



# MARKET STRUCTURES AND INCOME DISTRIBUTION

## A DISCUSSION

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**Annual Research Conference 2019**  
**Brussels, November 15**





# Important Issue that needs to reach a broad audience!

THE GREAT REVERSAL

The Great Reversal: How America...  
de Thomas Philippon | 29 octobre 2019

★★★★★ 7

★★★★★ 5 sur 5

7 Evaluations clients

5 étoiles	100%
4 étoiles	0%
3 étoiles	0%
2 étoiles	0%
1 étoile	0%

Écrire un commentaire client >

Gratuit avec l'offre d'essai

Great book! #whateconomistsdo

Very well written with a great narrative...also for non economists (e.g. aeronautical engineers!)

Focus mainly (but not only) on the US (evidence for other EU and OECD countries?)



## Key point for this discussion : little agreement on causes of rising concentration..6 hypotheses

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- Much ado about nothing (wrong measure)
- **Decreasing Domestic Competition** (TP book's main point)
- **Rise of Superstar Firms** (Autor et al; Andrews, Criscuolo and Gal; etc.)
- Lower Search Costs (easier price comparison; winner-takes-all dynamics)
- **Intangible Assets** (Crouzet and Eberly; Haskel and Westlake; and...ongoing work at OECD)

*“Not mutually exclusive, the truth is a mix of these hypotheses with varying relevance across industries and time periods” (and I would add across countries)*



