

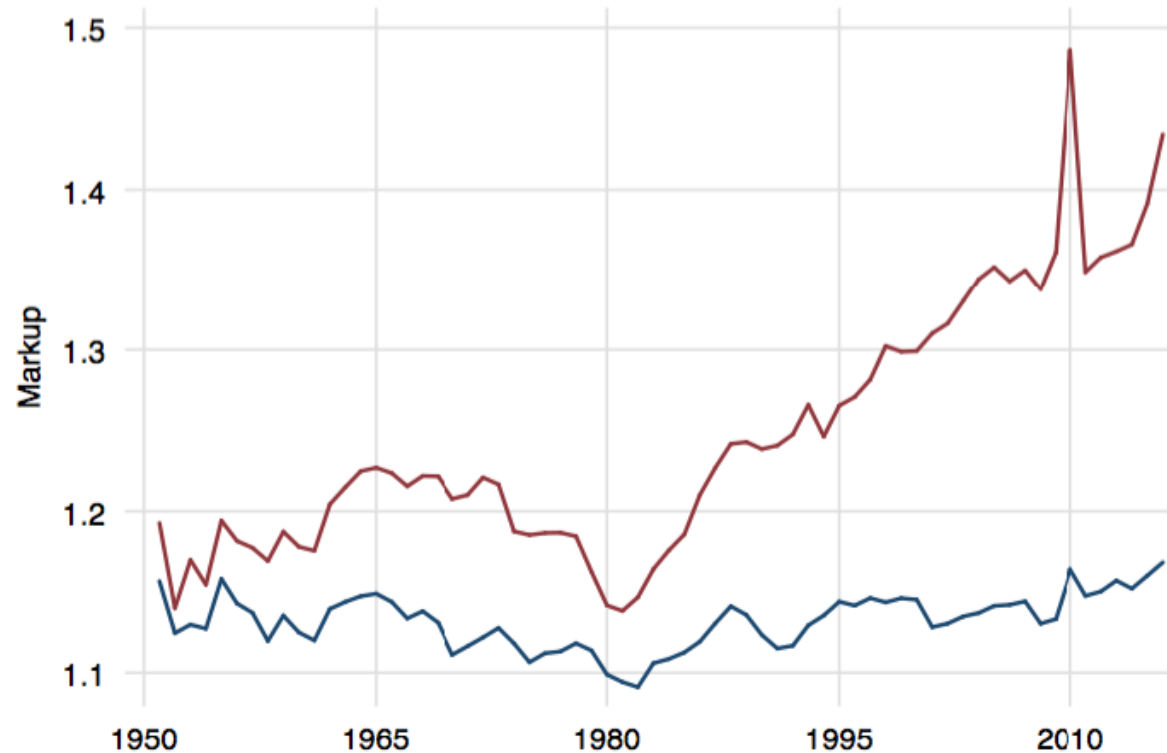
The Rise of Market Power or Transformation of Production?

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Prepared For MACSS Lightning Talk Night

A Rise in Markup, or Not?

