

Abstract:

Using a dynamic heterogeneous agent industry model we examine the impact of manager remuneration schemes on firms investment decisions and on the evolution of their competitiveness and share values. Whereas an increase in the share-based manager remuneration component is always beneficial to the manager, it is beneficial for shareholders only if such a change in the remuneration scheme is adopted by all firms in the industry. In that case productivity growth is slowed down and workers real wages are reduced.