# STYLIZED FACTS ACROSS COUNTRIES :

## THE RISE OF SUPERSTARS IN AN INTANGIBLE, DIGITAL INTENSIVE ECONOMY...

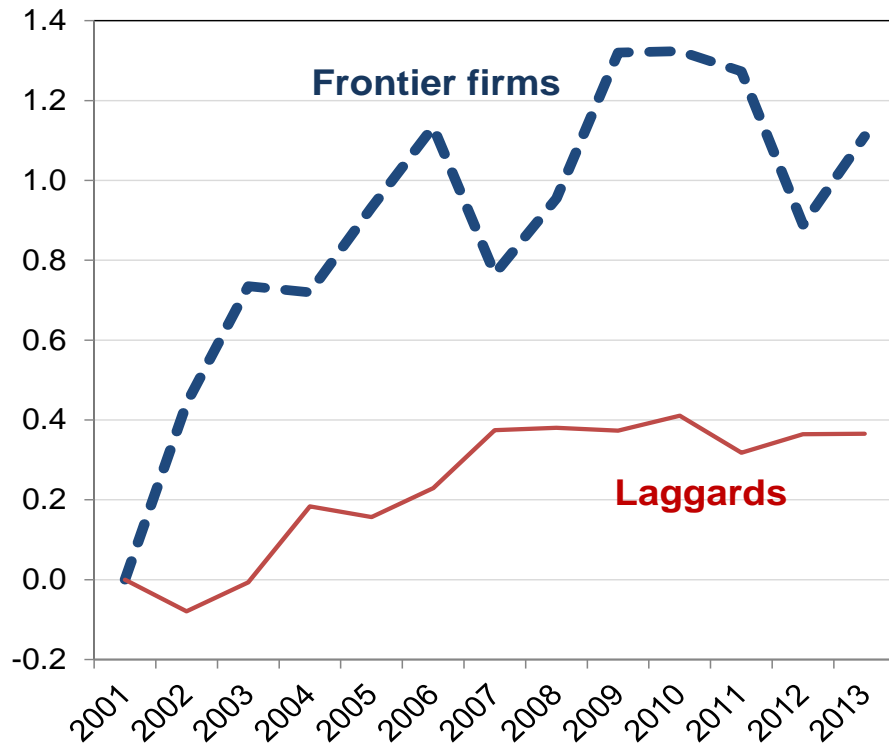




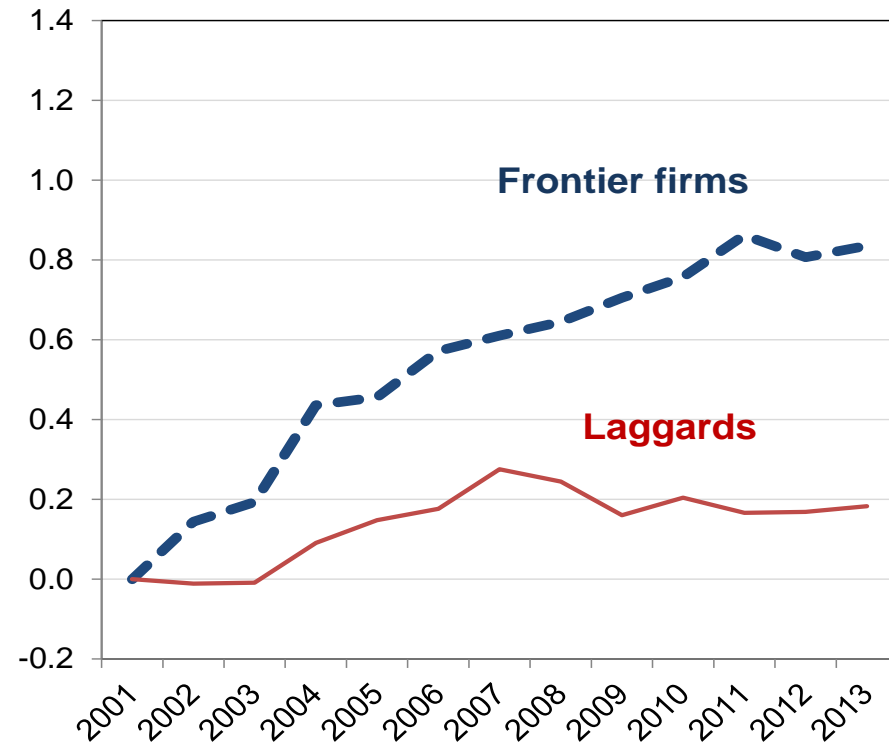
# winner takes most dynamics

## Sales

### ICT-intensive services



### Non ICT-intensive services



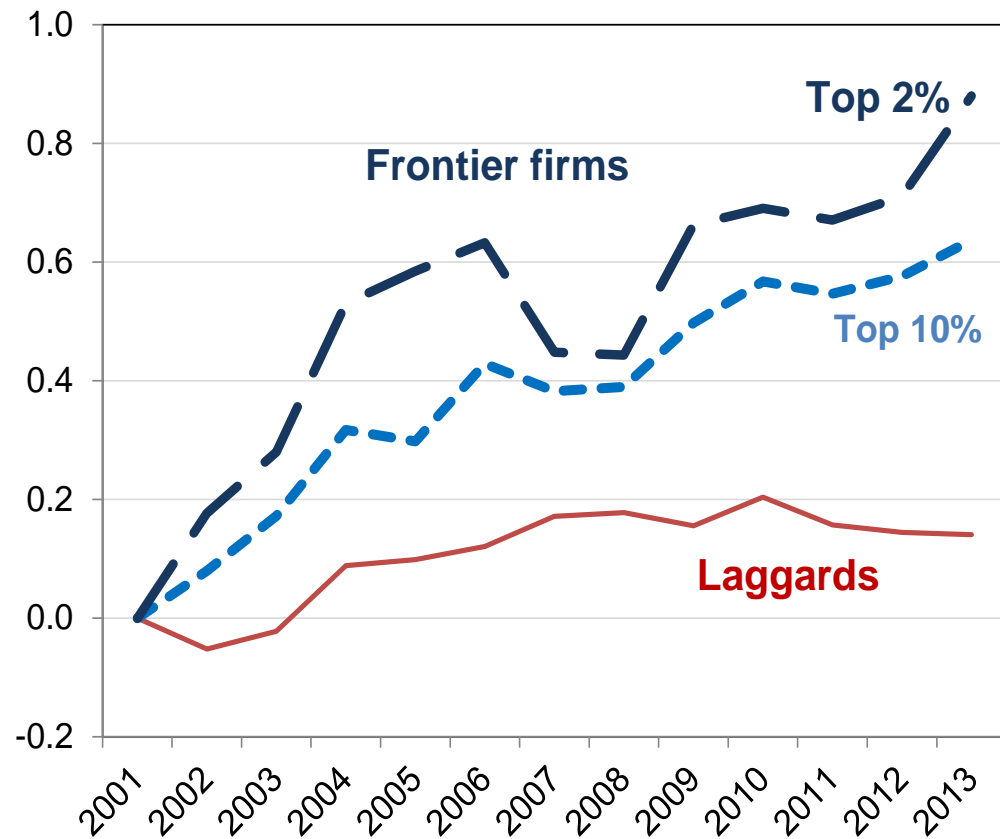
Source: Andrews, Criscuolo and Gal, 2016



