

April 2019

Keynote: Market Power and Wage Stagnation

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Recommended Citation

Krugman, Paul (2019) "Keynote: Market Power and Wage Stagnation," *Journal of Collective Bargaining in the Academy*: Vol. 0 , Article 27.

Available at: <https://thekeep.eiu.edu/jcba/vol0/iss14/27>

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Econ 101 Meets Labor Reality

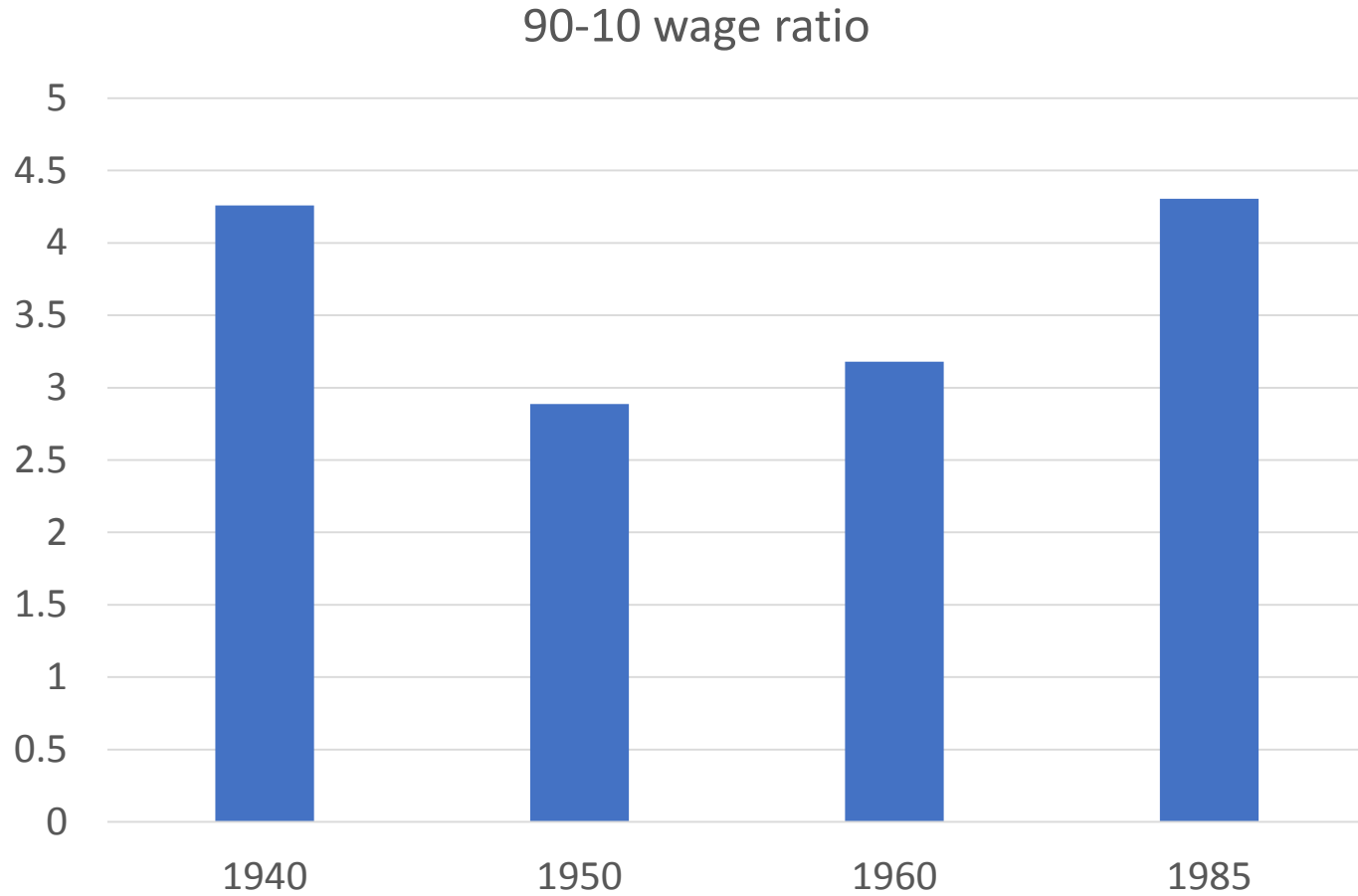
Paul Krugman

What liberal U.S. economists mostly believed in the early 90s

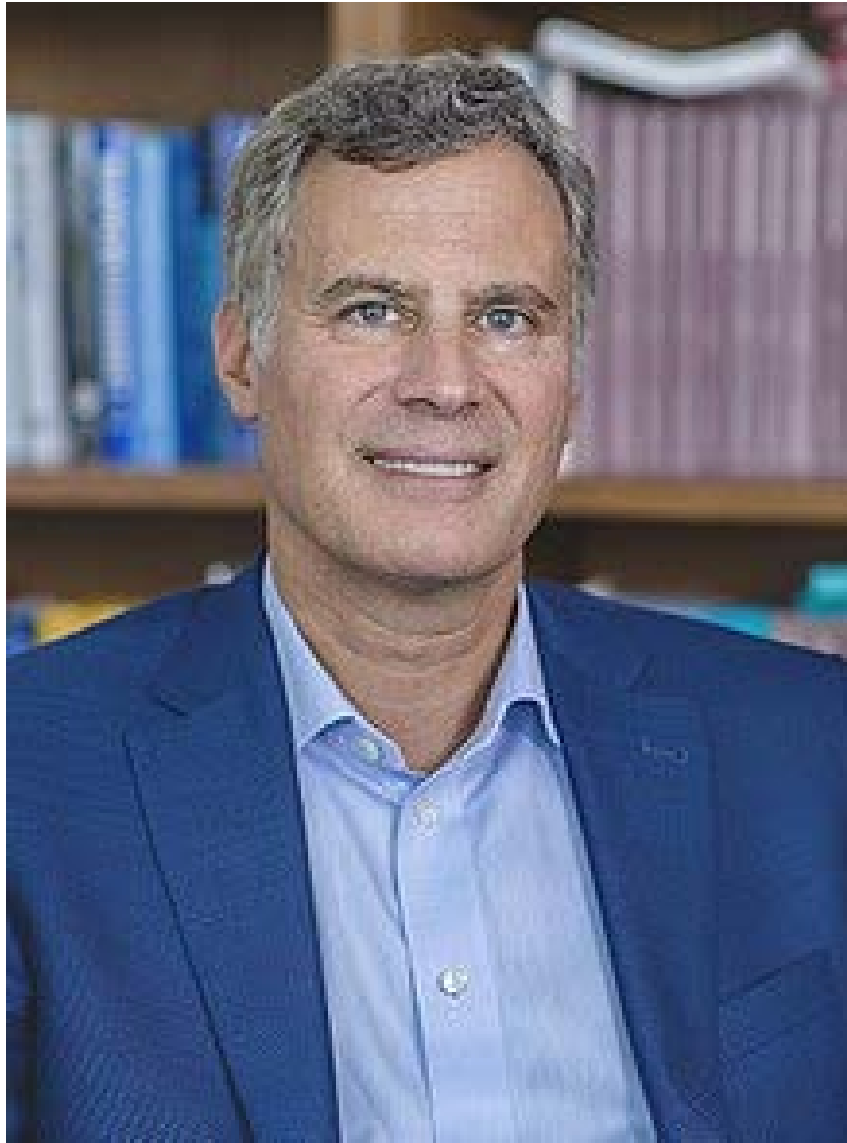
1. Marginal productivity theory of wages mostly right
2. Minimum wages reduce employment
3. Unions distortionary and ambiguous for inequality
4. Skill-biased technological change
5. Help workers mainly with EITC-type policies

Most of us probably don't believe these things anymore. Why?

