

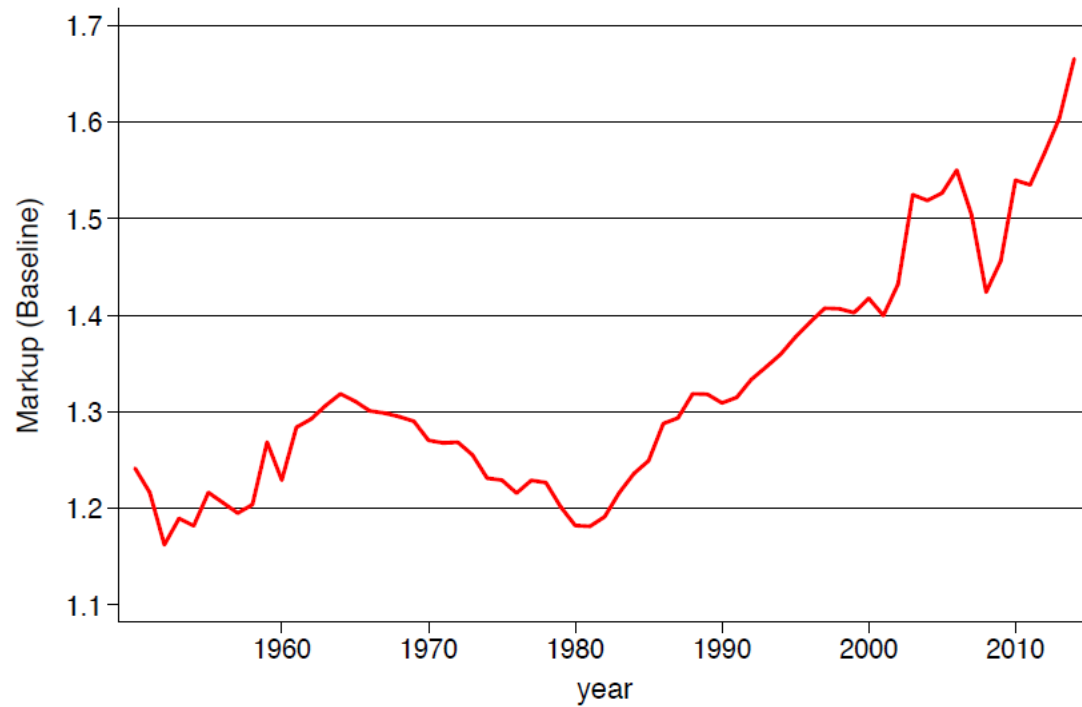
# The Rise of Market Power ?

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MACSS

# “Evidence” on rise of market power

De Loecker & Eeckhout (2017)



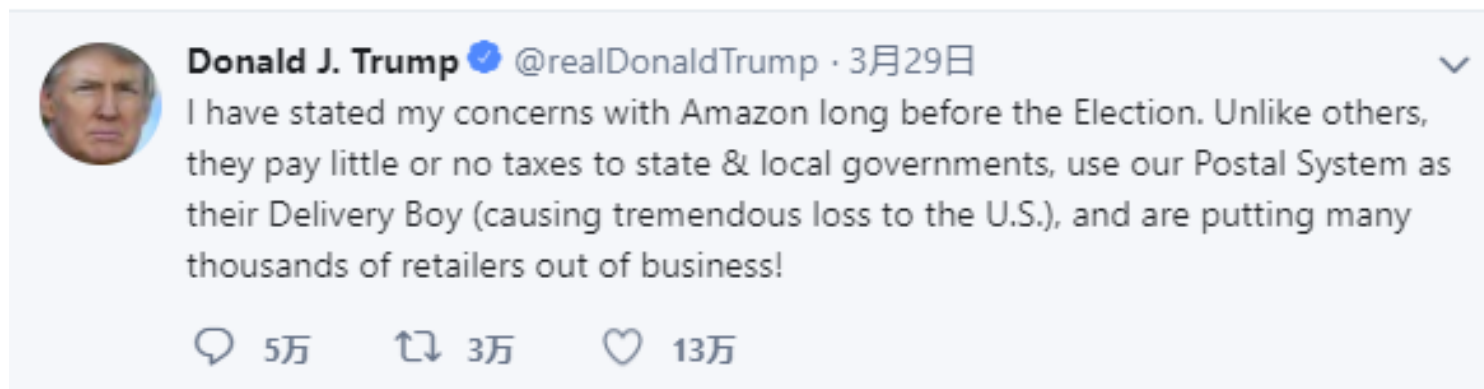
Autor et al. (2017)

