

# Dominant Firms and the Economy

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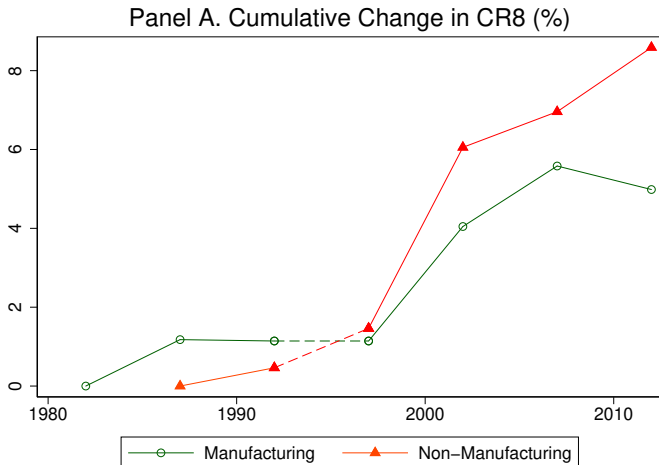
NYU, NBER, CEPR

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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

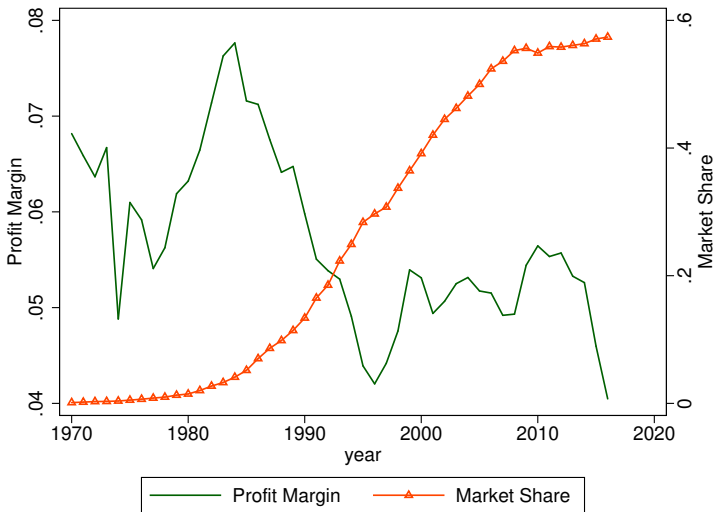


Source: U.S. Economic Census for all Businesses. Dashed lines because of changes in industry classification from SIC to NAICS.

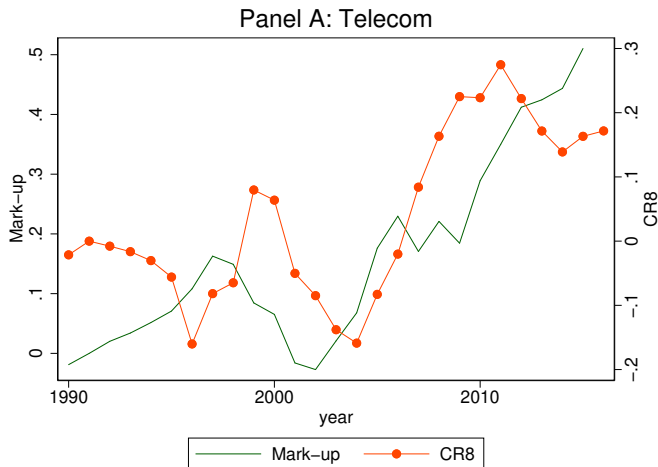
## Concentration : Good or Bad?

- 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



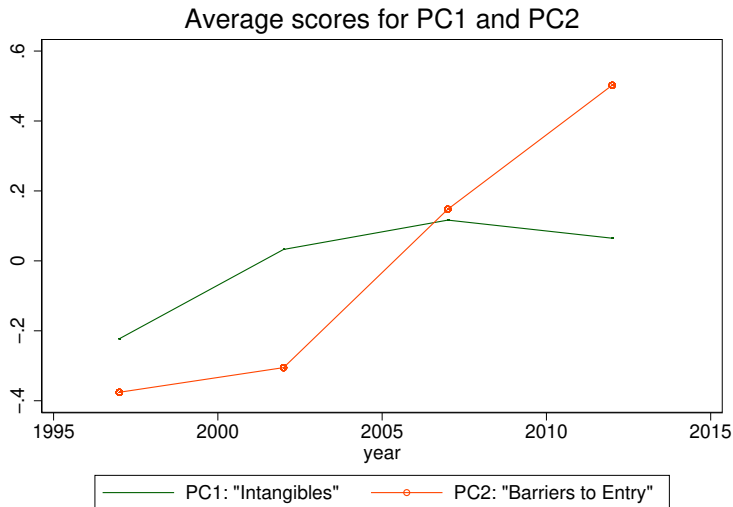
# An Example of Bad Concentration: Telecom