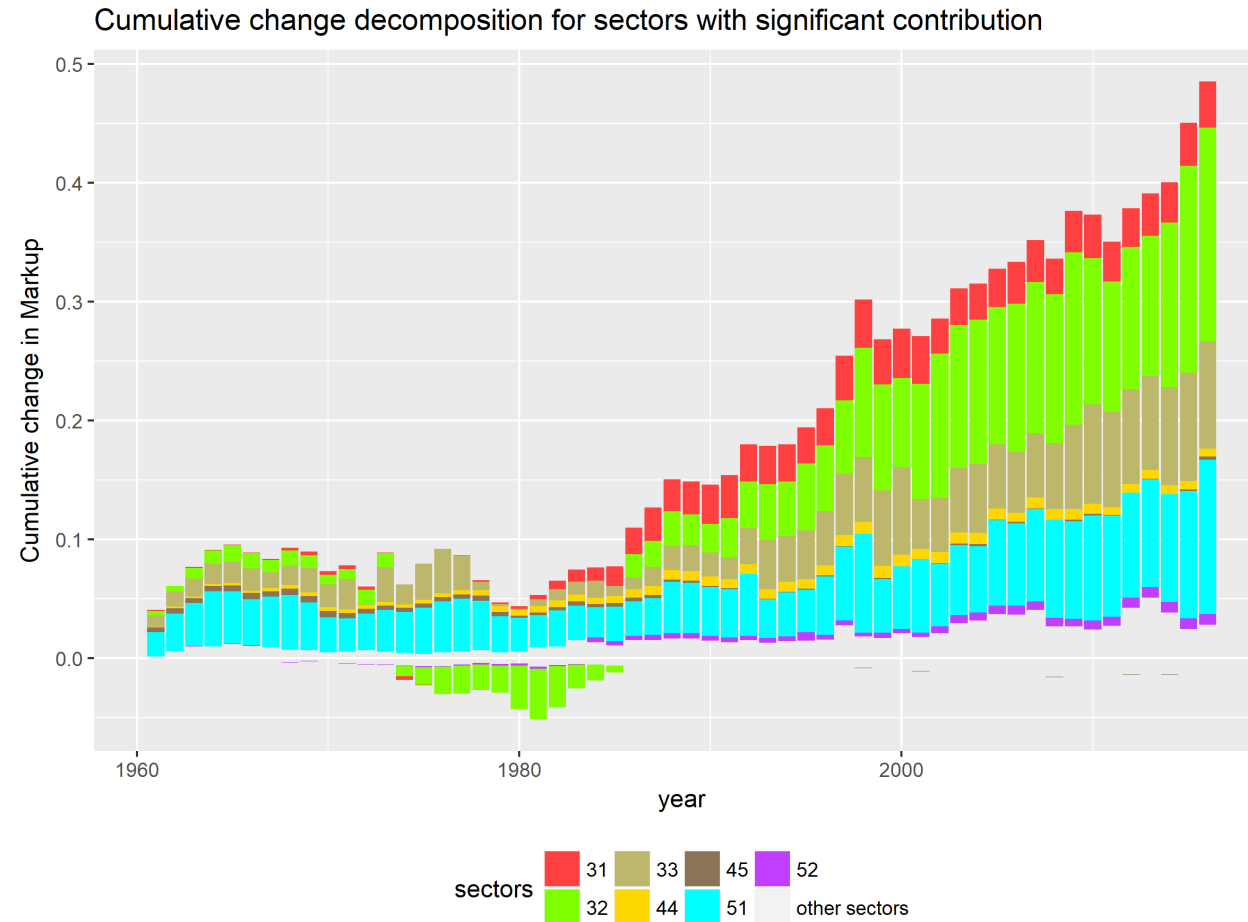
- Markup = Price / Marginal Cost
- The answer is No, when you account for transformation of production



Source: Traina (2018)

