

Dominant Firms and the Economy

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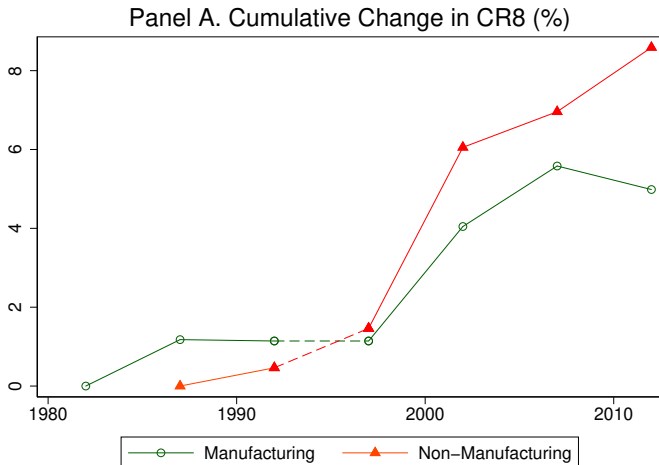
NYU, NBER, CEPR

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Motivation

- Large firms have played important role in the economy, at least since 19th century.
- Are they becoming relatively more important today?
- In which industries?
- Why?
- What are the welfare implications?

The Rise in US Concentration



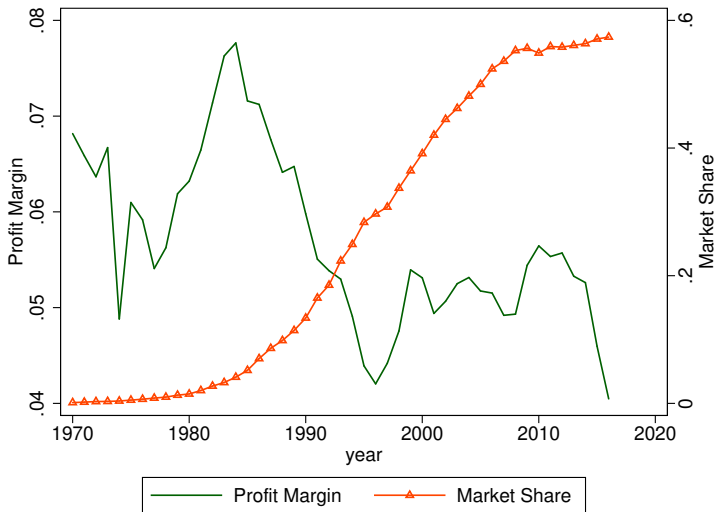
Source: U.S. Economic Census for all Businesses. Dashed lines because of changes in industry classification from SIC to NAICS.

Concentration : Good or Bad?

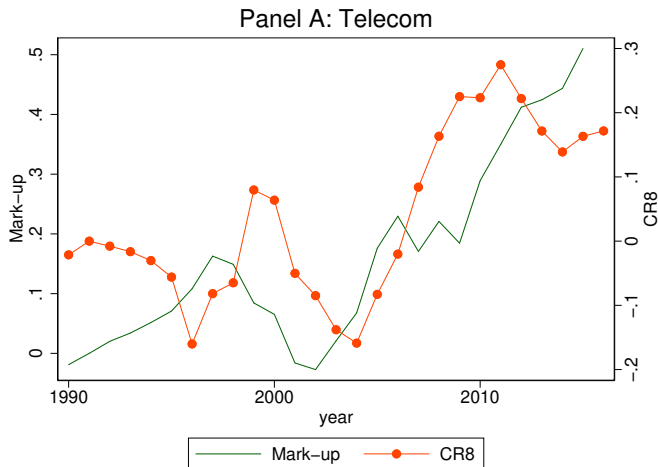
- Good concentration
 - low prices, high productivity, intangible investment
 - e.g, retail & wholesale trade

- Bad concentration
 - high prices and low productivity
 - e.g., telecoms, airlines, healthcare

