The Great Reversal

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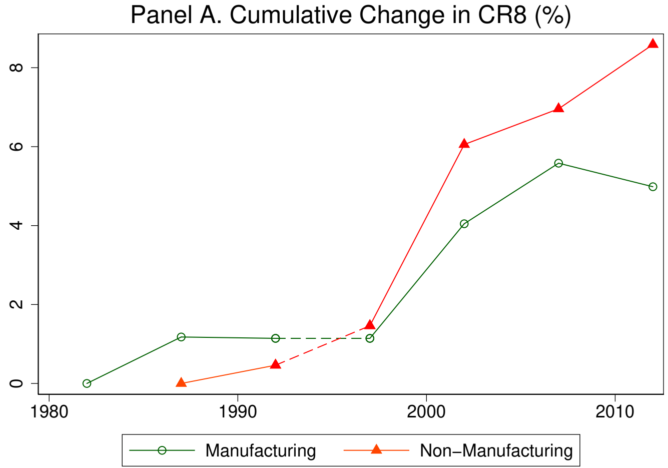
The Rise in US Concentration



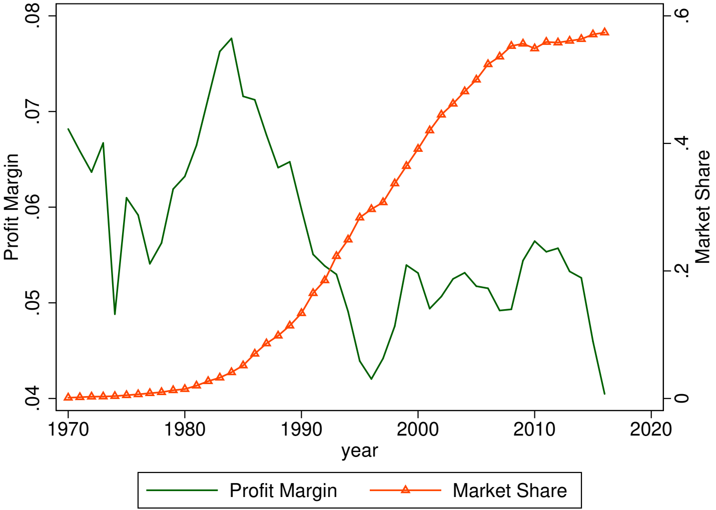
Source: U.S. Economic Census for all Businesses. Dashed lines because of changes in industry classification from SIC to NAICS.

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?

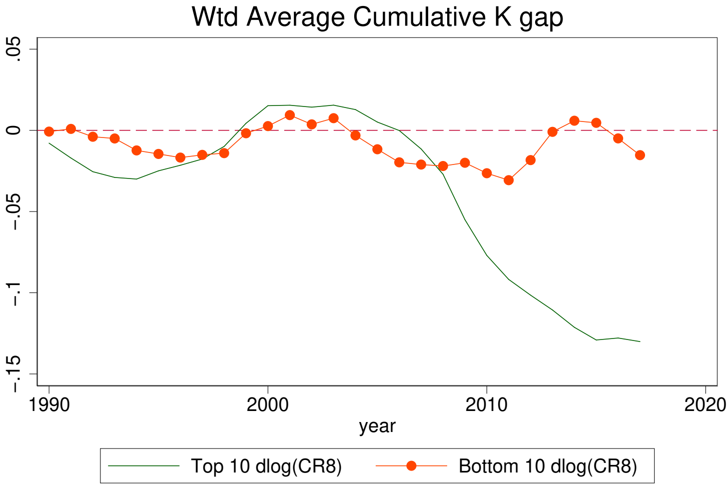
- **Technology vs. Policy?**
  - Intangible investment and network effects
  - Regulation and antitrust

Walmart

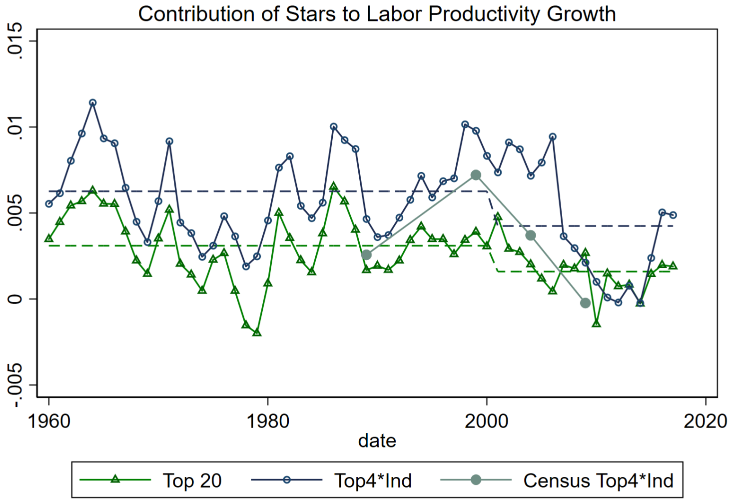


Profit Margin
.04
.05
.06
.07
.08
Market Share
0
.2
.4
.6
1970
1980
1990
2000
2010
2020
year
Profit Margin
Market Share