## 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

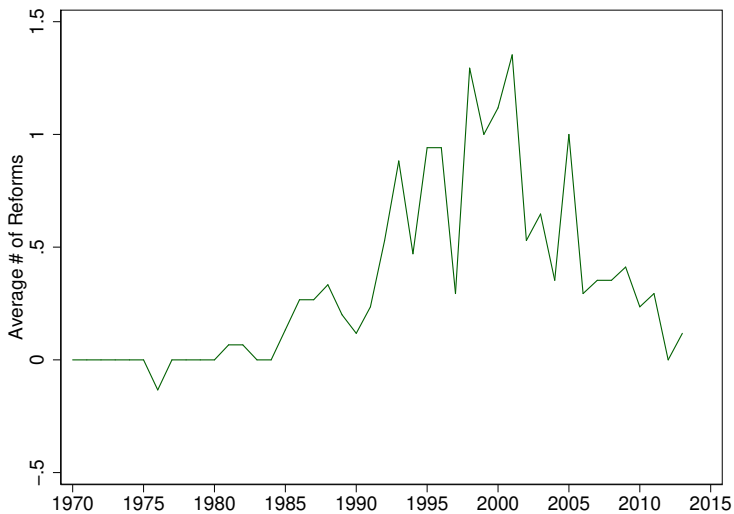




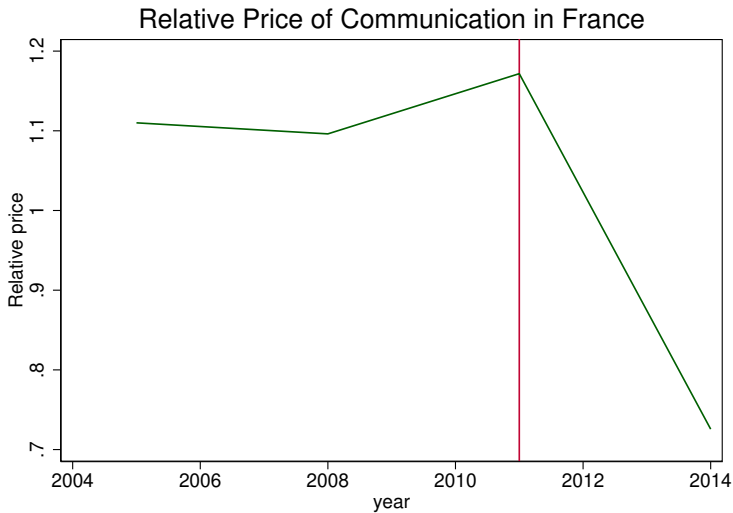
# Technology or Policy

Europe?

# Product Market Reforms in Europe

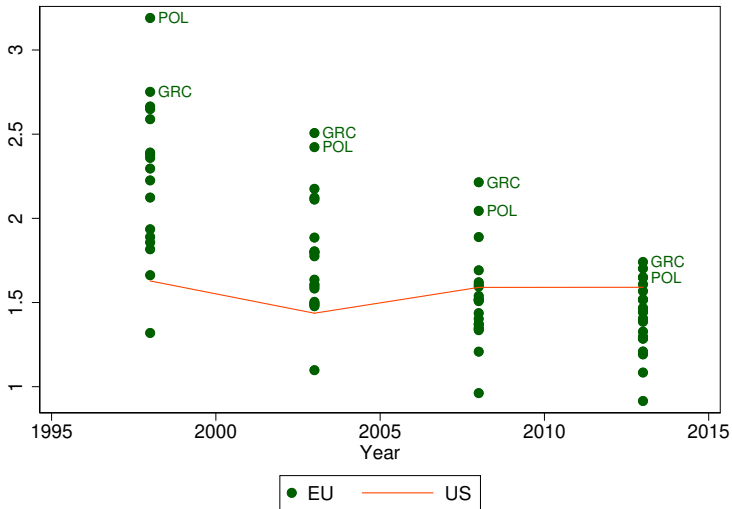


# Comparison of Telecom Prices in FR vs US



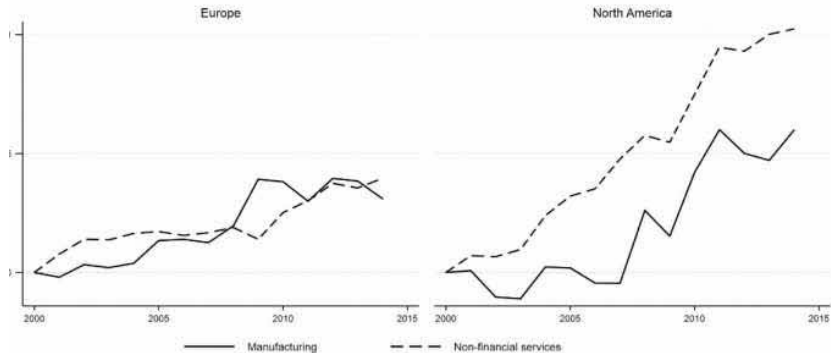
Gutiérrez and Philippon (2018)