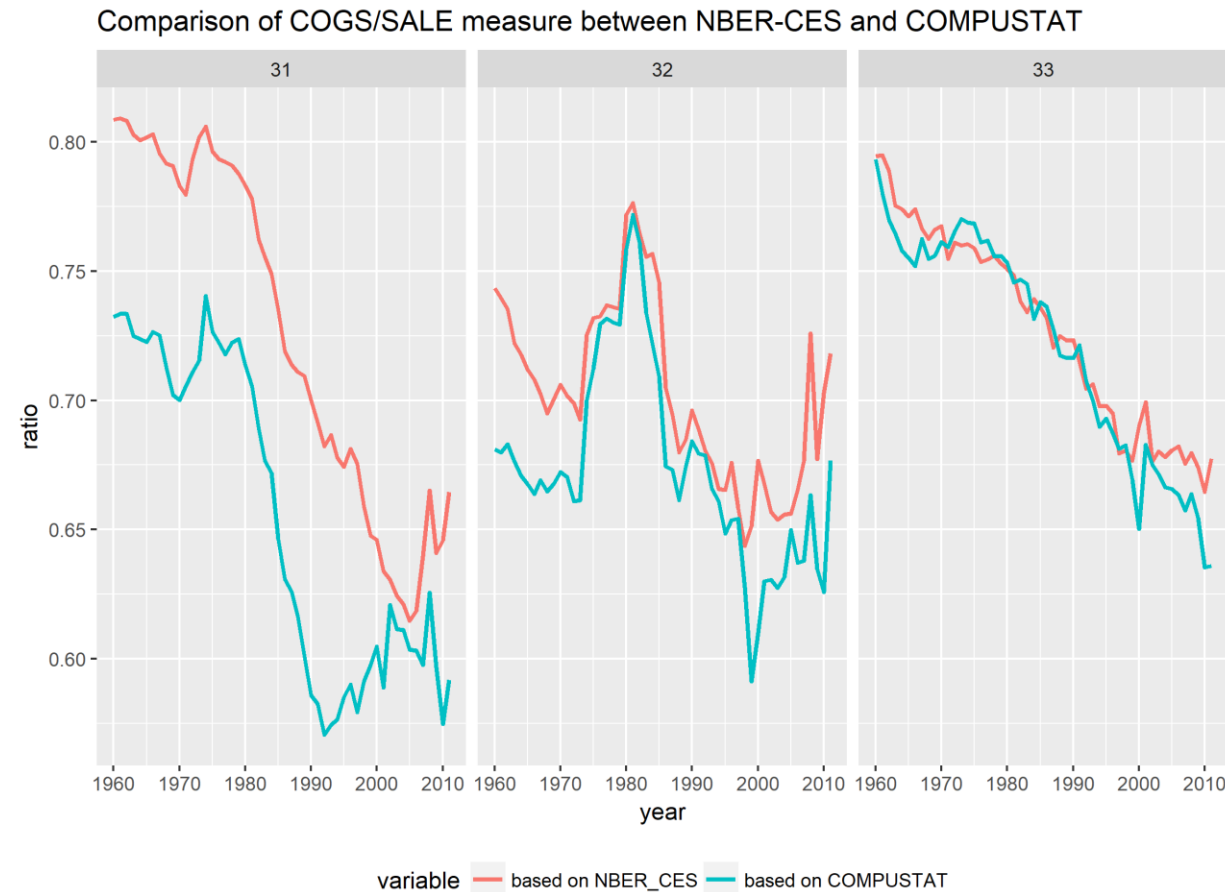
Where did the transformation of production happen the most?

