Increasing Differences between firms: Market Power and the Macro-Economy

John Van Reenen,
MIT Department of Economics and Sloan Management School

Structure of Talk:

1. Facts on firm dispersion in productivity
2. Facts on increasing inequalities – size, productivity, pay
3. Do these patterns show a decline in competition?
4. Policy Implications
5. Conclusions
Chart 2: Firm Management quality varies enormously

Notes: Firm level average management scores, 1 (worst practice) to 5 (best practice). World Management Survey data from Bloom, Sadun and Van Reenen (2016)
Chart 3A: Rising Concentration in the US - Manufacturing and Retail

A. Manufacturing Sector

B. Retail Trade

Notes: Weighted average of 4 digit industries within each large sector. Manufacturing: 388 inds; Retail: 58.
Source: Autor, Dorn, Katz, Patterson & Van Reenen (2017)
Chart 3B: Rising Concentration in the US - Services and Wholesale Trade

C. Services

D. Wholesale Trade

Notes: Weighted average of 4 digit industries within each large sector. Wholesale: 56. Services: 95.
Source: Autor, Dorn, Katz, Patterson & Van Reenen (2017)
Chart 3C: Rising Concentration in the US - Utilities/Transport & Finance

E. Utilities + Transportation Sector

F. Finance Sector

Notes: Weighted average of 4 digit industries within each large sector. Utilities & Transport: 48; Finance 31
Source: Autor, Dorn, Katz, Patterson & Van Reenen (2017)
Chart 4: Like US, Sales Concentration has also increased in the EU


Notes: Year effects from regressions with country-industry dummies and year dummies (BEL, DEU, DNK, FIN, FRA, HUN,NOR, PRT, SWE)
Chart 5: Rising US productivity dispersion (manufacturing)

Source: Decker, Haltiwanger, Jarmin & Miranda (2018, Figure A6)
Notes: Standard Deviation of log(real sales/employment) normalized in a NAICS 6 digit industry-year. HP filtered series in dashed lines. LBD is population whereas ASM is corrected for sample selection. Weights are employment weights.
Chart 6: Change in firm-level productivity dispersion 2001-2012 (pooled across 14 OECD countries)

Notes: Coefficients on year dummies from regression of 90-10 log(productivity) within an industry-year cell in 16 OECD countries (AUS, AUT, BEL, CHL, DEU, DNK, FIN, FRA, HUN, ITA, JPN, NLD, NOR, NZL, PRT SWE)
Chart 7: Change in US earnings inequality is almost all between firm (rather than within firm), 1981-2013

Source: Song et al (2017), SSA data
Chart 8: US Labor Share of GDP

Figure 1. Labor's share of output in the nonfarm business sector, first quarter 1947 through third quarter 2016

Percent

Note: Shaded areas indicate recessions, as determined by the National Bureau of Economic Research.