# Regulation: US vs EU



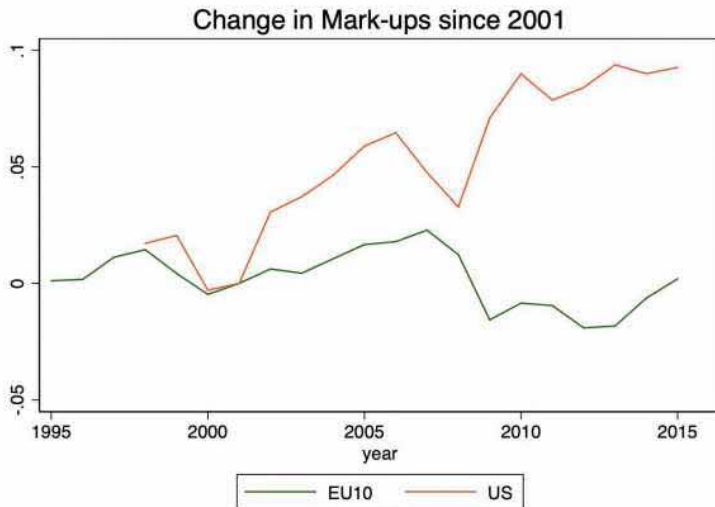
# US VS EU Concentration

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



Source: OECD. Bajgar et al. (2019)

# Markups EU vs US



## The Missing Trillion Dollar

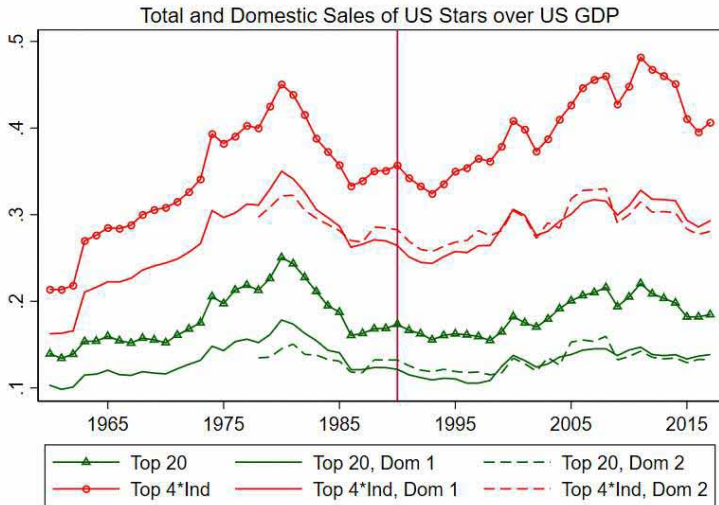
- Monthly savings per households: \$300
- Nationwide annual household direct savings: \$600 billion
- General equilibrium impact of returning to competitive markets
  - GDP: \$1 trillion
  - Labor Income: \$1.25 trillion
  - Profits: -\$250 billion

## About the Stars

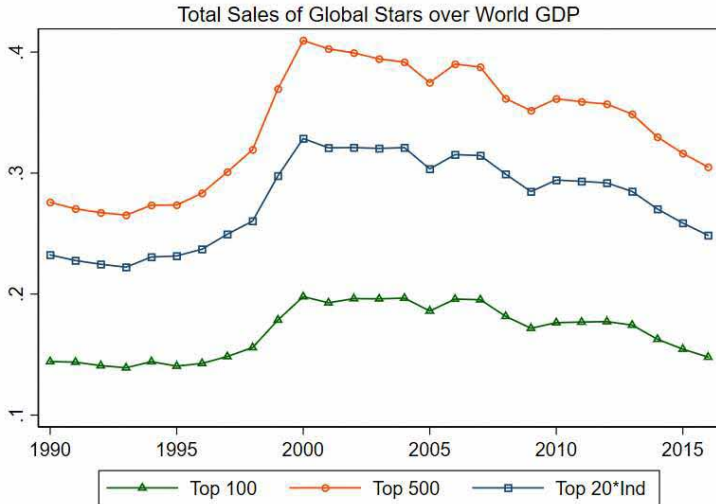
How Do Current Stars Compare  
to those of the Past?