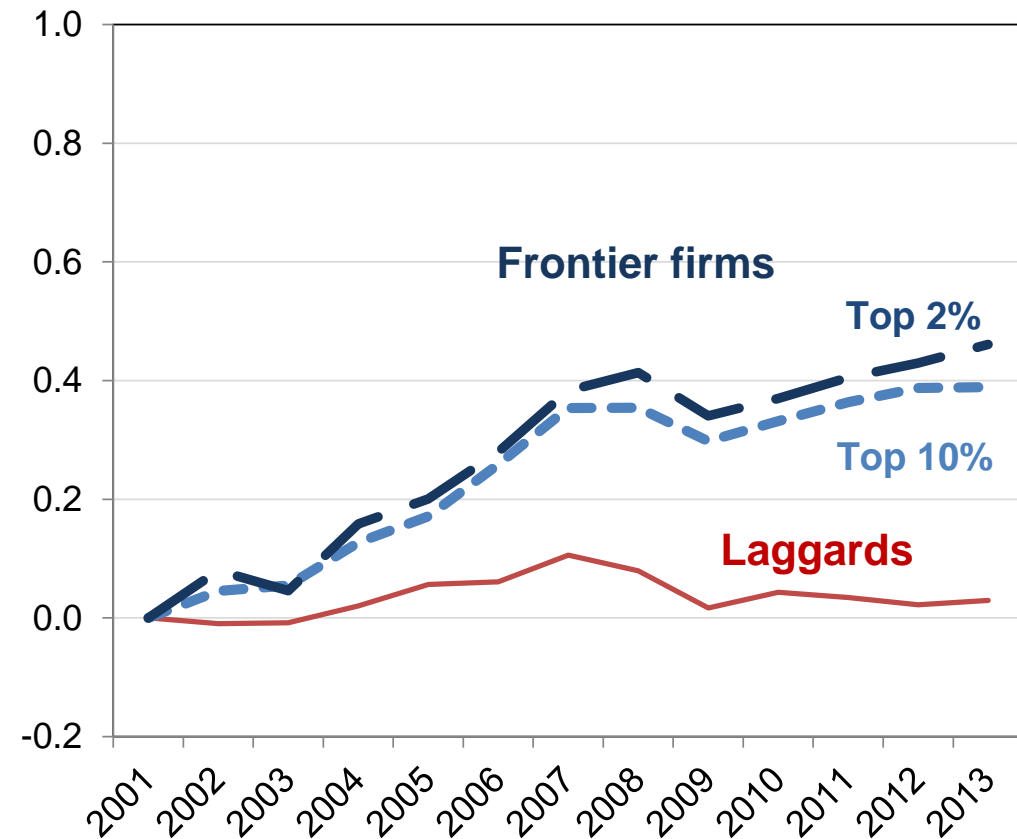
# ... of Superstar firms

## Multifactor Productivity

### ICT-intensive services



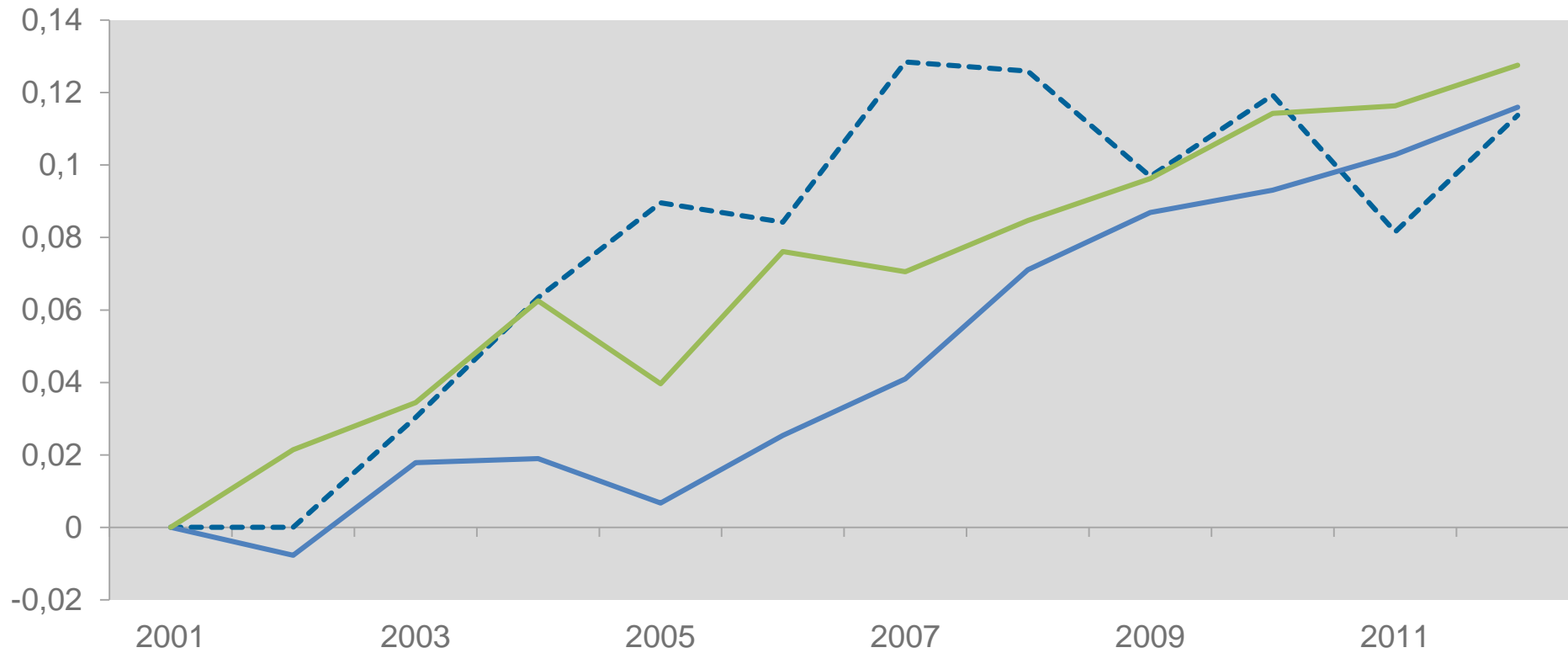
### Non ICT-intensive services





# With implications for wage inequality

## Rising