

The Great Reversal

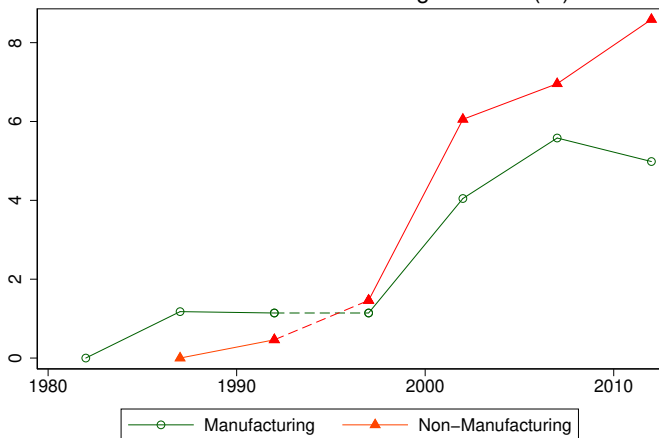
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NYU, NBER, CEPR

Banque de France, PSE, December 2019

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

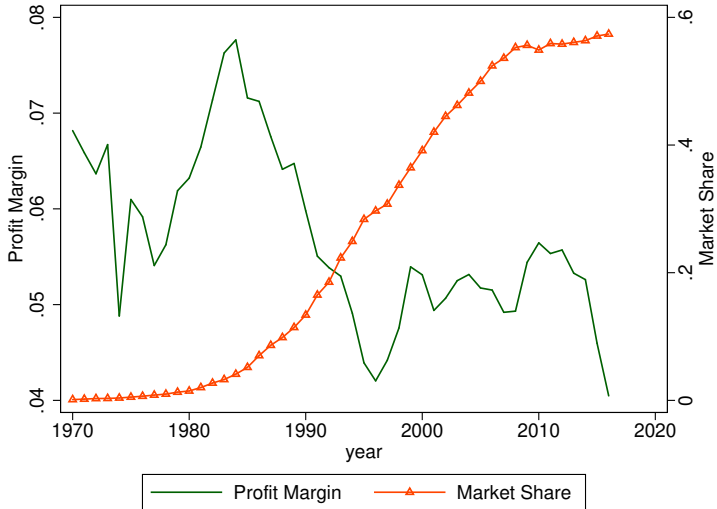
- **Good vs. Bad Concentration?**

- 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?