An Example of Good Concentration: Walmart



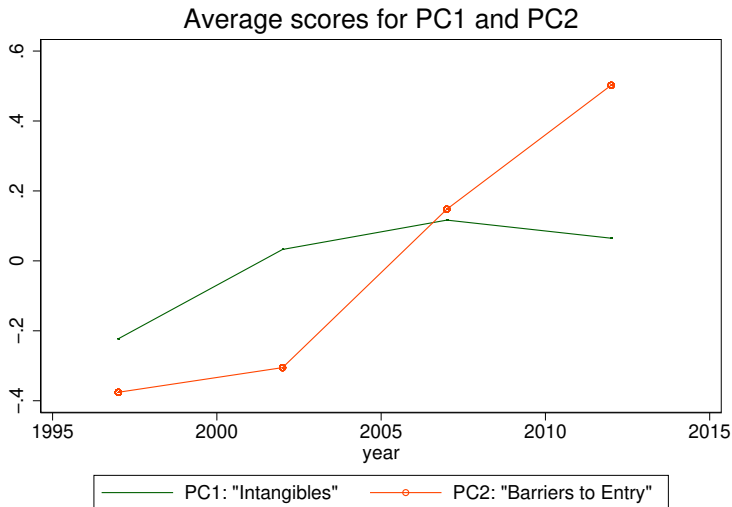
An Example of Bad Concentration: Telecom



Cost of Internet Access, 2018

Rank	Country	Broadband Cost
40	France	\$ 31
43	South Korea	\$ 32
53	Germany	\$ 37
...		
119	US	\$ 68

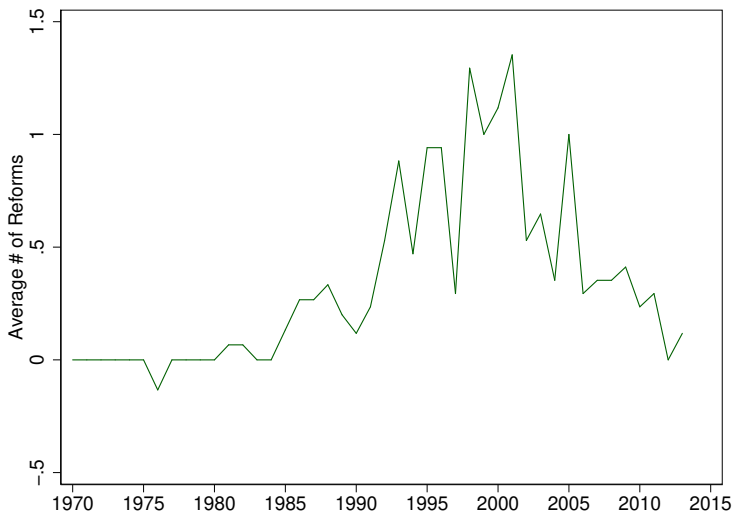
Good Concentration / Bad Concentration



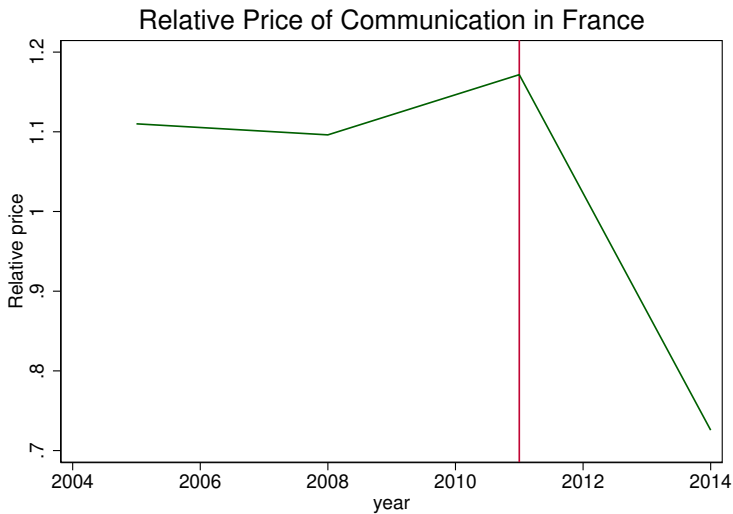
Technology or Policy

Europe?