- Manufacturing



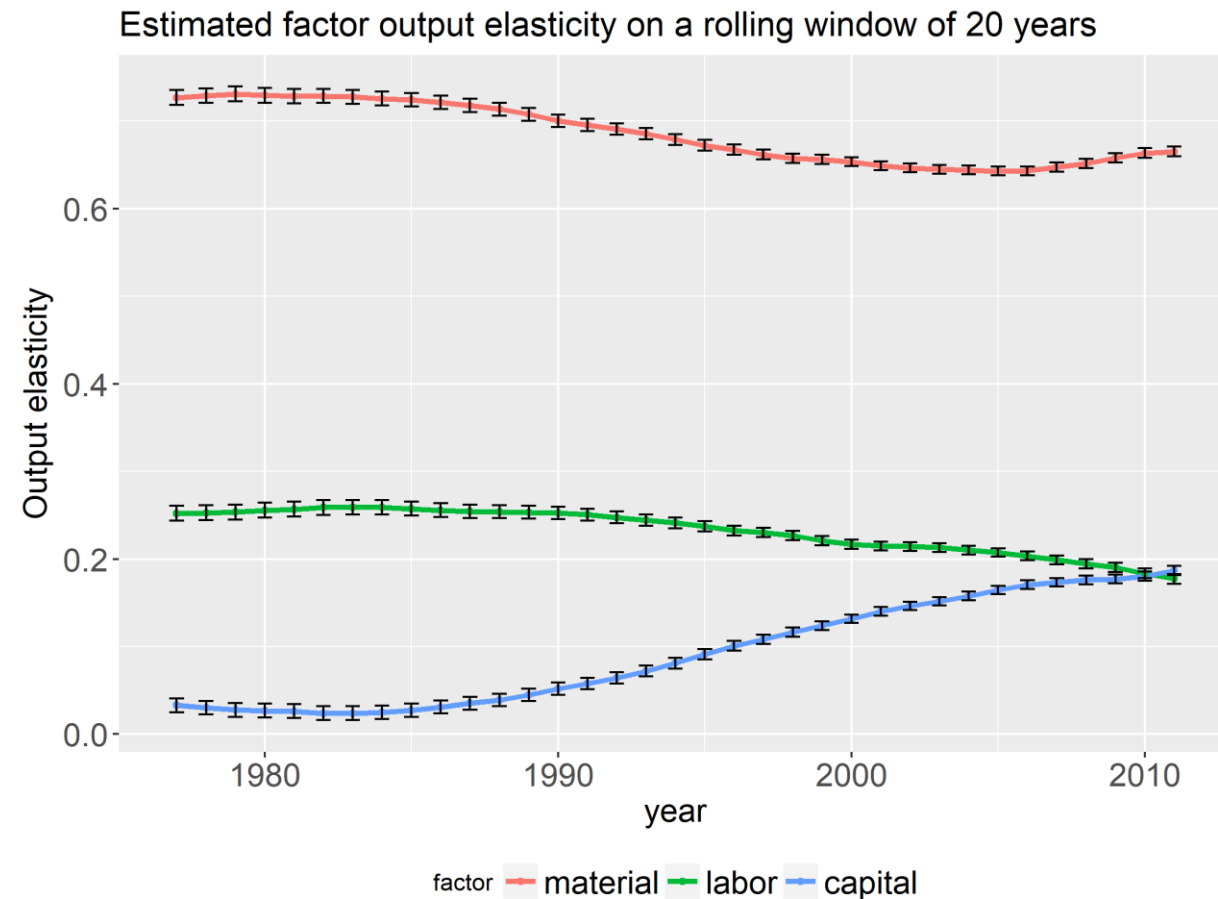
Pairing Compustat with Census Manufacturing Data