Panel B. Top 20 concentration



# Implication of change in market power

- Call for anti-trust policy



- Implication for macro inequality
  - A consensus on global decline in labor share
- Implication for change in productivity growth
  - A consensus on slowing productivity growth in recent decade(s)

# Research Questions

- Are those evidence showing rising market power robust?  
---- Can we really find evidence on rising market power?  
Or is it capturing something else?
- If there is strong evidence on rise of market power (or any other market dynamics), where does it come from?
  - “Star firms”? Specific industry? Aggregation issue? ...
- A heterogeneous-firm model to explain the market dynamics

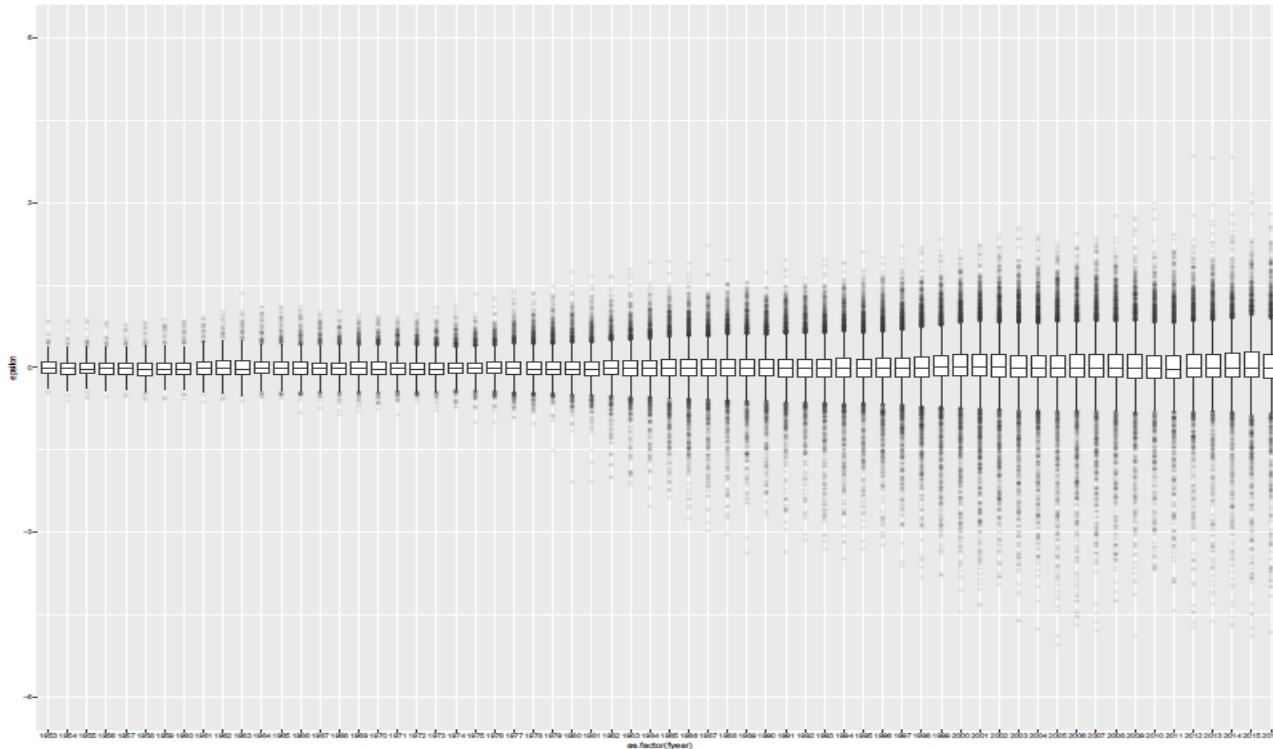
# Implementation plan

- Firm producing behavior
  - Time-series
  - From the most-nonparametric estimation to more structural estimation
- Market structure
  - Cross-sectional/Panel
  - Decomposition: is it within industry/firm or reallocation?
- Data
  - Compustat

# Firm producing behavior

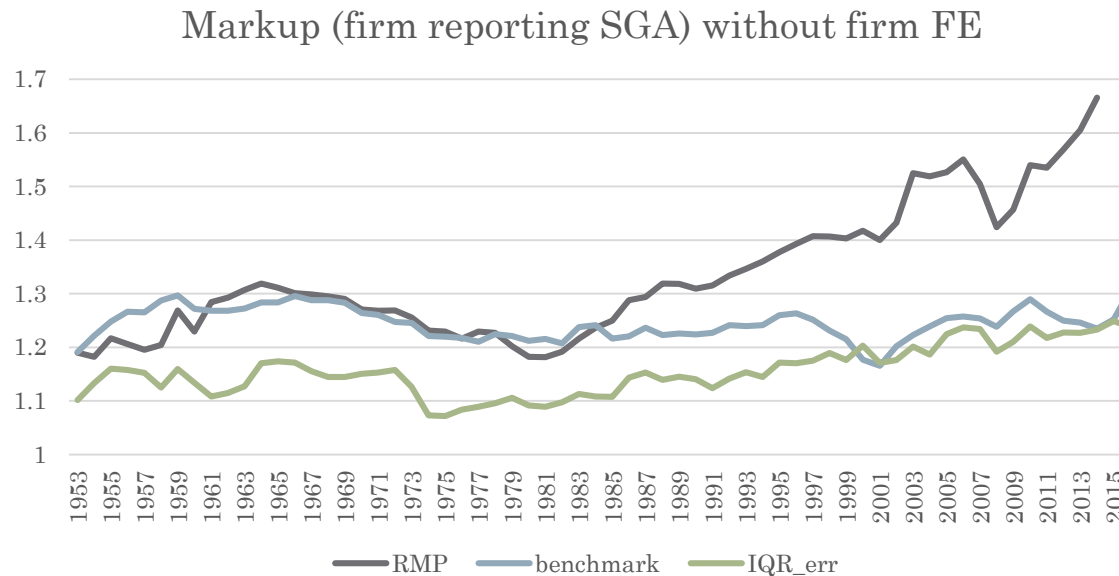
- Even using a very flexible production functional form (and controlling for time fix effect), we still witness an increase in second-moment of residuals over time.