Product Market Reforms in Europe

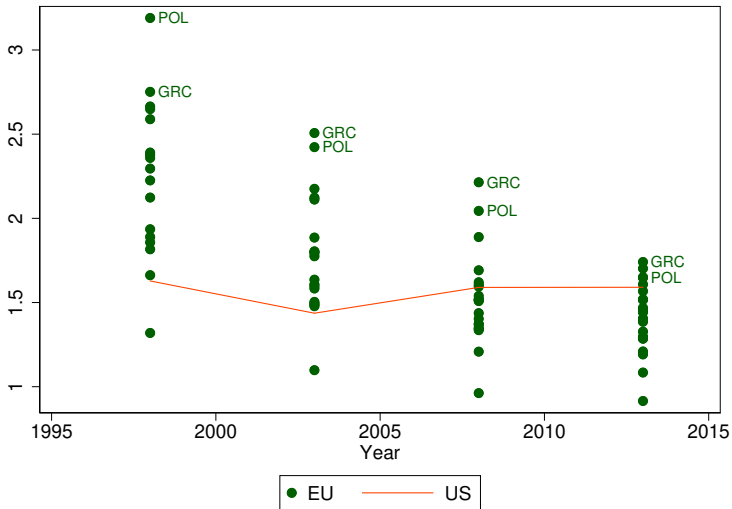


Comparison of Telecom Prices in FR vs US



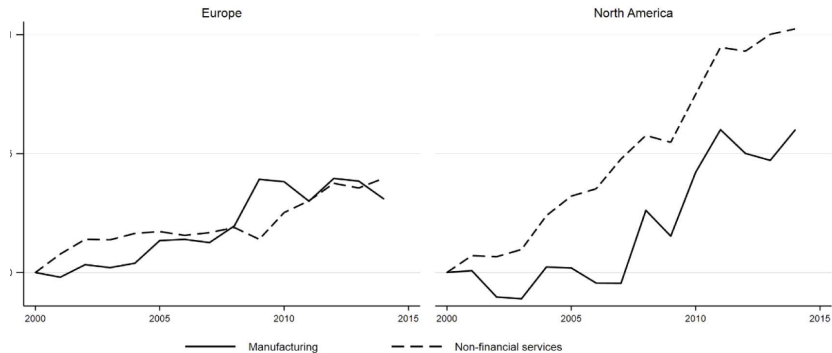
Gutiérrez and Philippon (2018)

Regulation: US vs EU



US VS EU Concentration

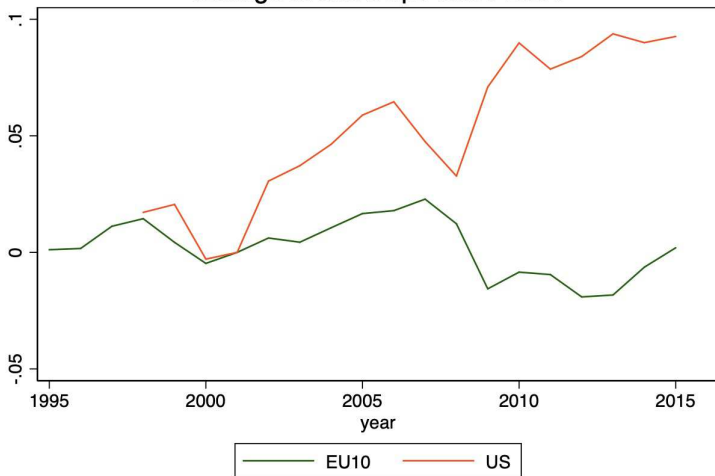
Figure 9. Concentration for Manufacturing vs Services in Europe & North America



Source: OECD. Bajgar et al. (2019)

