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MERGERS, INNOVATION, AND INEQUALITY

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Abstract

This paper presents a standard endogenous growth framework in which the source of growth is represented by vertical innovation. The crucial assumption we introduce is that there is a positive information gap concerning the discovery of innovation. The aim of reducing the information dissemination lag provides incentives for firms to decide to merge their research efforts. At the same time we find that the skilled/unskilled wage gap is strongly related to this phenomenon. We prove that changing antitrust attitudes toward efficienc-motivated mergers in contestable industries may simultaneously explain observed changes in the industry structure, in qualitative innovation, in wage inequality, and in labor supply composition.

Keywords: growth, firm-size, innovation process, antitrust policy.

JEL Classification: L25, L40, O31.

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