$$q_{it} = \phi_t(v_{it}, k_{it}) + \epsilon_{it}$$



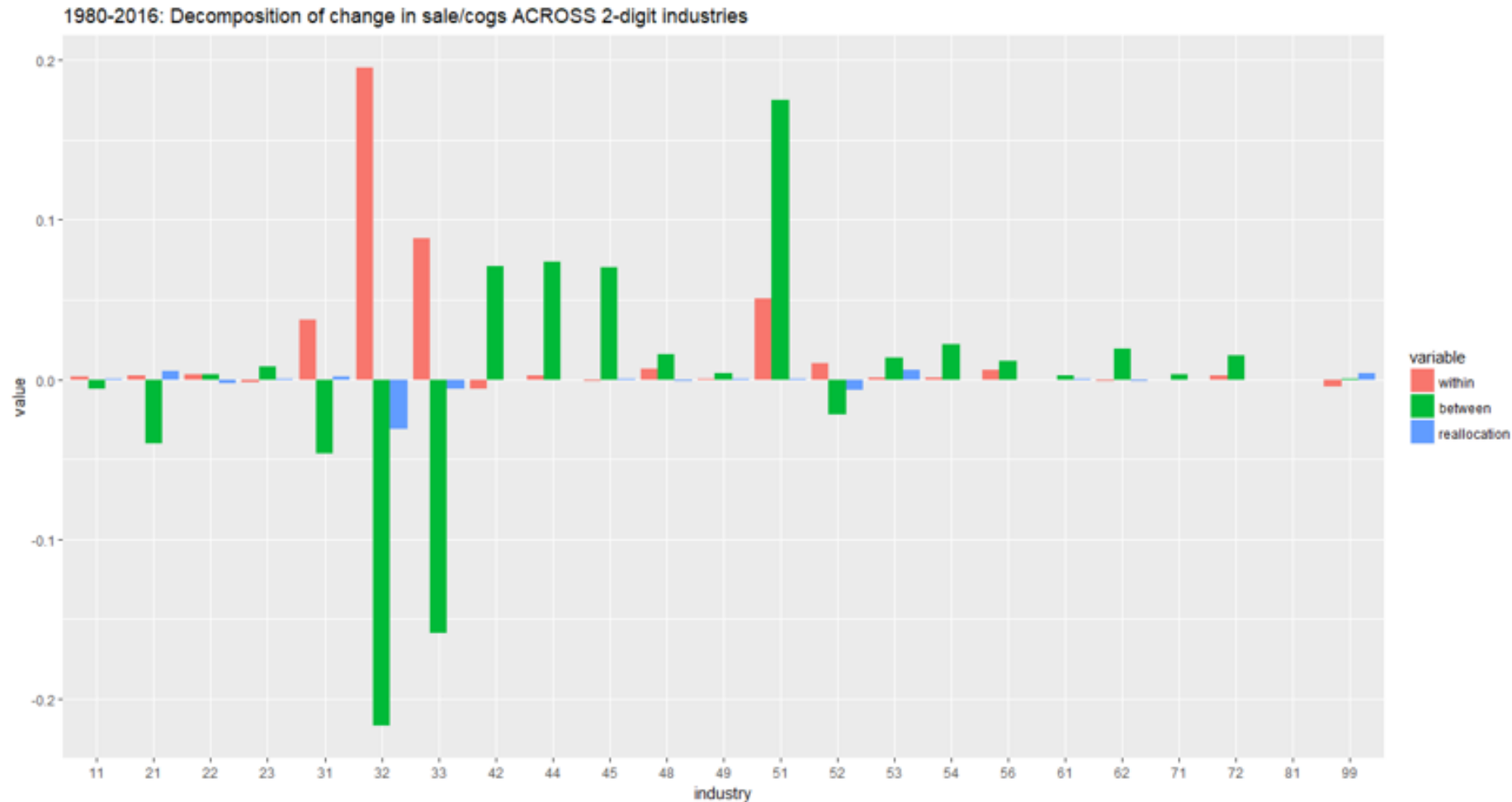
# Firm producing behavior (continued)

- Outliers are important
  - If been corrected or excluded, the “rise of markup” is gone. These outliers/unexplained behavior, really drive the “rise of markup” (market power)



# Market Structure: decomposition

- Within firm/industry change or reallocation ?





# Next step

- A more detailed probe into firm producing behavior
  - Structural model
- Link between unexplained producing behavior with market structure (reallocation)
- Extension to other countries

# Reference

- De Loecker, Jan and Jan Eeckhout, “*The Rise of Market Power and the Macroeconomic Implications*,” Working Paper 23687, National Bureau of Economic Research, August 2017.
- Autor, D., D. Dorn, L. F. Katz, C. Patterson, and J. Van Reenen (2017): “*Concentrating on the Fall of the Labor Share*,” National Bureau of Economic Research Working Paper.