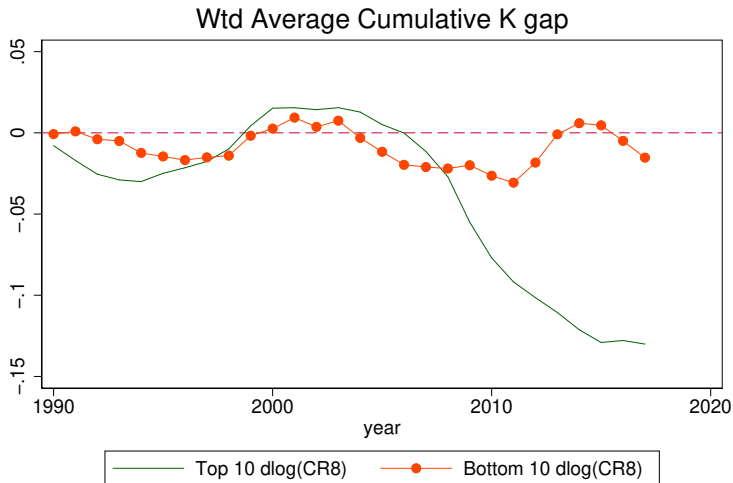
- **Technology vs. Policy?**

- Network effects vs regulation & antitrust

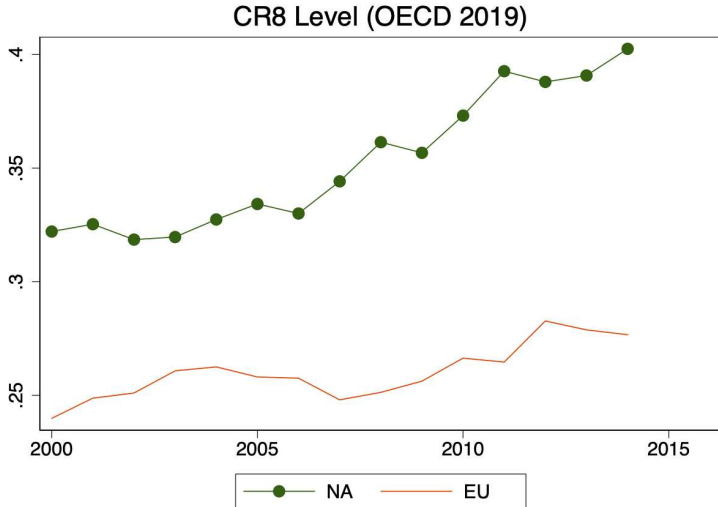
Walmart



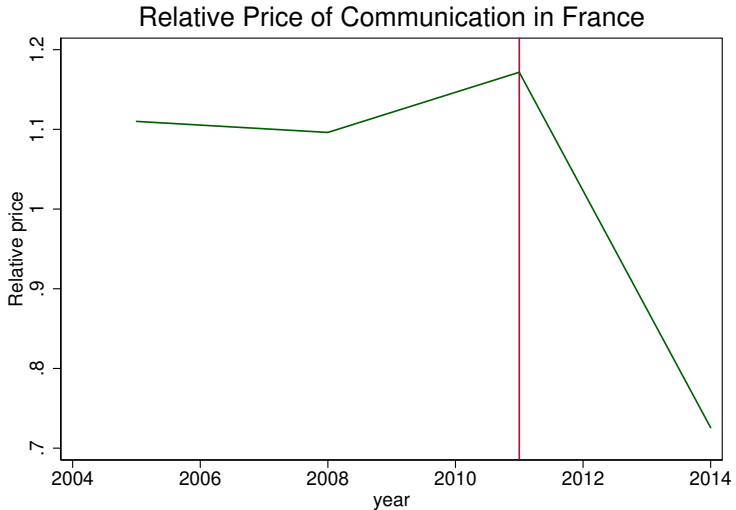
Missing Investment from Concentrating Industries