inequality in wages and productivity

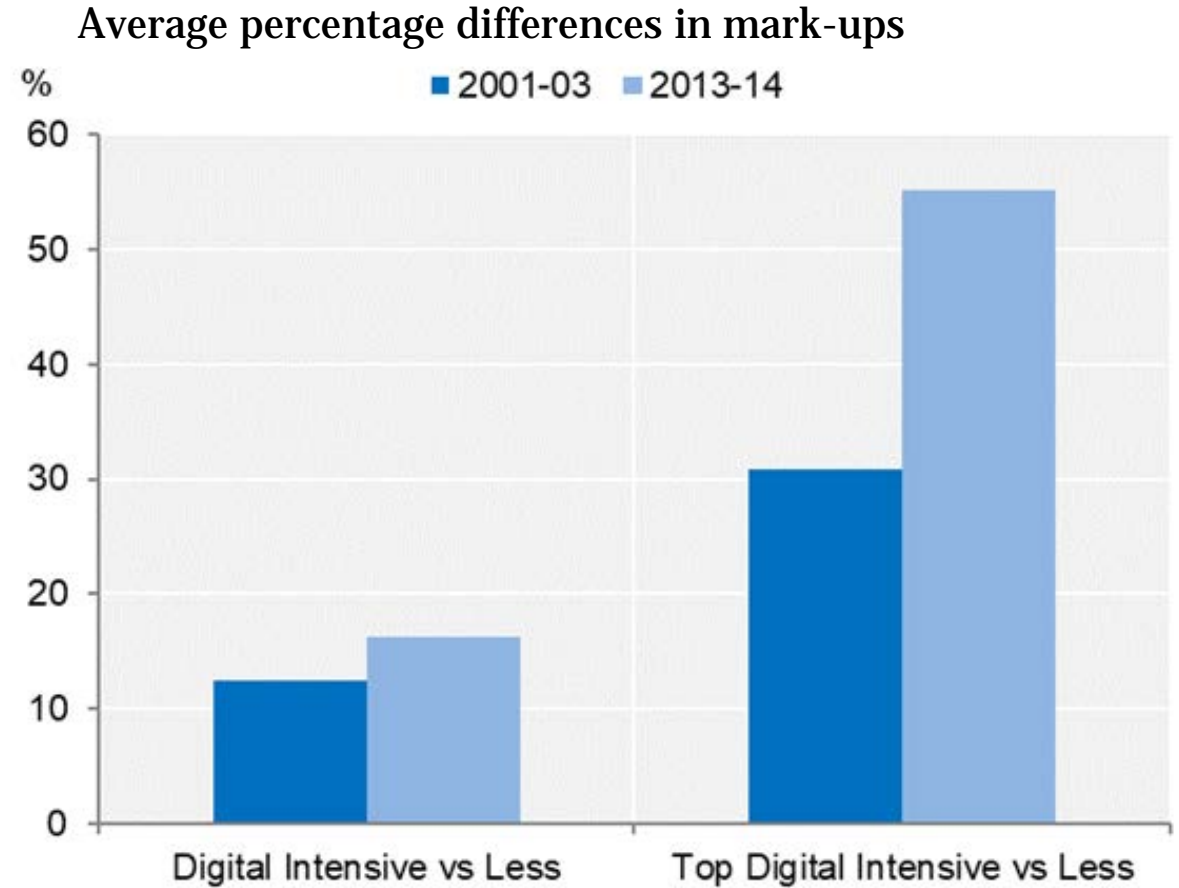
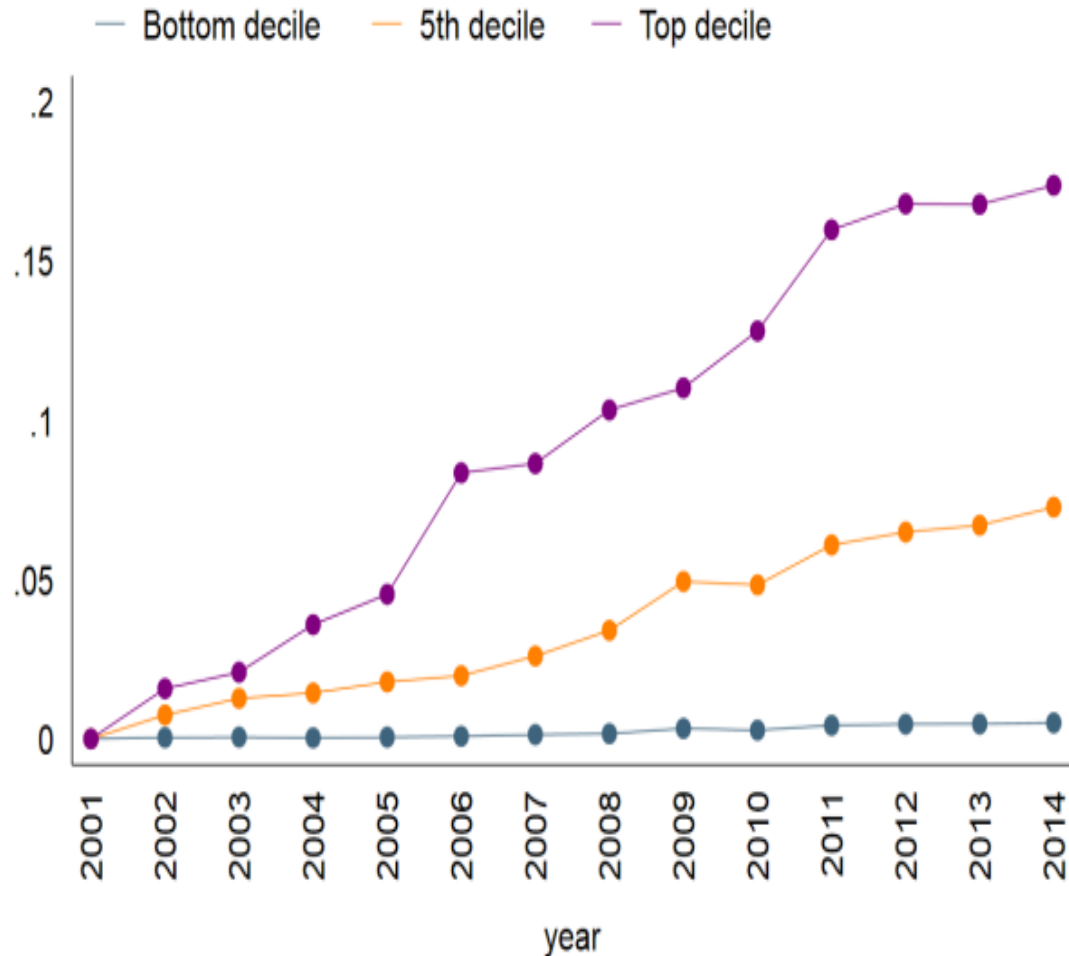


--- Overall earnings inequality 90-10    — Between-firm wage inequality 90-10    — Log Labour Productivity 90-10

