

# BROOKINGS

Report

## **Macroeconomics and market power: Facts, potential explanations, and open questions**

Chad Syverson Wednesday, January 23, 2019

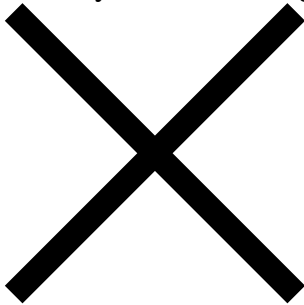
**T**raditionally, monopoly power research has largely been in the domain of microeconomists, who focus on individual industries or markets. But existing research shows that for at least a decade, there has been broad growth in measured profit rates, price-cost margins, and market concentration, accompanied with drops in investment rates, firm entry rates, and the share of income going to labor. These patterns have sparked debate about whether the influence of monopoly power has grown beyond the realm of the single industry, and into the economy overall. Indeed, in recent years, there have been several notable papers examining market power with macroeconomic frameworks. In “[Macroeconomics and Market Power: Facts, Potential Explanations, and Open Questions](#)” (PDF), Chad Syverson of the University of Chicago Booth School of Business and NBER uses his experience in both micro- and macro-economic research to assesses macro market power research through a micro lens. Syverson argues that the macro market power literature has contributed vital information by documenting robust, persistent relationships between several trends, such as labor’s declining share of income, increasing corporate profits, slower productivity growth, and decreasing firm entry and dynamism. However, although market power remains a leading explanation for several of these patterns, he says that the existing research does not provide enough evidence to make this conclusion definitively. Papers that attempt to establish the magnitude of market power effects vary from a trivial blip to massive. Syverson says that the ambiguity is due to a combination of the novelty and thinness of the existing literature, inherent measurement difficulties, and the divide between the macroeconomic approach toward empirical work on the subject and the practices honed in microeconomic studies. Syverson recommends that more research be done along this line of questioning: “I also encourage the macro market literature to borrow from the practices

of the micro literature when practical and warranted. In the meantime, there is a case for caution before calling for policy changes (antitrust or otherwise) that assume as fact a sizeable, across-the-board increase in market power.” Read the [full report here](#).

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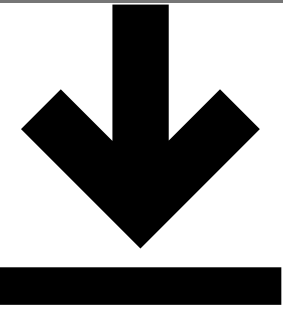
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