Markups EU vs US

Change in Mark-ups since 2001



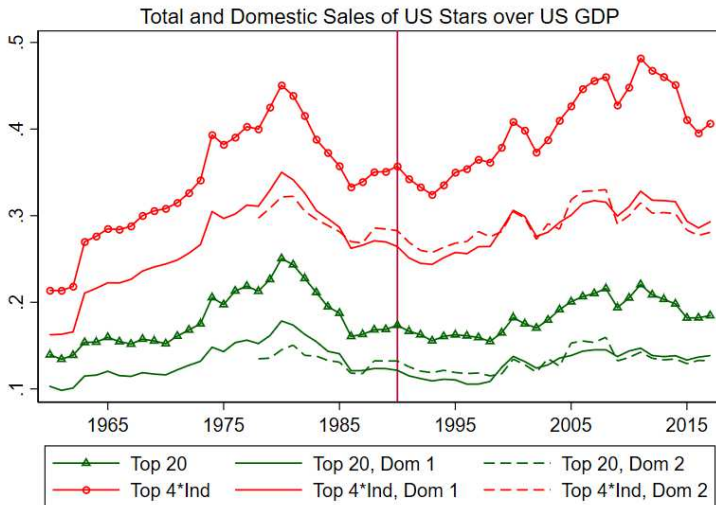
The Missing Trillion Dollar

- 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

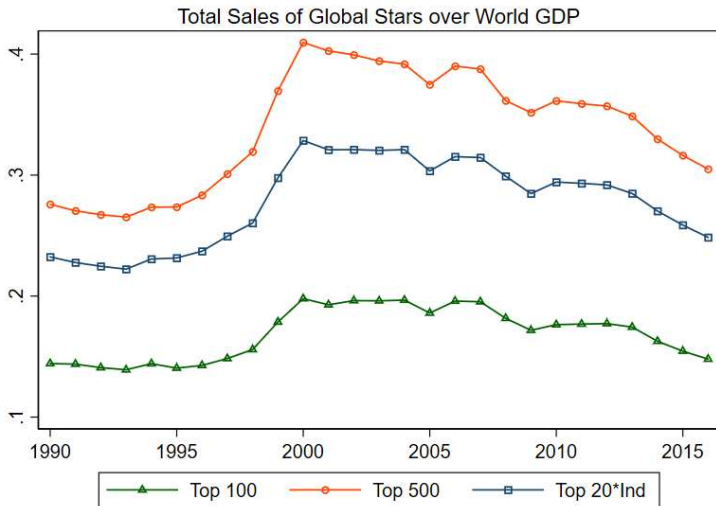
About the Stars

How Do Current Stars Compare
to those of the Past?

