Referee Report

for

Economics The Open-Access, Open-Assessment E-Journal
Submission Number: MS 1317
Title: Conflict in the Wage-Led Growth Model

1 Motivation and Main Result

Embedded into a standard growth context, the conflict between capitalists and entrepreneurs is modeled. The author uses a standard bargaining environment embedded into a dynamic infinite horizon set-up. The bargaining between entrepreneurs and capitalists in the context of wage-led/profit-led (wlpl) is explicitly modeled. The paper tackles an interesting topic which is worth to follow further.

2 Major comments

Reflecting the relevant literature, there are numerous contributions devoted to the wlpl topic, where the bargaining between workers and capitalists is modeled and analyzed. Here we have a different bargaining problem between entrepreneurs and capitalists. My question: Why is this from particular importance? In the paper, there is no single reference to the literature which justifies to make the bargaining problem or the conflict of those groups to a relevant topic.

Further, the author assumes the same discount rates for both, the entrepreneurs and the capitalists. This is a strict assumption and hard to believe. Again, is there a reference which justifies such an assumption?

The solution of the dynamic optimization problem is only partly developed or at least partly presented in the paper. As this is a central topic of the paper, this definitely needs a revision. Further there are some minor inaccuracies with respect to the presentation of the dynamic optimization problem, which are mentioned below in the minor comments section.

The author should clarify his/her proposition 2. He/She should focus on his/her results derived above to come to a clear-cut written proposition.

Finally, the author should definitely revise his reference list as the literature review is only insufficiently conducted.
3 Minor comments

• $\rho$ is the output-capital ratio.

• $\varphi(t)$ is the inverse of the IES.

• It should be stated that the author sets up the current value Hamiltonian. Within the Hamiltonian, it should be $\psi(t)$.

• The transversality condition (tvc) is missing.

• Why do you assume full capital depreciation ($\delta = 1$). This is only plausible for a sufficiently long period of time.

• The paper’s style should be adjusted, i.e. equation specific numbers should be written in brackets.