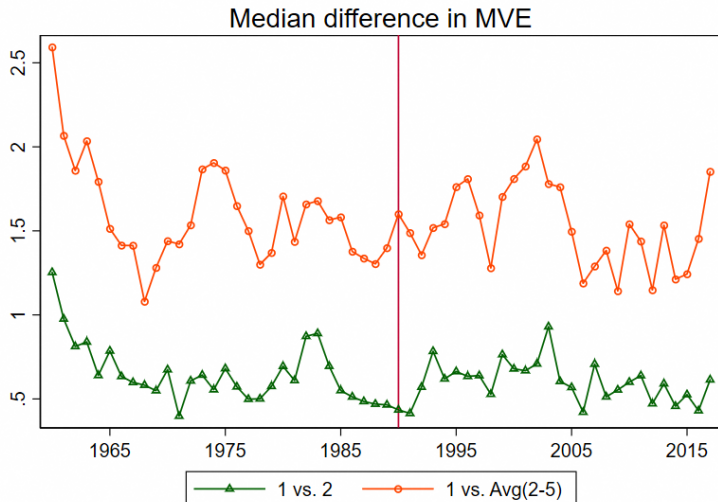
# Footprint of US Stars



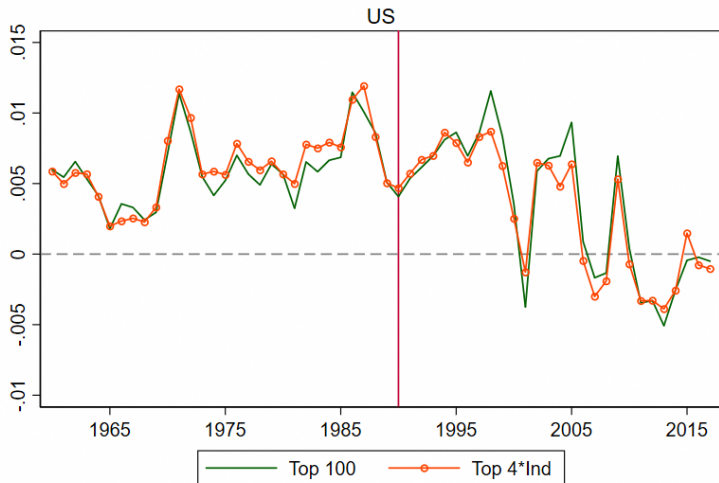
# Footprint of Global Stars



# Winner Takes All?

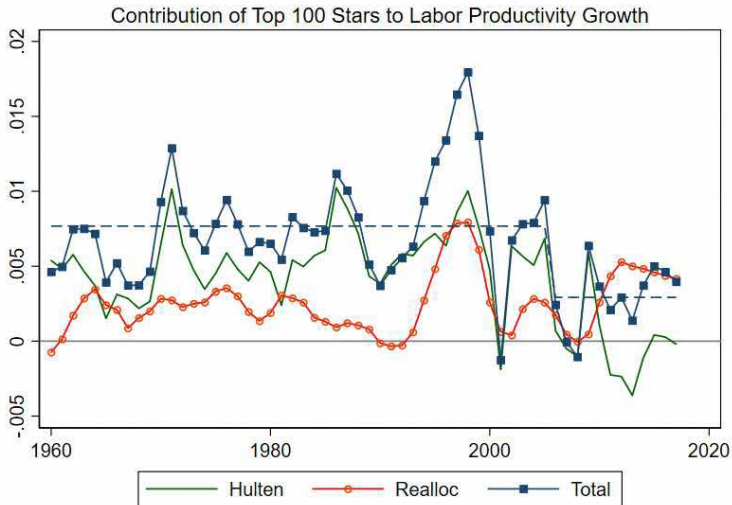


# Productivity?



Notes: Excludes Oil industries

# Fading Stars



## After Covid

Concentration Post Covid19?

## Big Tech at the Top

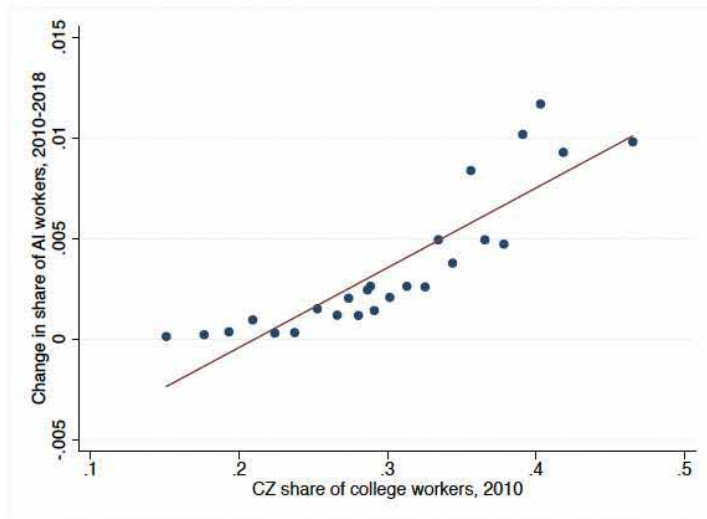


## Recent Developments

- 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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