

# **U.S. Market Concentration and Import Competition (2024)**

## **by Mary Amiti and Sebastian Heise**

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# Summary of Amiti and Heise (2024)

**Question.** How import competition ( $\Delta IP_{it}$ ) affected production concentration ( $\Delta C_{it}^P$ ) and market concentration ( $\Delta C_{it}^M$ )?

- Why to care? Market concentration ( $\approx$  power)  $\implies$  Markups
- 2SLS: Instrument for  $\Delta IP_{it}$  with  $Inst_{\Delta IP_{it}} = \sum_{j \neq US} w_{ij,t-5} \tilde{\beta}_{ijt}$  ("Bartik"),

$$\Delta C_{it} = \gamma \Delta IP_{it} + \delta_t + \varepsilon_{it}, \quad (1)$$

where  $\Delta C_{it}$ : 5-yr change in concentration in industry  $i$  ( $t$ : 1992-2012)<sup>1</sup>

**Contribution.** Stable aggregate market concentration (theoretical-consistent):

- Domestic U.S. firms: an  $\nearrow$  in  $\Delta C_{it}^P$  ("selection"), but a  $\searrow$  in  $\Delta C_{it}^M$
- Foreign firms selling in the U.S.: an  $\nearrow$  in  $\Delta C_{it}^M$

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<sup>1</sup>Census of Manufactures & Longitudinal Firm Trade Transactions Database, UN COMTRADE

# Key Results: Section 5 Table 1

$$[2SLS] \Delta C_{it} = \gamma \Delta IP_{it} + \delta_t + \varepsilon_{it}, \text{ where } \Delta IP_{it} = \eta Inst_{\Delta IP_{it}} + \zeta_{it}$$

**Table 1:** CHANGE IN CONCENTRATIONS AND IMPORT COMPETITION (SIMPLIFIED)

	Production Concentration	Market Concentration		
	$\Delta C_{it}^P$	$\Delta C_{it}^{M,dom}$	$\Delta C_{it}^{M,all}$	$\Delta C_{it}^{M,for}$
$\Delta IP_{it}$	0.209** (0.089)	-0.289*** ↓ (0.083)	0.041 → (0.074)	0.381*** ↑ (0.053)
<b>First stage</b>	$\Delta IP_{it}$	$\Delta IP_{it}$	$\Delta IP_{it}$	$\Delta IP_{it}$
$Inst_{\Delta IP_{it}}$	0.383***	0.390***	0.390***	0.390***
Predicted effects on $\Delta C_{it}$	0.005	-0.008	0.001	0.010
Actual effects	0.033	-0.016	0.003	0.023
$N$	500	500	500	500

**Note:** Regressions for  $\Delta C_{it}^P$  is weighted by industry shipments in 1992; regressions for  $\Delta C_{it}^M$  are weighted by industry absorption in 1992.

## Two Major Comments

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# Comment #1: Export Supply Shocks (Bartik IV)

Starting from FE model:  $\Delta M_{ijkt} = \alpha_{ikt} + \beta_{ijt} + \varepsilon_{ijkt}$ , (*import*FE + *export*FE),  
 $\Rightarrow$  **Want.** Construct  $Inst_{\Delta IP_{it}} = \sum_{j \neq US} w_{ij,t-5} \tilde{\beta}_{ijt}$ ; shifter  $\tilde{\beta}_{ijt} = \hat{\beta}_{ijt} - \text{med}(\hat{\beta}_{it})$

**Strategy.** Estimate  $\hat{\beta}_{ijt}$  (**how?**)  $\rightarrow$  compute  $\tilde{\beta}_{ijt} \rightarrow$  construct  $Inst_{\Delta IP_{it}}$

① Define  $D_{ijt} \equiv \sum_k \Delta M_{ijkt}$  (total  $\Delta$  Exports of  $j$  of industry  $i$  to  $k$ ):

$$\begin{aligned} \Rightarrow \sum_k \alpha_{ikt} + \sum_k \beta_{ijt} + \sum_k \varepsilon_{ijkt} &= \sum_k \left( \frac{M_{ijk,t-5} \alpha_{ikt}}{\sum_k M_{ijk,t-5}} \right) + \sum_k \left( \frac{\cancel{M_{ijk,t-5}} \beta_{ijt}}{\sum_k \cancel{M_{ijk,t-5}}} \right) \\ &\equiv \beta_{ijt} + \sum_k \phi_{ijk,t-5} \alpha_{ikt} \text{ — (★)} \end{aligned}$$

② Similarly, define  $D_{ikt} \equiv \sum_j \Delta M_{ijkt}$  (total  $\Delta$  Imports of  $k$  of industry  $i$  from  $j$ ):

$$\Rightarrow \sum_j \alpha_{ikt} + \sum_j \beta_{ijt} + \sum_j \varepsilon_{ijkt} = (\text{skip}) \equiv \alpha_{ikt} + \sum_j \psi_{ijk,t-5} \beta_{ijt} \text{ — (★★)}$$

③ By acct (★) = (★★), we have  $J + K$  eqns & unknowns  $\Rightarrow$  unique  $\hat{\beta}_{ijt}$   $\square$

## Comment #2: Implications

The main implication is to assess market concentration for markups

- Amiti and Heise (2024) has done the first part, showing a stable aggregate market concentration
  - ⊗ The first to study **both** domestic & foreign firms selling in the U.S.
- What about the markups part? (stable mkt concentration  $\xrightarrow{?}$  stable markups)
- Several prior studies for markups (but domestic firms only):
  - ⊗ How do markups distribute **by industry**? (De Loecker et al., 2016)
  - ⊗ How do markups distribute **spatially**? (Atkin & Donaldson, 2015)
  - ⊗ How do markup distribute via **retail chains**? (DellaVigna & Gentzkow, 2019), (Gopinath et al., 2011), (Atkin et al., 2018)
- I found it particularly interesting to think about trade-associated domestic sales; may be a great mix of Trade/IO/Urban!

# References

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