Missing Investment from Concentrating Industries

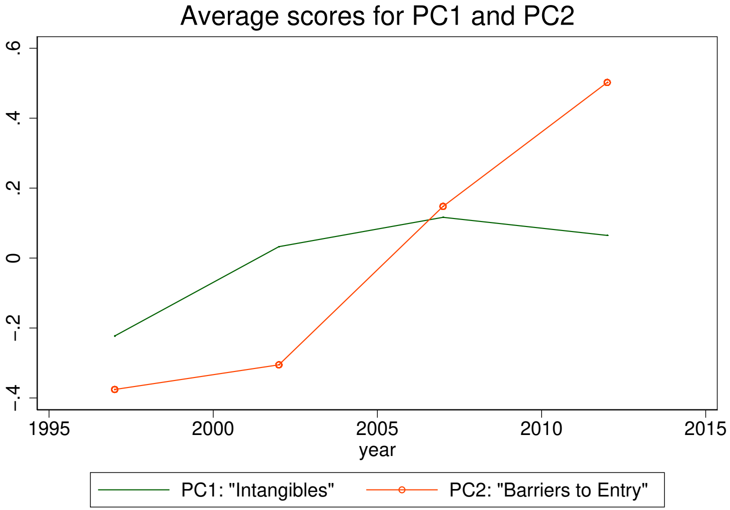


Fading Stars

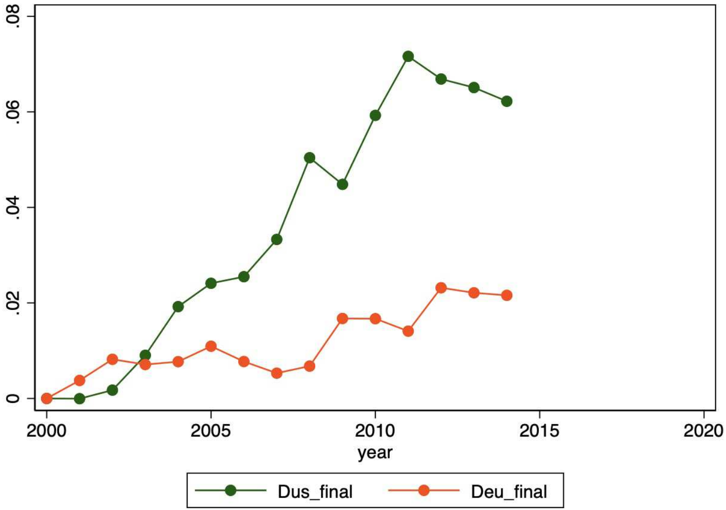


Notes: Excludes Oil industries

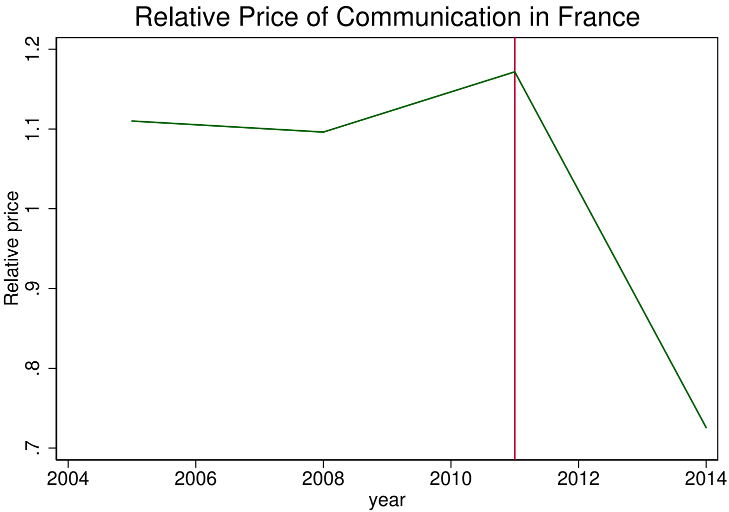
Good Concentration / Bad Concentration



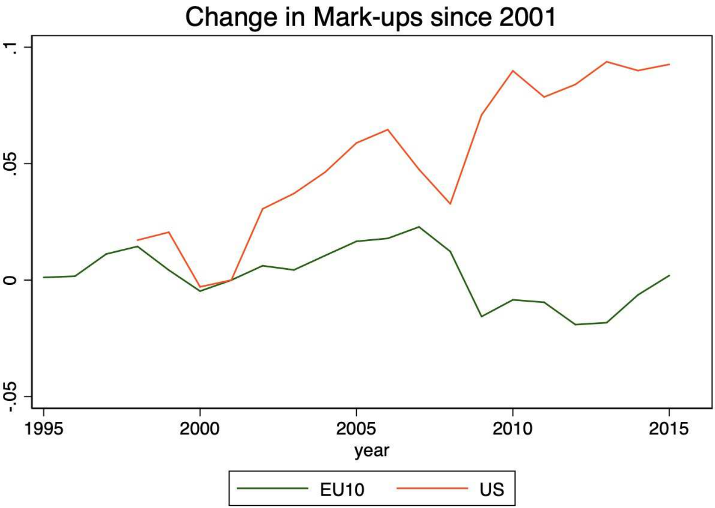
Concentration: EU vs. US