The Great Compression

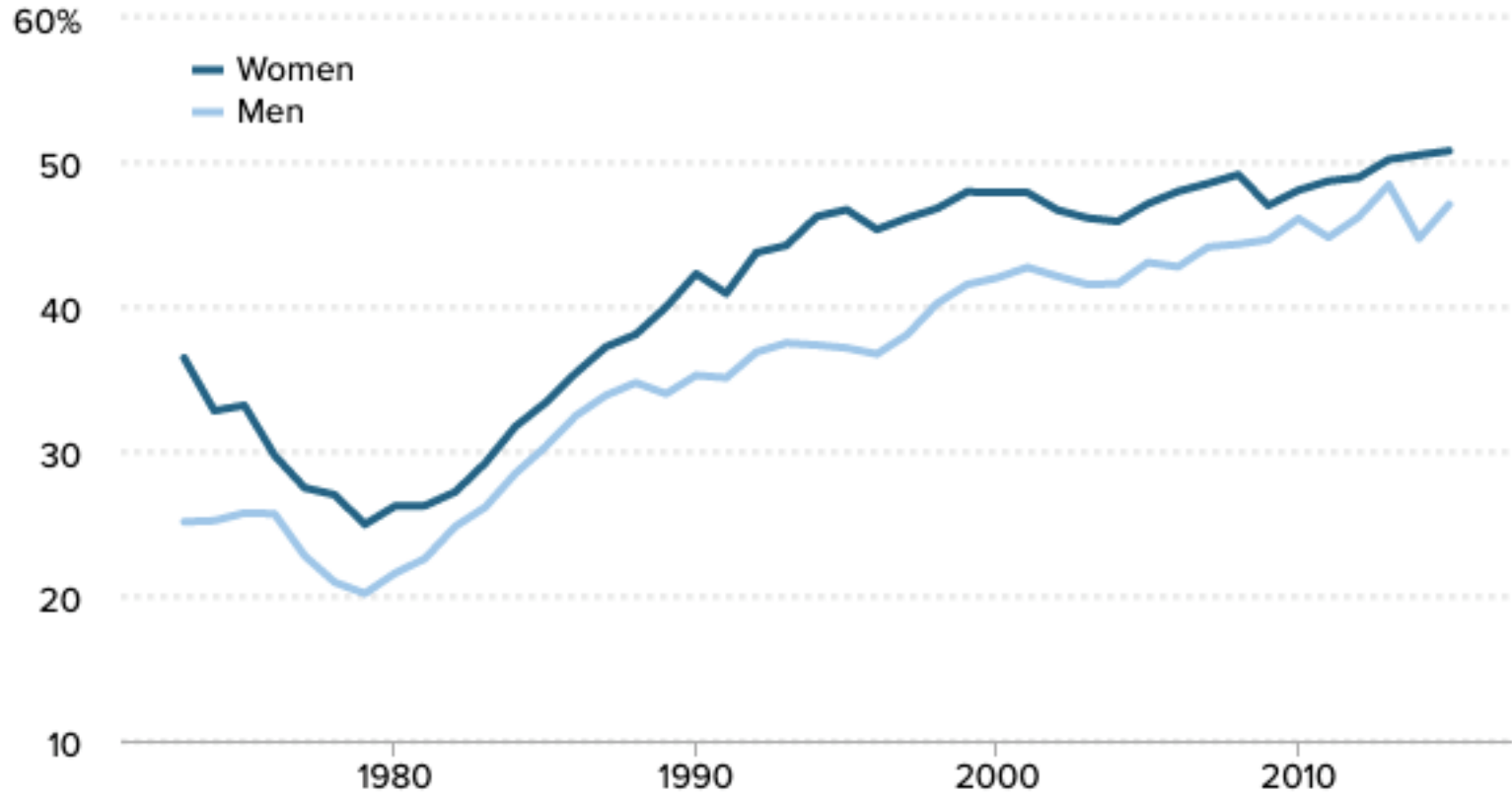


The minimum-wage research