- Same Trend (Production VS Markup) captured in both data



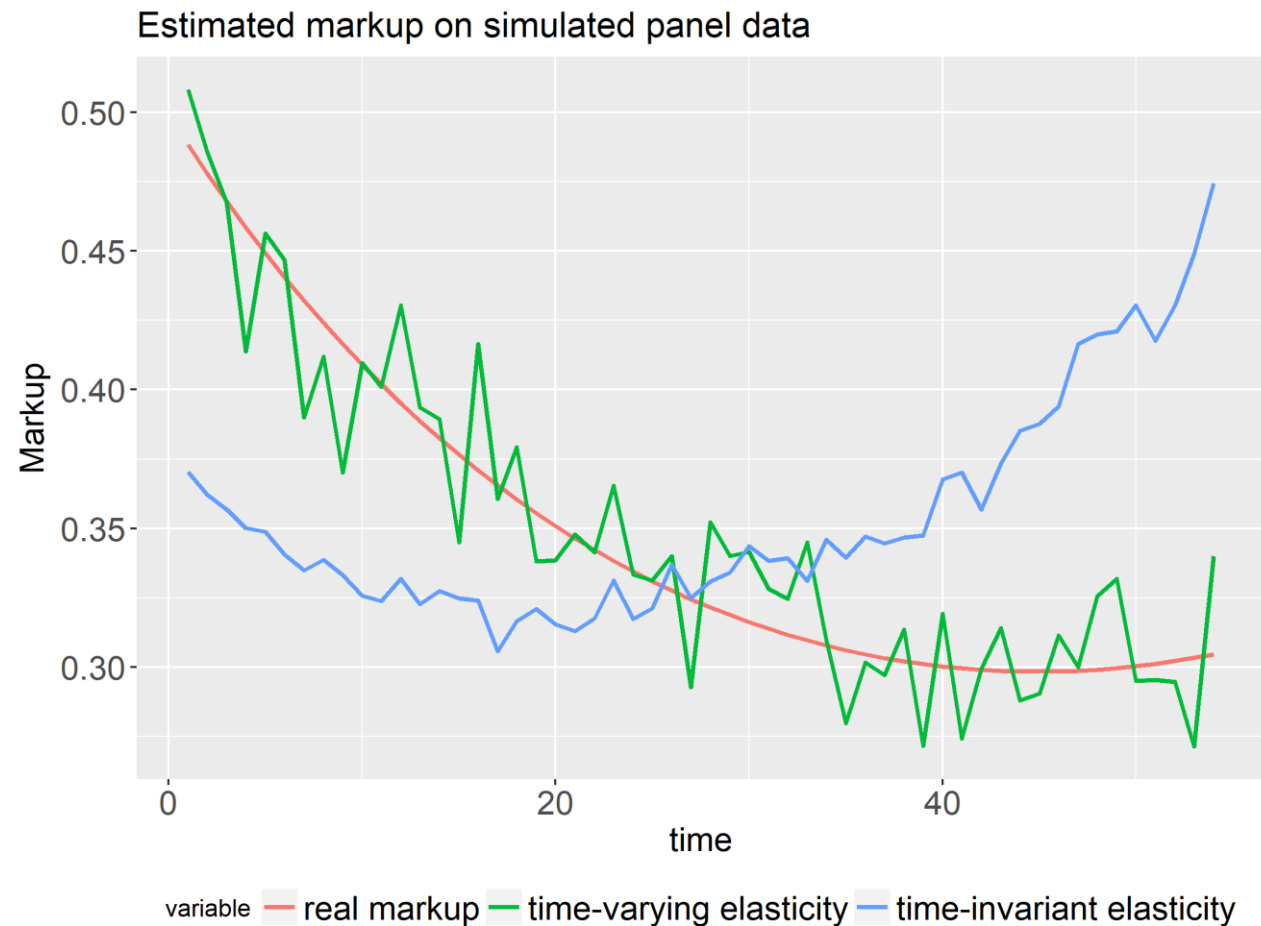
Less Labor and More Capital

- Capital Matters



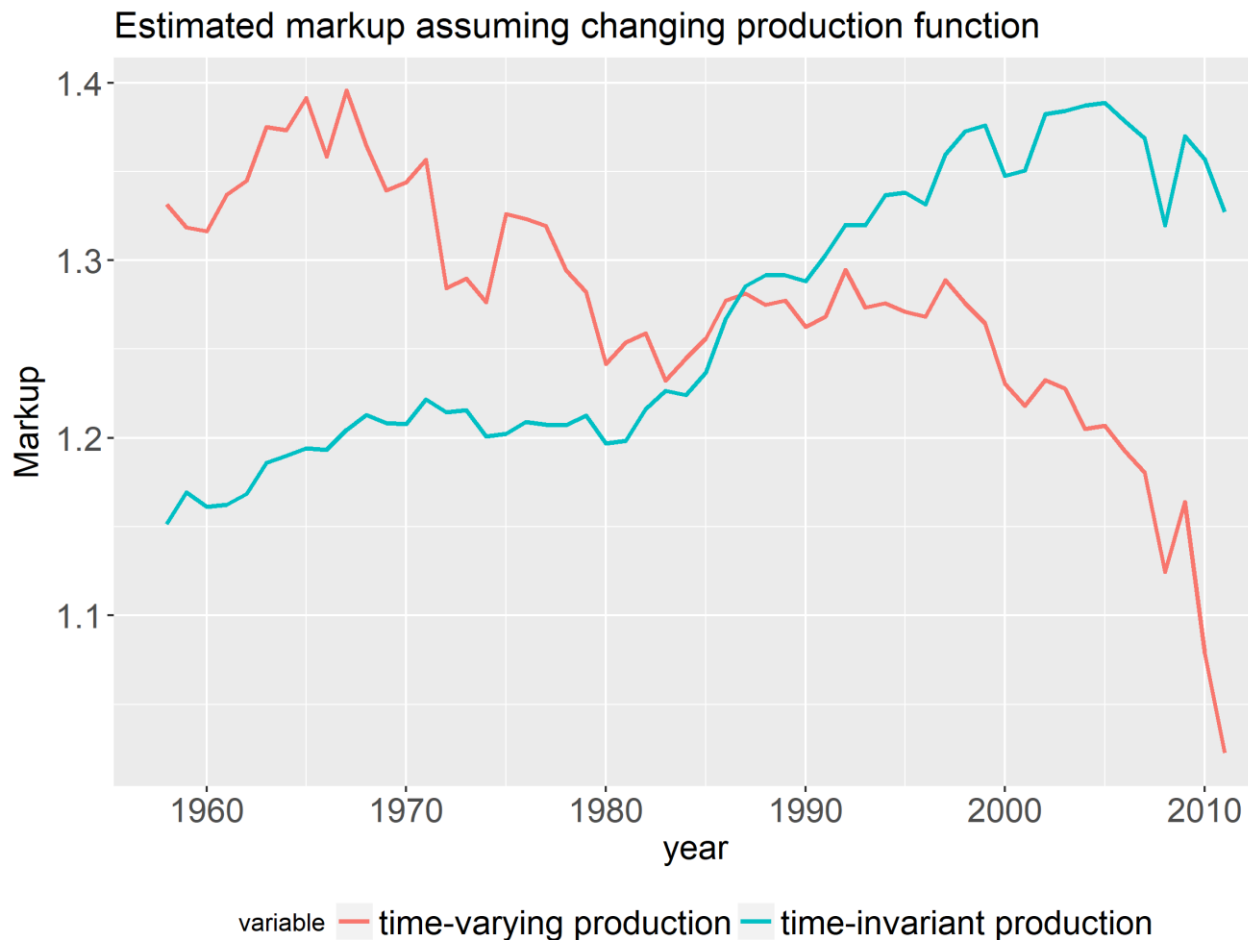