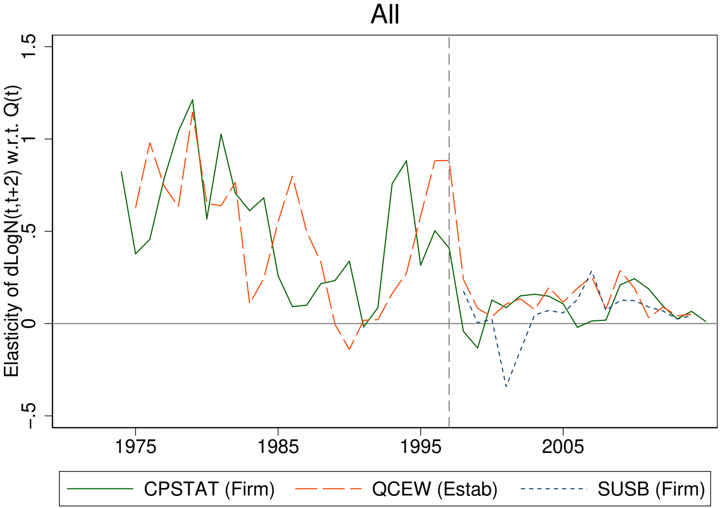
Comparison of Telecom Prices in FR vs US



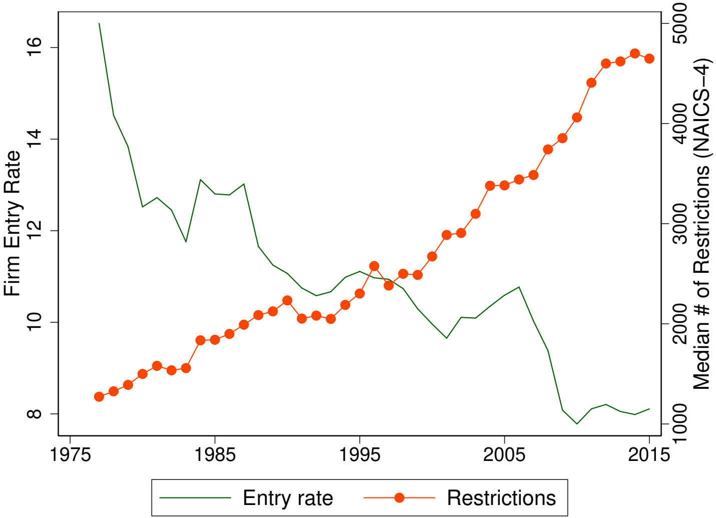
Markups EU vs US



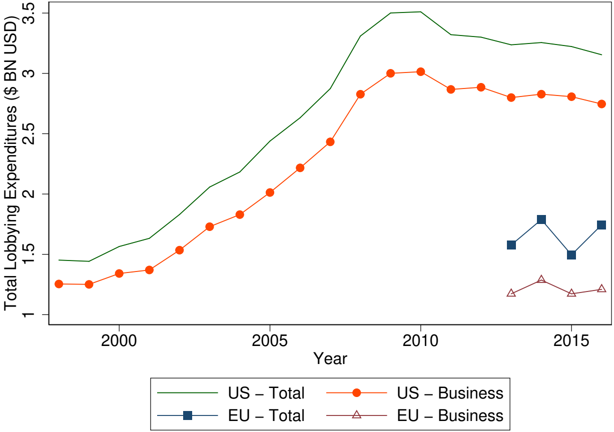
The Failure of Free Entry



Barriers to Entry?



Lobbying Expenditures



The MissingTrillion 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