revolution

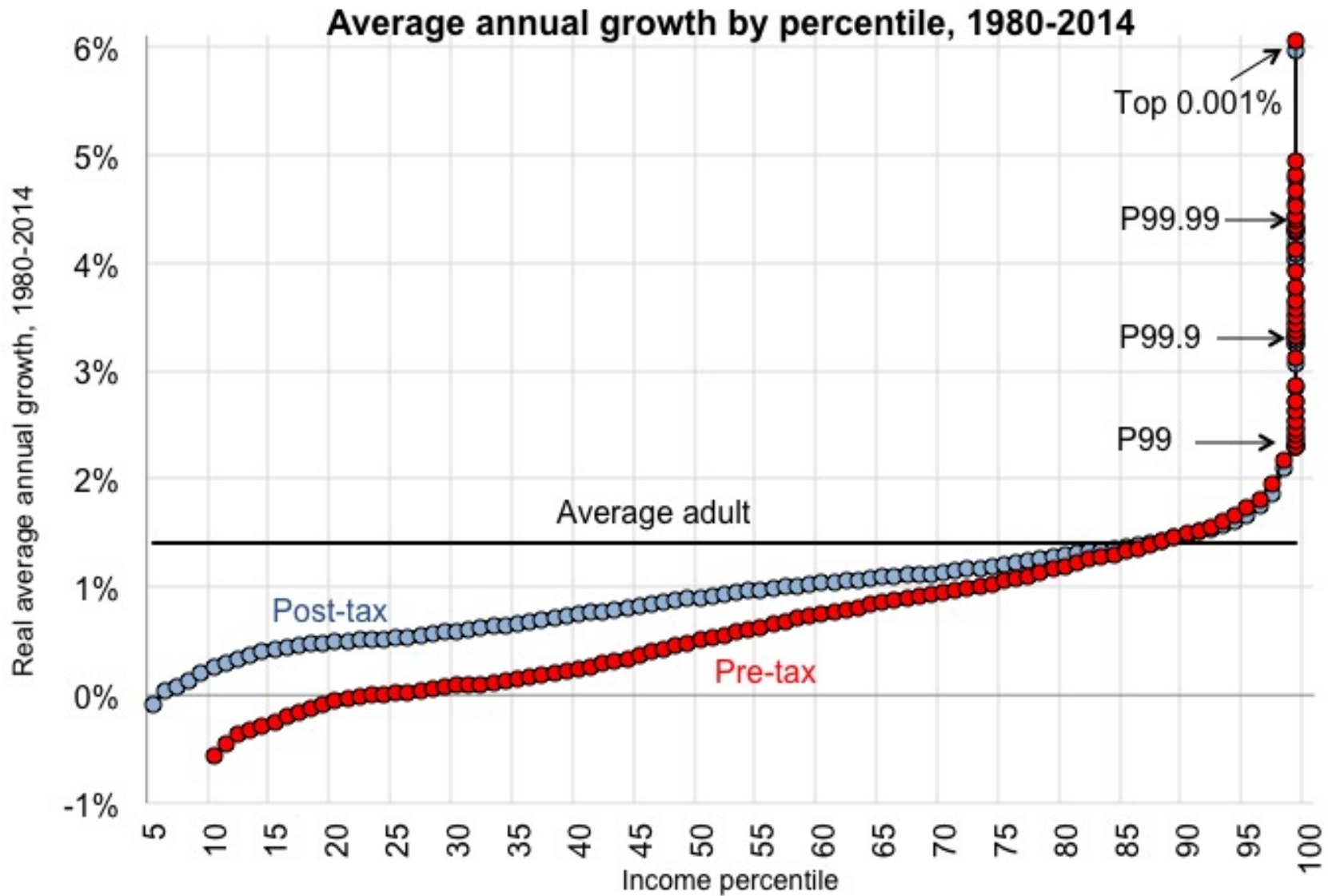


Education fades out as a story