Source: Berlingieri, Blanchenay and Criscuolo (2017)



# Rising mark-ups especially in Digital Intensive sectors (even excluding the US from the analysis)



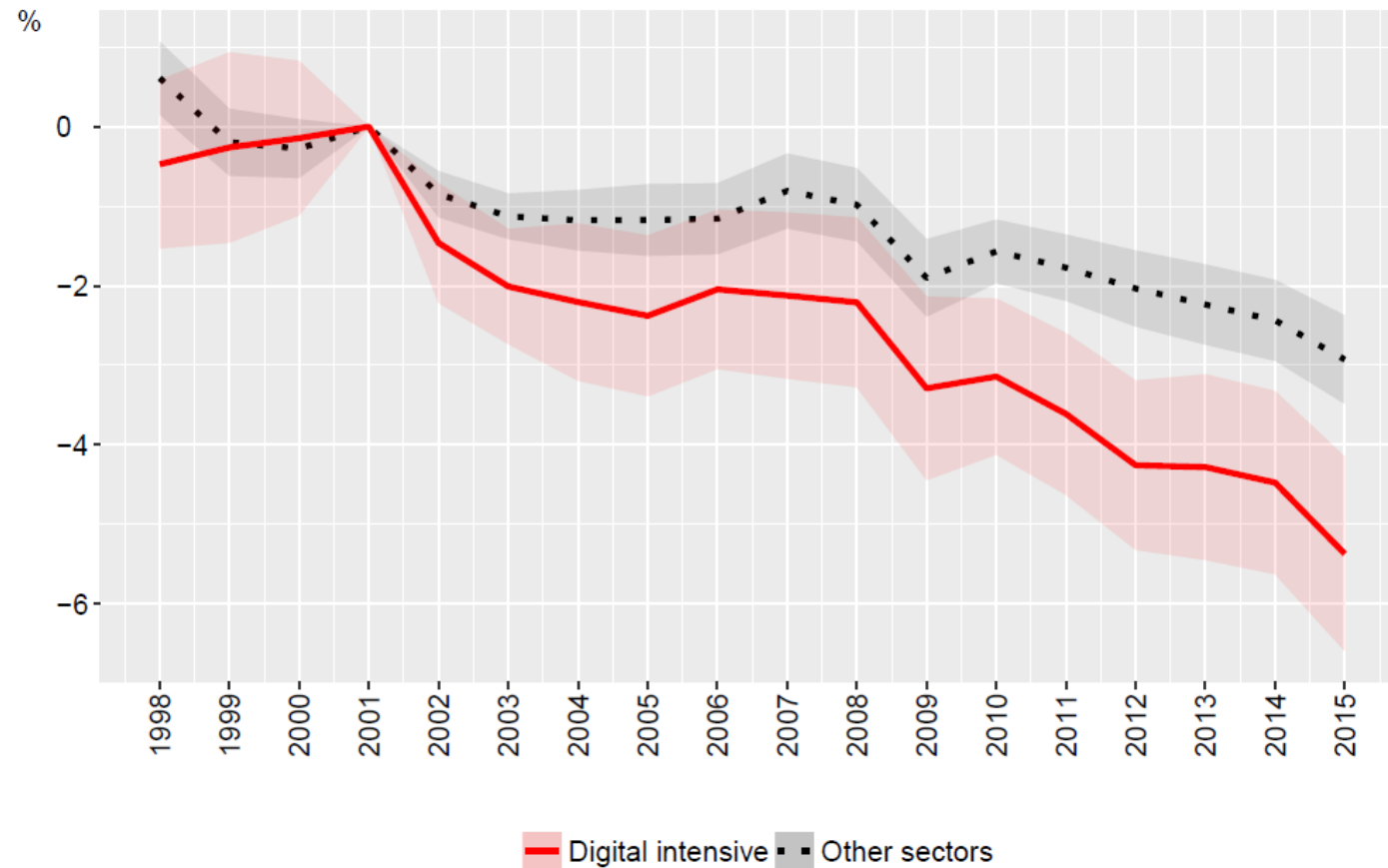
Source: Calligaris, Criscuolo and Marcolin, (2018) "Mark-ups in the digital era".





