Literature Review

# Measures of Industry Concentration

## Hoberg and Phillips (2010)

The authors classify industries as competitive or concentrated and examine variation in cash flows and stock returns during booms and busts. Their classification examines both public and private companies using 3-digit SIC code from the US Census Bureau. Public financial and stock price data comes from Compustat and CRSP. This is merged with private Herfindahl data from the Commerce Department and employee data from the BLS. Industry classifications are derived from the following two-step procedure:[[1]](#footnote-1)

1. Actual industry HHI is regressed on:
   1. Compustat public-firm-only HHI
   2. Firm-size variables
      1. Average number of employees per firm (BLS)
      2. Number of employees per firm (Compustat)
   3. Interaction terms
2. Coefficient estimates are used to compute fitted HHI for all industries

The highest tercile is defined as concentrated, and the lowest tercile is defined as competitive.

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* Item 1
* Item 2
* Item 3

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plot(cars)



Add a new chunk by clicking the *Insert Chunk* button on the toolbar or by pressing *Ctrl+Alt+I*.

When you save the notebook, an HTML file containing the code and output will be saved alongside it (click the *Preview* button or press *Ctrl+Shift+K* to preview the HTML file).

The preview shows you a rendered HTML copy of the contents of the editor. Consequently, unlike *Knit*, *Preview* does not run any R code chunks. Instead, the output of the chunk when it was last run in the editor is displayed.

#### References

Dahlquist, Magnus, Lee Pinkowitz, René M. Stulz, and Rohan Williamson. 2003. “Corporate Governance and the Home Bias.” *Journal of Financial and Quantitative Analysis* 38 (1): 87–110.

Hoberg, Gerard, and Gordon Phillips. 2010. “Real and Financial Industry Booms and Busts.” *The Journal of Finance* 65 (1): 45–86.

1. We filter DOJ antitrust case filings to focus on civil actions filed after 2000 that are classified under one of the following categories: Agreements Not to Compete; Agreements to Restrict Production; Attempts to Monopolize; Bid Rigging; Boycotts or Refusals to Deal; Collusion; Conspiracy to Monopolize; Customer or Territorial Action or Restrictive Resale Practice; Customer, Territorial, or Market Allocation; Exclusive Dealing and Requirements Contracts; Gun Jumping; Horizontal Mergers; Information Sharing; Interlocking Directorates and Officers; Joint Ventures; Monopolization; Monopoly; Other Restraint of Trade; Partial Control Acquisition; Predation; Price Fixing; Refusals to Deal; Resale Price Maintenance; Tying; Tying Agreements; and Vertical Mergers. A full list of enforcement actions by the Department of Justice is available at: <https://www.justice.gov/atr/antitrust-case-filings-alpha>. [↑](#footnote-ref-1)