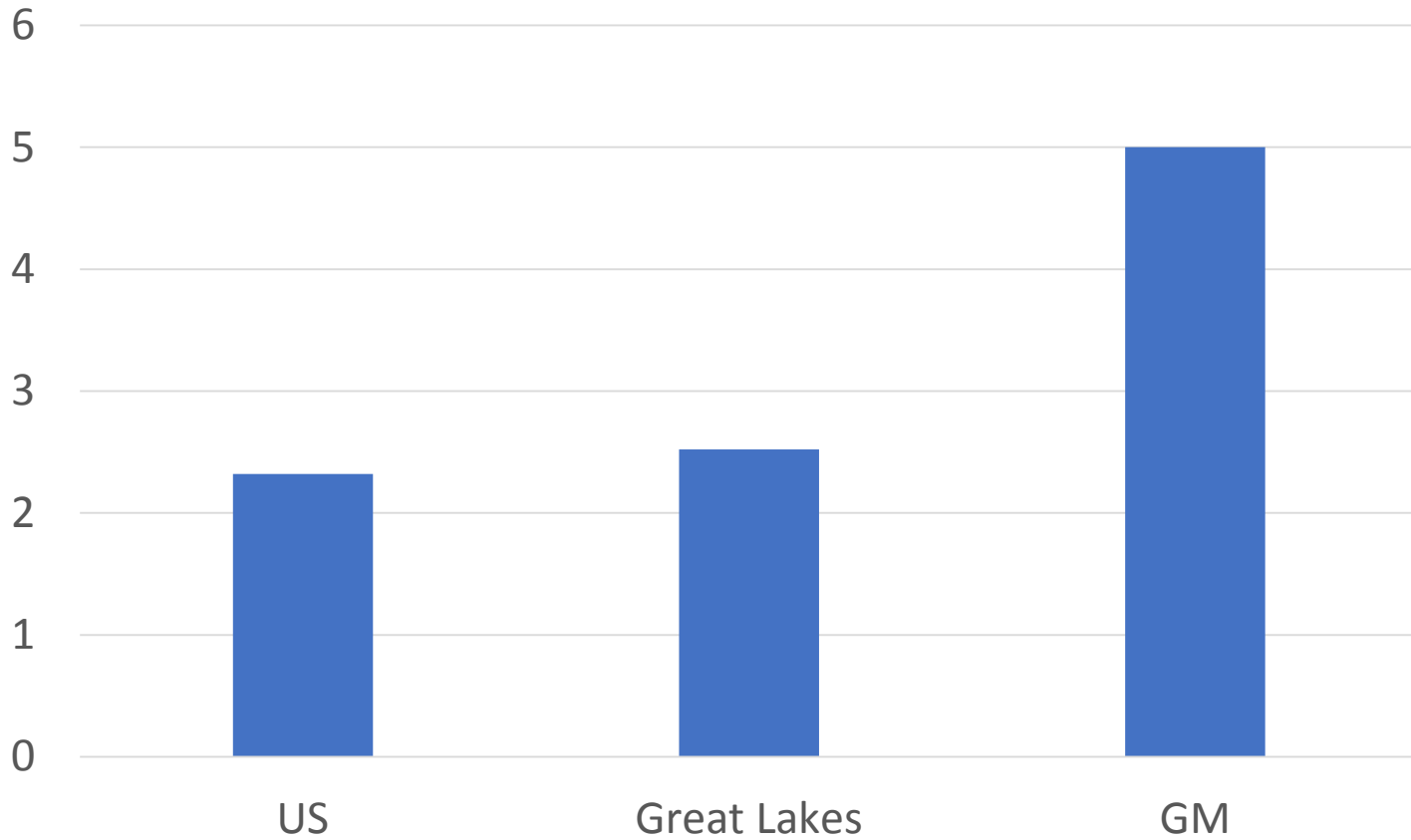
College wage premium, by gender, 1973–2015