# Declining Business Dynamism beyond the US—particularly in digital intensive sectors

## Entry rates

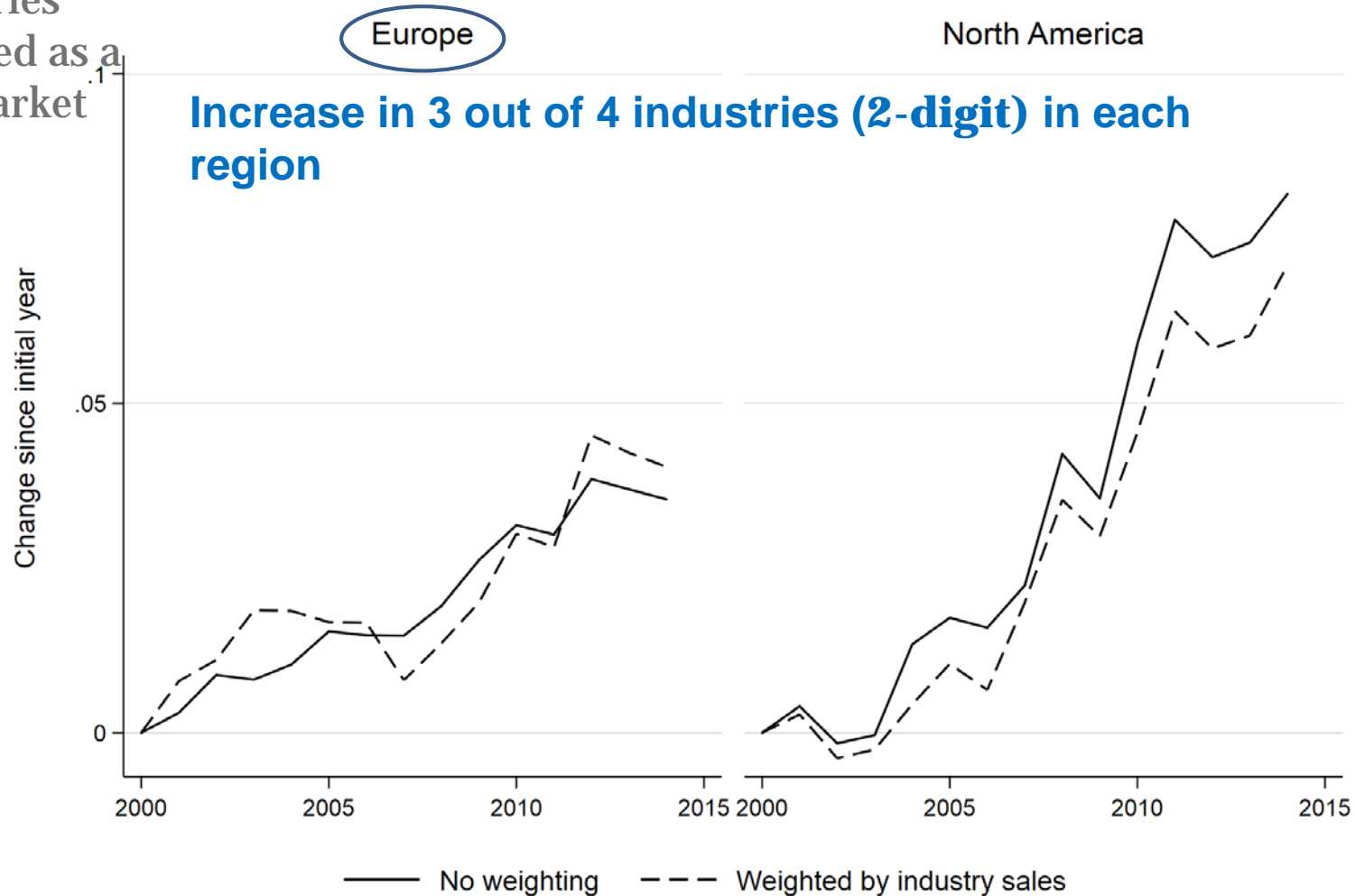


Source: Calvino and Criscuolo, 2018



# Concentration increased in both Europe and North America...

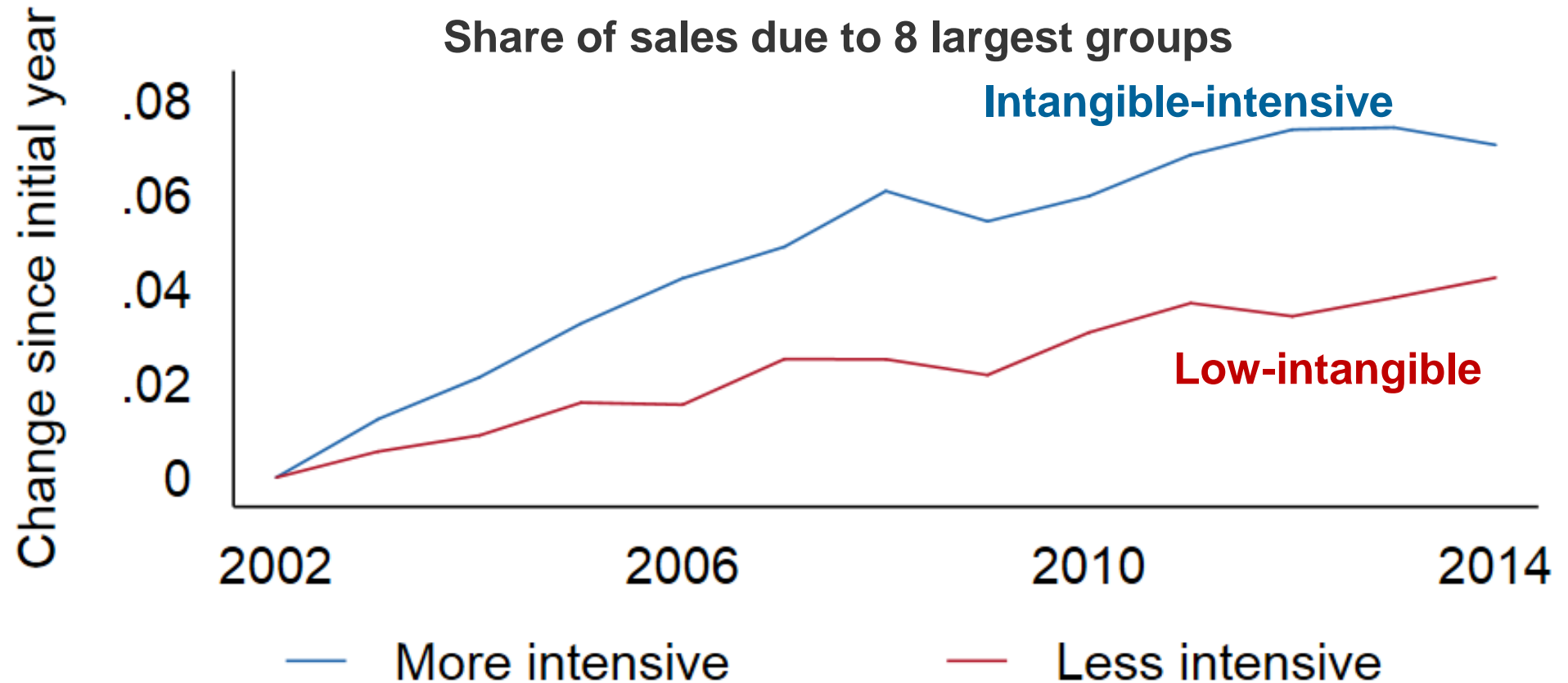
19 countries considered as a single market



Source: Bajgar et al., (2019) "Industry Concentration in Europe and North America"



# Increase stronger in intangible-intensive industries



Stronger the more globalised and digital intensive the industry

Sectors with higher intangible intensity also observe higher productivity dispersion (ongoing project)

12 Countries: BEL, DNK, ESP, FIN, FRA, GBR, GRC, ITA, JPN, PRT, SWE, USA



# Questions for discussion

## more analysis needed:

- Different drivers across space, industries and over time? (Crouzet and Eberly, 2018; Gutierrez and Philippon, 2019; Covarrubias et al., 2019)
- Grow to top through innovation, remain there through entry barriers? (Van Reenen, 2018; Ayyagari et al., 2019)
- Break-down of knowledge diffusion? (Andrews et al., 2016; Akcigit and Ates, 2019a,b; Berlingieri et al., forthcoming)
- Beyond Competition Policy/Enforcement and regulation (with new rules?), need for policies that support
  - investment in intangibles and digital (finance; complementarities); role of skills?
  - level-playing field (large incumbents vs start-ups) and potential entrants
  - knowledge diffusion (re-think IP?)



Thank you!

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# Systematic variation in concentration changes across industries

