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: returns to scale; intangible investment
    - e.g., retail & wholesale trade
    - if so, do we see TFP growth?
  - Bad: barriers to entry
    - e.g., telecoms, airlines, healthcare
    - if so, what are these barriers?

- **Technology vs. Policy?**
  - Intangible investment and network effects
  - Regulation and antitrust
Missing Investment from Concentrating Industries

Wtd Average Cumulative K gap

Year

Top 10 dlog(CR8)  Bottom 10 dlog(CR8)
Fading Stars

Contribution of Stars to Labor Productivity Growth

Notes: Excludes Oil industries
Good Concentration / Bad Concentration

Average scores for PC1 and PC2

PC1: "Intangibles"  PC2: "Barriers to Entry"
Concentration: EU vs. US
Comparison of Telecom Prices in FR vs US

Relative Price of Communication in France

- Relative Price: 1.2, 1.1, 1.0, 0.9, 0.8, 0.7
The Failure of Free Entry

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

All


CPSTAT (Firm) QCEW (Estab) SUSB (Firm)
Barriers to Entry?

Firm Entry Rate

Entry rate

Restrictions

Median # of Restrictions (NAICS-4)
Lobbying Expenditures

The chart illustrates the total lobbying expenditures in both the US and EU, categorized by business and non-business sectors, from 2000 to 2015. The expenditures are measured in billions of USD (BN USD). The trend shows a significant increase in lobbying expenditures in the US, particularly from 2005 onwards, with the peak around 2010. In contrast, the EU expenditures exhibit a more varied pattern with a notable increase around 2015.
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