sharing)

Wage reduction

- Would be interesting to have more discussion on how results from different specifications compare
  - In particular, firm vs worker FEs

- Information on incumbent vs new hired workers: can this be used to disentangle the different mechanisms? Do you have information on career patterns?

- Do you have information on where do workers who quit go? What does the timing of the effect on quits vs the effect on wages tell us?
  - As their wages won't be directly cut, are workers quitting because they predict that they won't benefit when a positive shock hits? Or that they won't be promoted? *Can this be a possible interpretation?*

Empirical methods

Comments

- What is the advantage of the IV on peer firms vs the retirement/death of CEO strategy?
  - Is the sizeable increase in coefficients concerning? (Lee et al., 2022)

- Is there any differential in the survival rate of firms with different CEOs? Is attrition, both on the firms' side and on the workers' side, relevant in this work?

- Not always clear (to me) in the working paper how placebos are run and what are the treatment vs control groups in these specifications

- Very interesting part on the role of education – could even be an additional work!
  - Can elaborate more on the peers' IV?
  - Another threat to identification in that context can come from networks effect related to the IV nature (e.g. my peers are more likely to be CEOs and the fact that they become CEOs directly increases my probability of becoming one as well). Can this be controlled for?
  - On the working paper: robustness on this IV – I would expect a milder effect of older cohorts/other GPA groups, not necessarily a 0 effect. Not sure of the relation between these robustness and the endogeneity concerns

Miscellaneous

Other comments

- Interesting to have more information on how CEO are appointed
  - Do they remain in charge for a give time?
  - Can you exploit differences in that respect? Maybe public vs non-public firms?
- Could you add descriptives on when managers usually retire?
  - Can you see whether the CEO is no longer in activity vs they go to another firm?
- Do you have information to run some additional heterogeneities that may be interesting (by gender of CEO, by industry of the firm, etc.)

References

- Lee, D. S., McCrary, J., Moreira, M. J., & Porter, J. (2022). Valid t-ratio Inference for IV. *American Economic Review*, *112*(10), 3260-90.