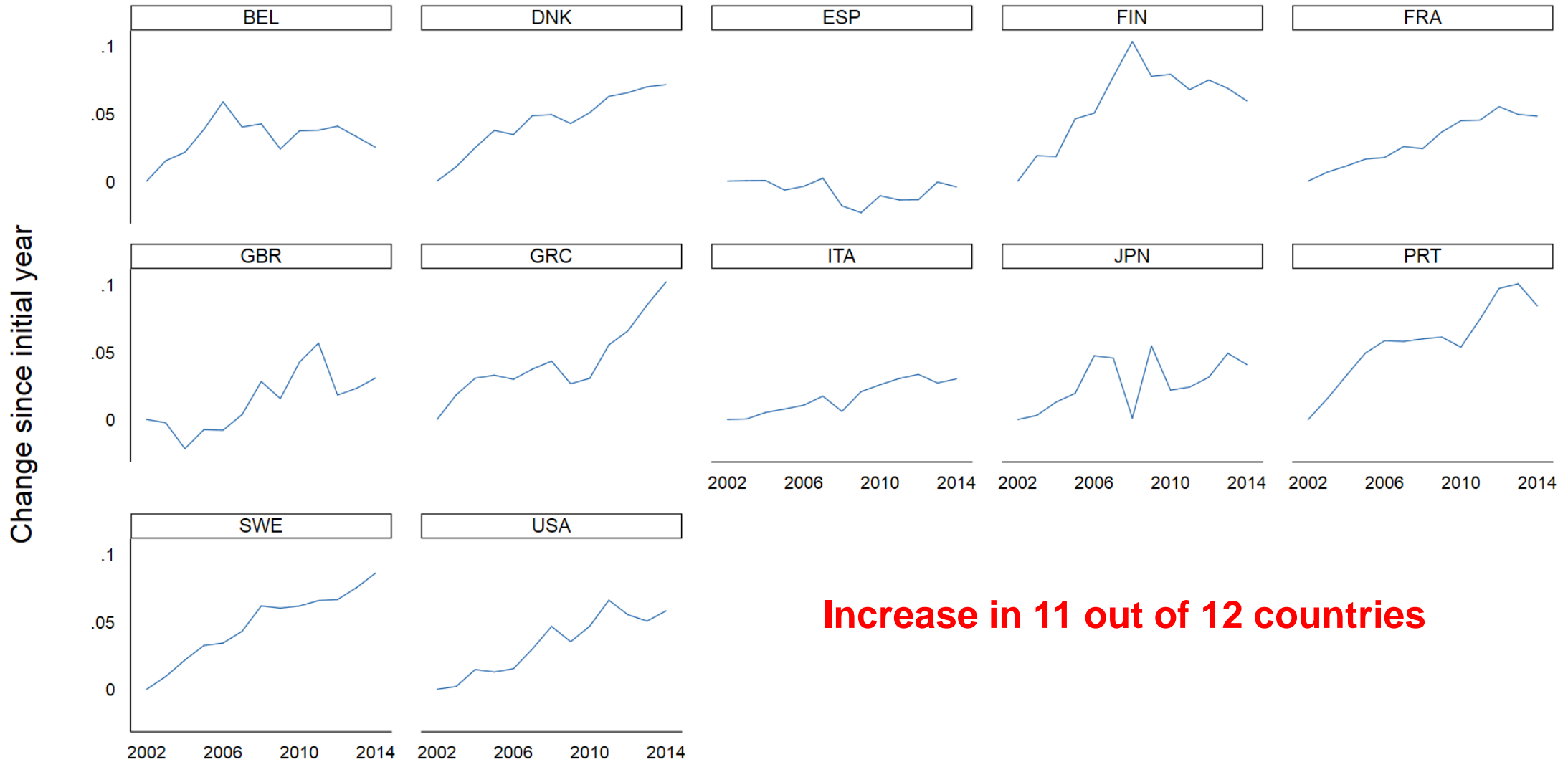
## Change in the share of sales due to 8 largest groups (2002-2014)

1	26: Manufacture of computers	0.23
2	13: Manuf. of text., apparel & leathe	0.17
3	61: Telecommunications	0.16
4	29: Manufacture of motor vehicles	0.15
5	47: Retail trade	0.11
6	52: Warehousing	0.11
7	28: Manufacture of machinery eq.	0.10
8	16: Manufacture of wood	0.09
9	50: Water transport	0.09
10	58: Publishing	0.09
...		
33	55: Accommodation & food services	-0.01
34	68: Real estate activities	-0.01
35	24: Manufacture of basic metals	-0.02
36	19: Manufacture of coke / petroleum	-0.16
37	79: Travel agency and related	-0.18

**Countries:** BEL, DNK, ESP, FIN, FRA, GBR, GRC, ITA, JPN, PRT, SWE, USA



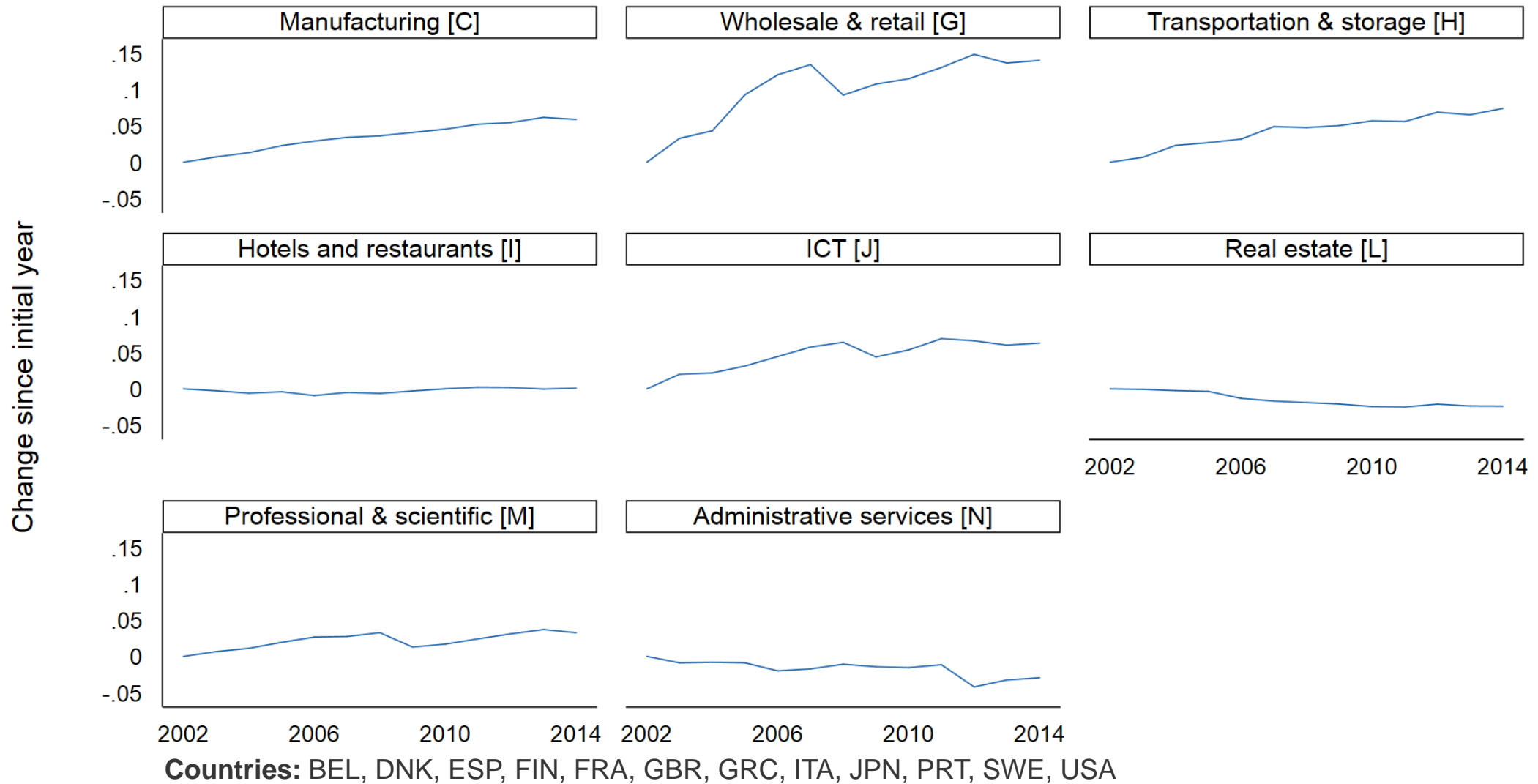
# ...in many countries...



