

Market Concentration and Productivity in Developing Countries

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Abstract: We consider the interrelationship among competition, market structure, prices, and outputs using the census data of Taiwan for testing the collusion and efficiency hypotheses widely known in industrial organization and antitrust literature. We point out that the narrative nature of efficiency hypothesis requires a dynamic competition process to allow the working of the efficient firms to take over the market shares of the relevant markets over time. Nevertheless, this competition process cannot be achieved without suitable competition environment. Since Taiwan is a developing country but is close to be an developed economy, and some sectors of Taiwan, especially the manufacturing sector, have been successfully engaging in international trade for a long time. We conjecture that the efficient hypothesis is supported by the global oriented sectors of Taiwan, while the collusion hypothesis is borne out in local oriented sectors only. This is indeed what we found in this paper when we conduct the quantity test and price test on Taiwan census survey data generated from the consumer welfare principle.

Keywords: Market structure, Pricing, Market performance

JEL Classifications: D43, L13, D24

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