Concentration: EU vs. US

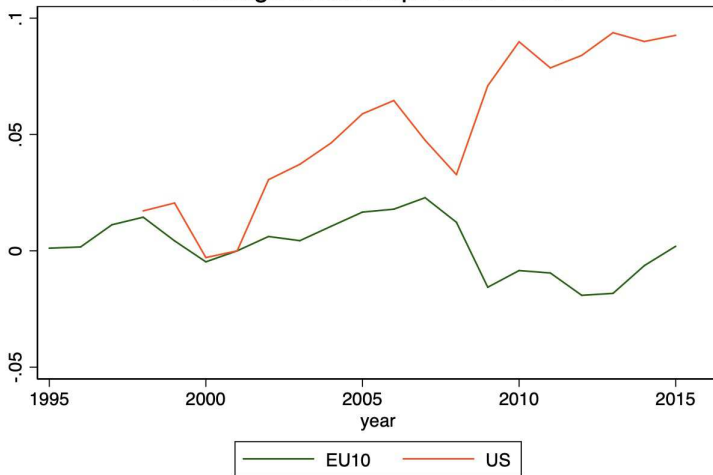


Comparison of Telecom Prices in FR vs US

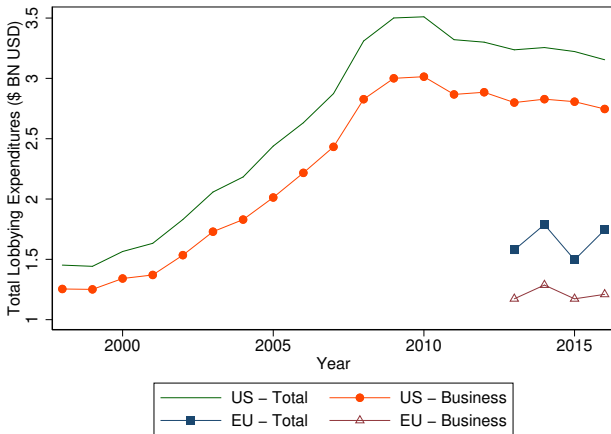


Markups EU vs US

Change in Mark-ups since 2001



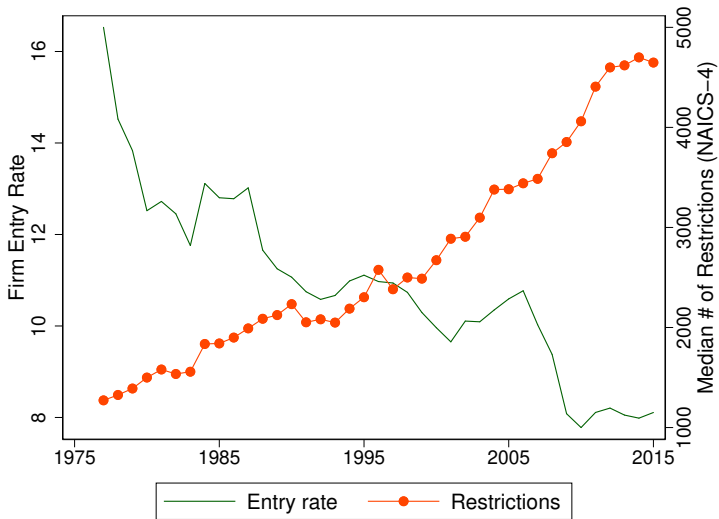
Lobbying Expenditures



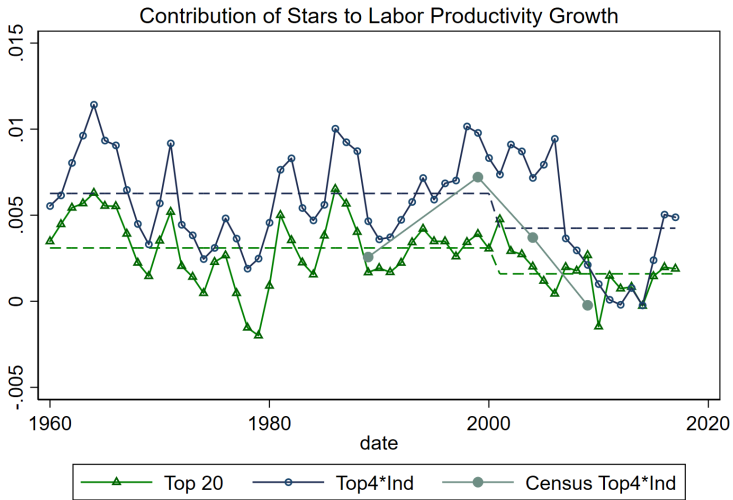
The Missing Trillion Dollar

- 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

Barriers to Entry?

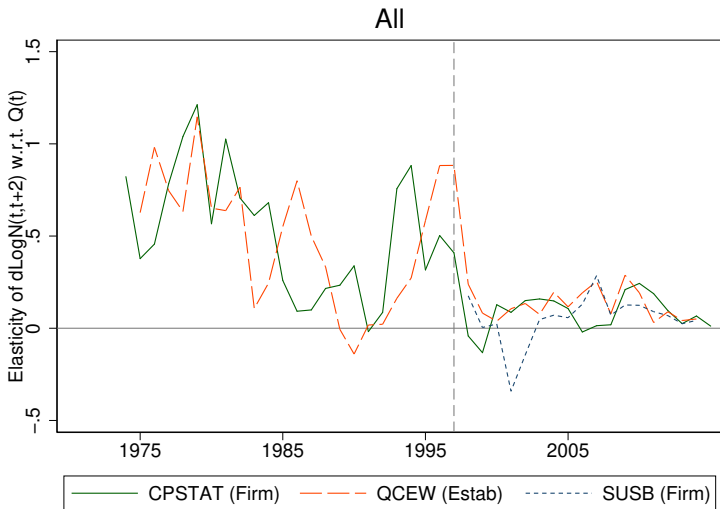


Fading Stars



Notes: Excludes Oil industries

The Failure of Free Entry



Good Concentration / Bad Concentration