Monte-Carlo Simulation

- A response to declining relative price of Capital



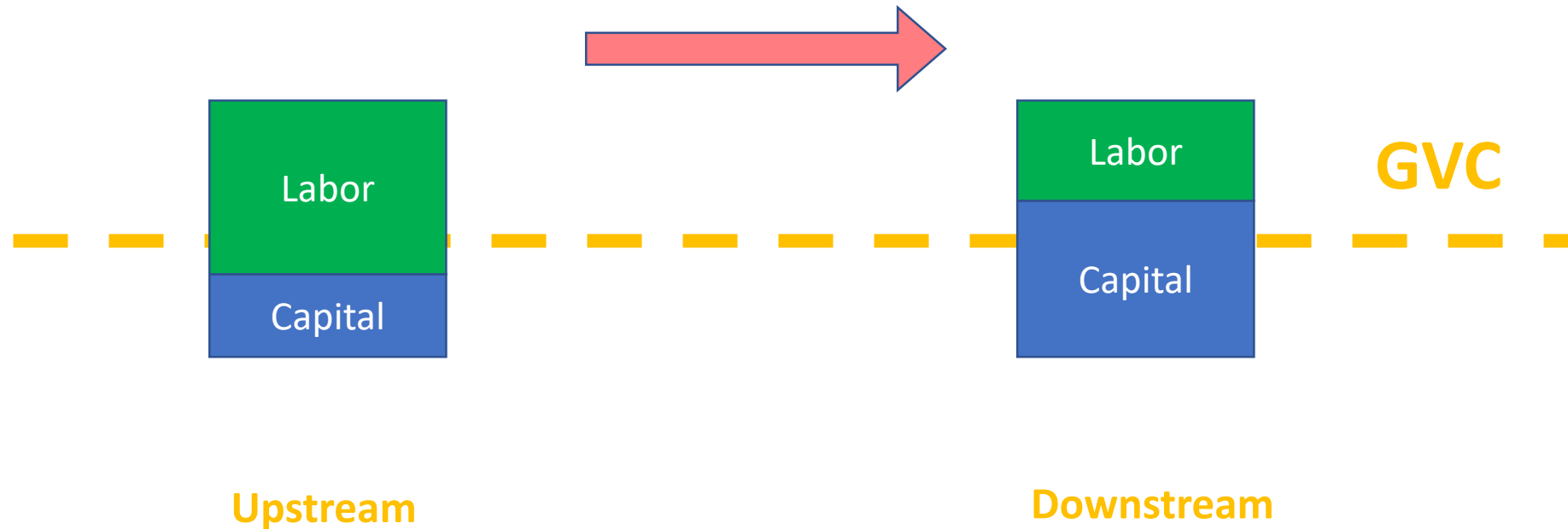
A Decreasing, Not Increasing Mfg. Markup

