The Great Reversal

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The Rise in US Concentration

Panel A. Cumulative Change in CR8 (%)

Source: U.S. Economic Census for all Businesses. Dashed lines because of changes in industry classification from SIC to NAICS.
Two Big Questions

• **Good vs. Bad Concentration?**
  - Good concentration: low prices and productivity growth
    • e.g., retail & wholesale trade
    • returns to scale; intangible investment
  - Bad concentration: high prices and low productivity
    • e.g., telecoms, airlines, healthcare
    • what are these barriers?

• **Technology vs. Policy?**
  - Network effects vs regulation & antitrust
Walmart

![Graph showing Profit Margin and Market Share over time](image-url)
Missing Investment from Concentrating Industries

Wtd Average Cumulative K gap

-1.5
-1
-0.5
0
0.5

1990 2000 2010 2020

year

Top 10 $\text{dlog}(CR8)$
Bottom 10 $\text{dlog}(CR8)$
Concentration: EU vs. US

CR8 Level (OECD 2019)

- NA: Green Line
- EU: Orange Line

Year: 2000 to 2015
Comparison of Telecom Prices in FR vs US

Relative Price of Communication in France

- Relative price: 0.7, 0.8, 0.9, 1.0, 1.1, 1.2
Markups EU vs US

Change in Mark-ups since 2001

- The chart shows the change in mark-ups for EU10 and US over the years from 1995 to 2015.
- The green line represents EU10, and the orange line represents US mark-ups.
- There is a noticeable increase in both regions after 2001, with fluctuations in the data.

Lobbying Expenditures

Year

US − Total

US − Business

EU − Total

EU − Business

Total Lobbying Expenditures ($ BN USD)
The Missing Trillion Dollar

- Monthly savings per households: $300
- Nationwide annual household direct savings: $600 billion
- General equilibrium impact of returning to competitive markets
  - GDP: $1 trillion
  - Labor Income: $1.25 trillion
  - Profits: -$250 billion
Fading Stars

Contribution of Stars to Labor Productivity Growth

Notes: Excludes Oil industries
The Failure of Free Entry

Elasticity of dLogN(t,t+2) w.r.t. Q(t)

-5
-1
1
1.5


CPSTAT (Firm) QCEW (Estab) SUSB (Firm)
Good Concentration / Bad Concentration

Average scores for PC1 and PC2

PC1: "Intangibles"  PC2: "Barriers to Entry"