**Increase in 11 out of 12 countries**



# ...and in many (but not all) sectors







# DATA AND MEASUREMENT



# Concentration measure

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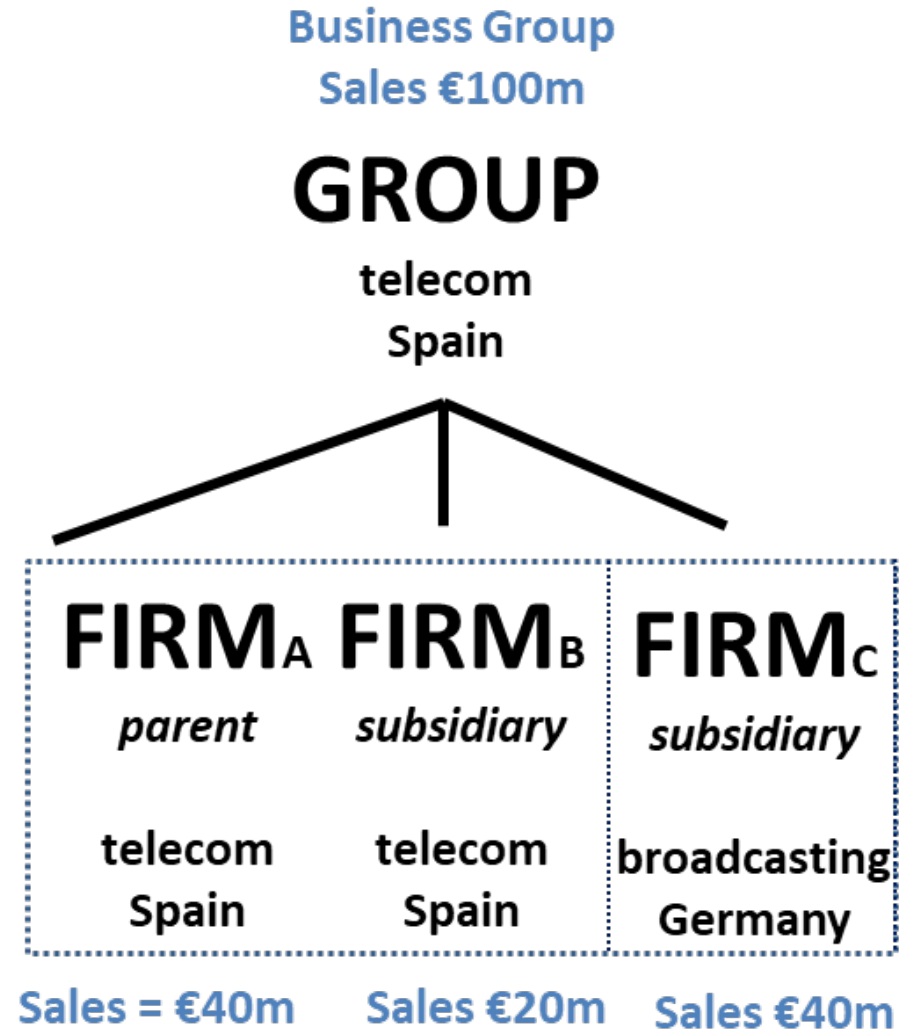
**Share of sales due to 8 (4, 20) largest business groups...**

**...within each country and 2-digit industry**

- Industry vs. market
- Country vs. world region vs. local



# Apportioning into countries and industries



# Data

## Sales Data for Subsidiaries, Parent & Group (100 Countries)



## Group-Subsidiary Ownership Data (2.8 million firms)

### Sample

- Europe (BEL, DNK, FRA, FIN, GBR, GRC, ITA, PRT, ESP, SWE)  
+ United States + Japan
- Manufacturing + non-financial market services
- 2002-2014



# Data on drivers of concentration

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- **Intangible investment: INTAN-Invest**
  - Innovative assets, computerised information, economic competencies
  - by country and A21 industry
- **Industry digital intensity: Calvino et al. (2018)**
- **Tangible investment, trade openness, exposure to FDI, product market regulations: OECD**



# The role of the digital transformation for competitive dynamics

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## Digital Technologies:

- lower **costs of entry**, operation, and experimentation;
- Ease **sharing of ideas** and innovation;
- **network** effects;
- Improve **real-time measurement**;
- Ease penetration of several markets and faster **scaling up**.

## These characteristics can potentially:

- Increase efficiency and productivity growth;
- Be source of **increased competition** (Brynjolfsson et al., 2005).

## But also:

- Lead to **“Winner-takes-most” dynamics** (Brynjolfsson et al., 2008; Bessen, 2017);
- Increase importance of **complementary investments in intangibles** (Haskel and Westlake, 2017; Brynjolfsson and McElheran, 2016; Brynjolfsson et al., 2017).



# How can we explain these trends? Competing explanations

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- **Decline in Knowledge diffusion** Akcigit and Ates (2019)
- **Implementation lags:** Digitalisation, like other GPT needs complementary innovations and investment in intangible capitals (including organizational changes, and new skills)
  - Brynjolfsson, Rock and Syverson, 2017
- **Increase in Market Power** driven by both changes in market structure and changes in technology (importance of intangibles)
  - De Loecker, Eeckhout, Mongey, 2019
- Heterogeneous and cyclical response of technology adoption to **low interest rates**
  - Liu, Mian and Sufi, 2019 (heterogeneity); Anzoategui, et al., 2016 (cyclicality)