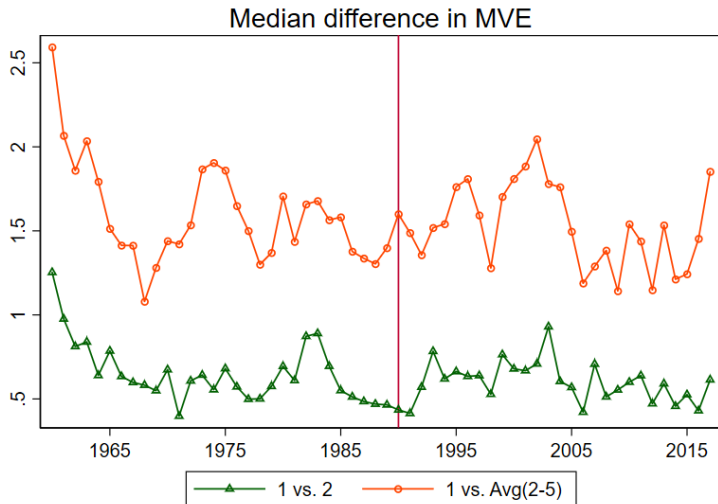
Footprint of US Stars



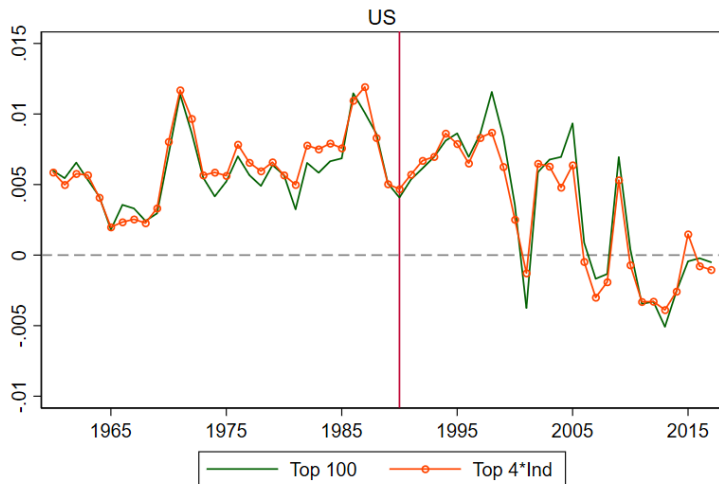
Footprint of Global Stars



Winner Takes All?

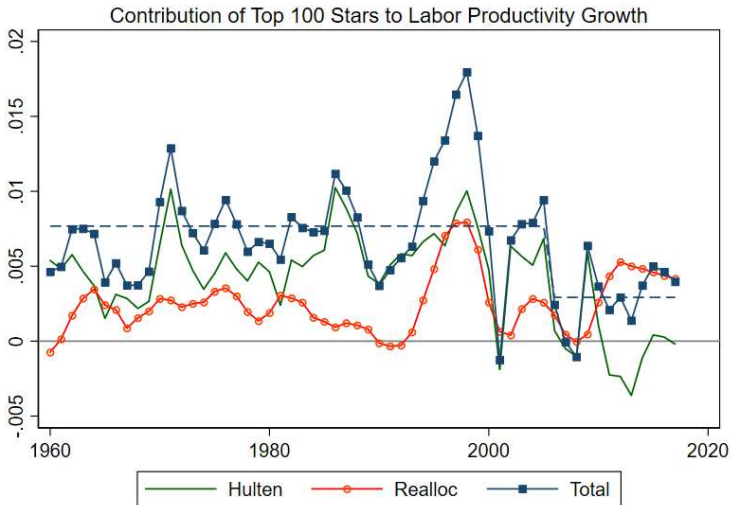


Productivity?



Notes: Excludes Oil industries

Fading Stars



After Covid

Concentration Post Covid19?

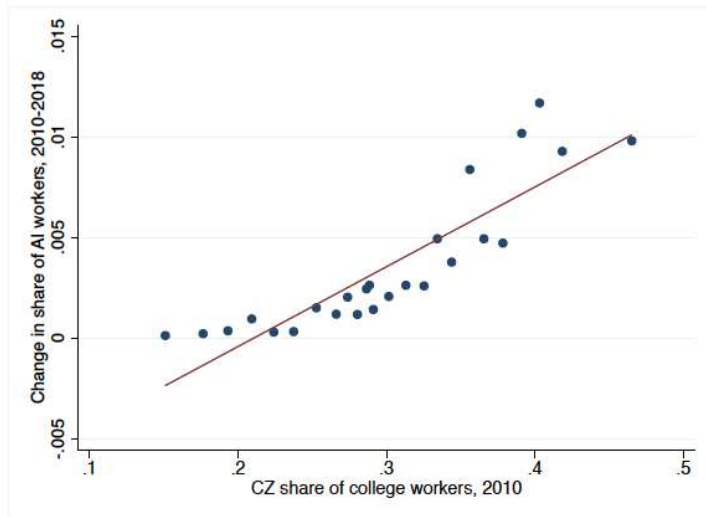
Big Tech at the Top



Recent Developments

- Beyond Cournot, Bertrand and monopolistic competition. Cavenaile et al. (2020)
- Dynamic M&A. Mermelstein et al. (2020)
- Big data. Farboodi et al. (2019)
- Labor market. Babina et al. (2020)

Barriers to Diffusion and Geographic Polarization



Babina et al. (2020)

Conclusion

The End

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