- When accounting for a transforming production process



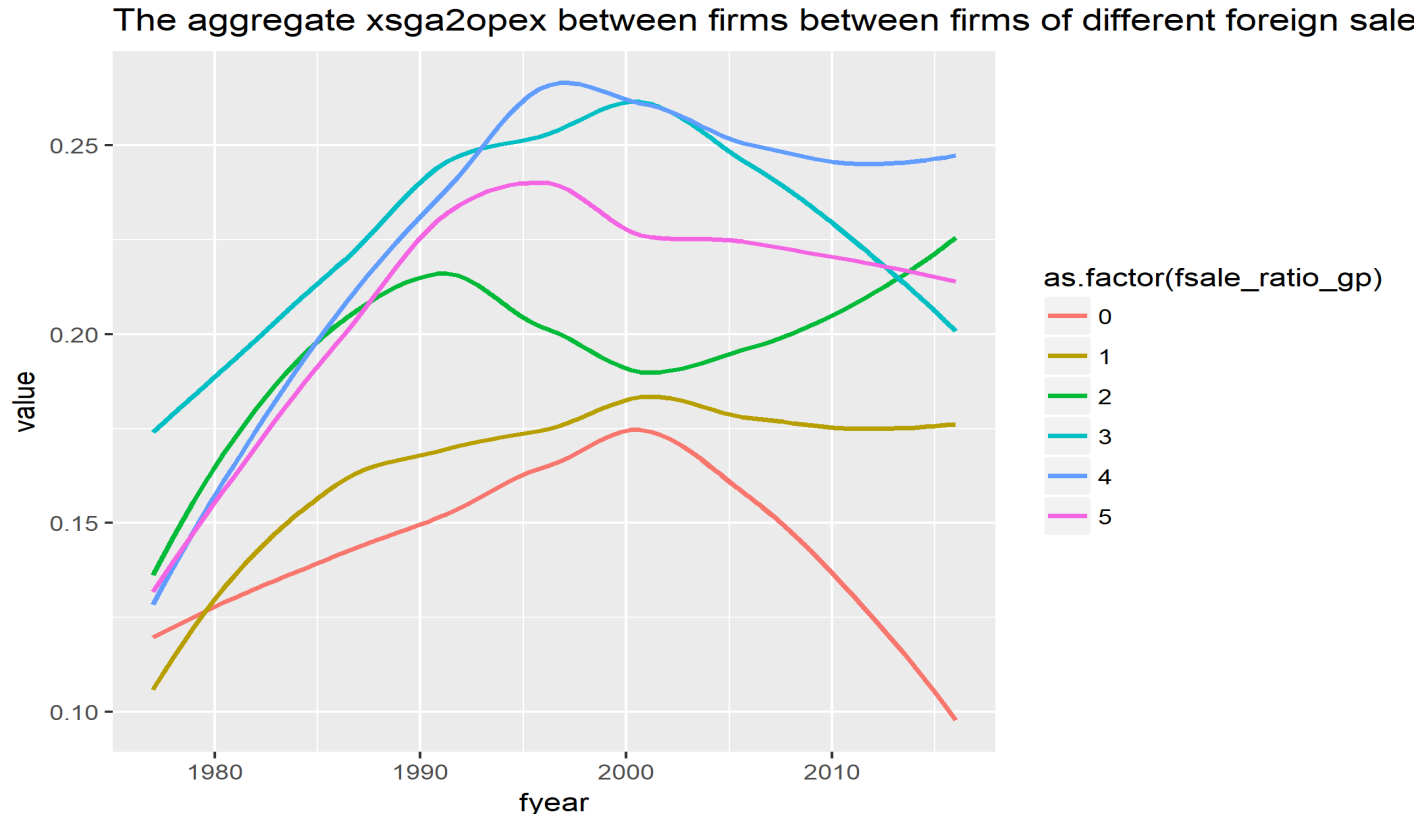
Some Other Explanations: GVC

- Move down along the Global Value Chain :
a more capital/intangible-intensive model



Some Other Explanations: GVC -- Evidence

- Using Compustat-segment dataset, paired with text-mining on 10K
- Firms with larger share of foreign sales tend to see larger extent of transformation of production



Policy Implication

- Call for Anti-trust policy might be too-premature
- Instead, more focus should be shifted towards:
 - Education Policy: in response to the shift of production factors
 - Global tax-policy coordination: in response to US industry's changing position on GVC