Top incomes hard to explain with marginal productivity

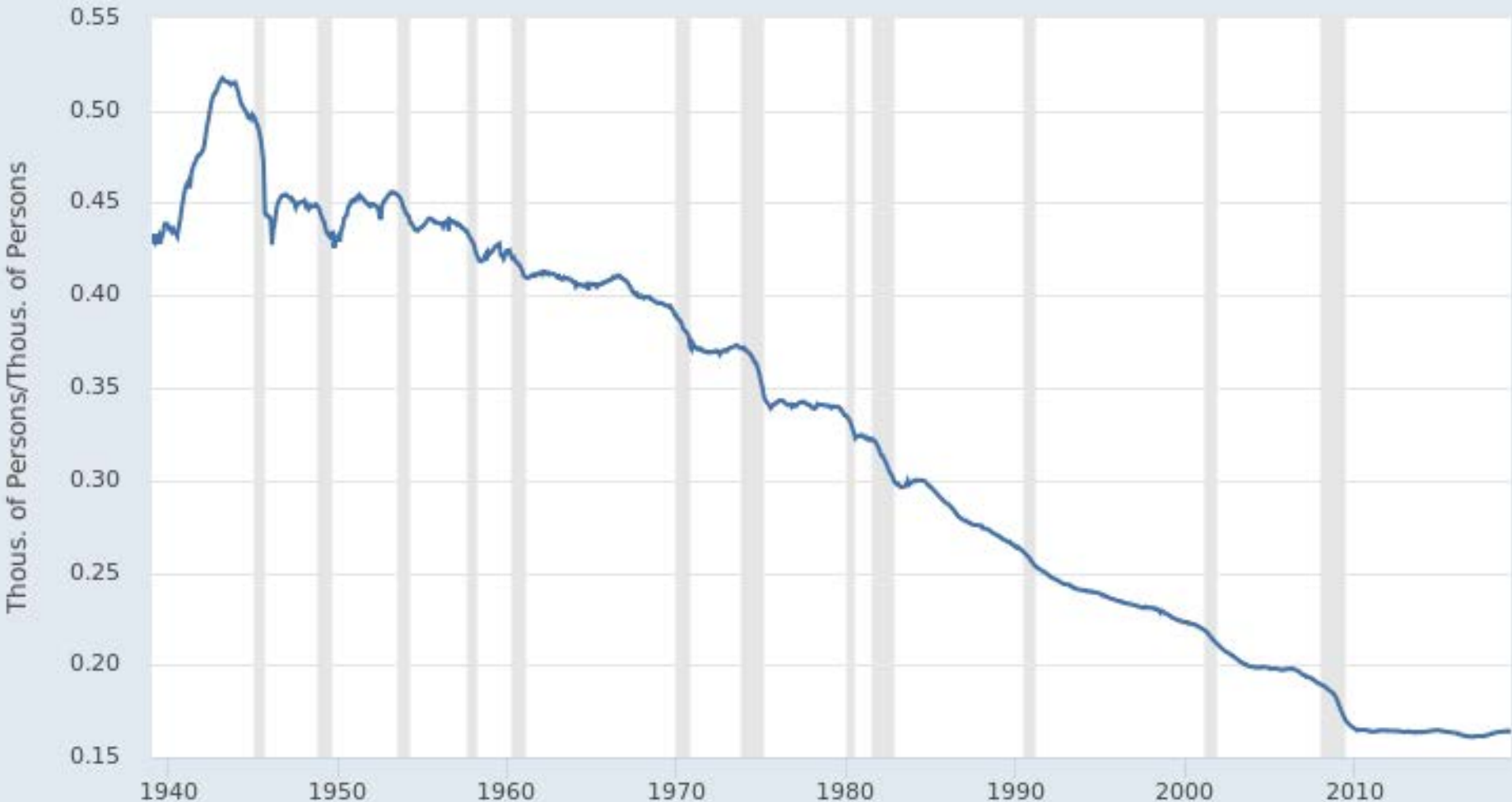


Hourly earnings of janitors, 1974





— All Employees: Goods-Producing Industries/All Employees: Total Private Industries



Source: U.S. Bureau of Labor Statistics

Unionization rates

