

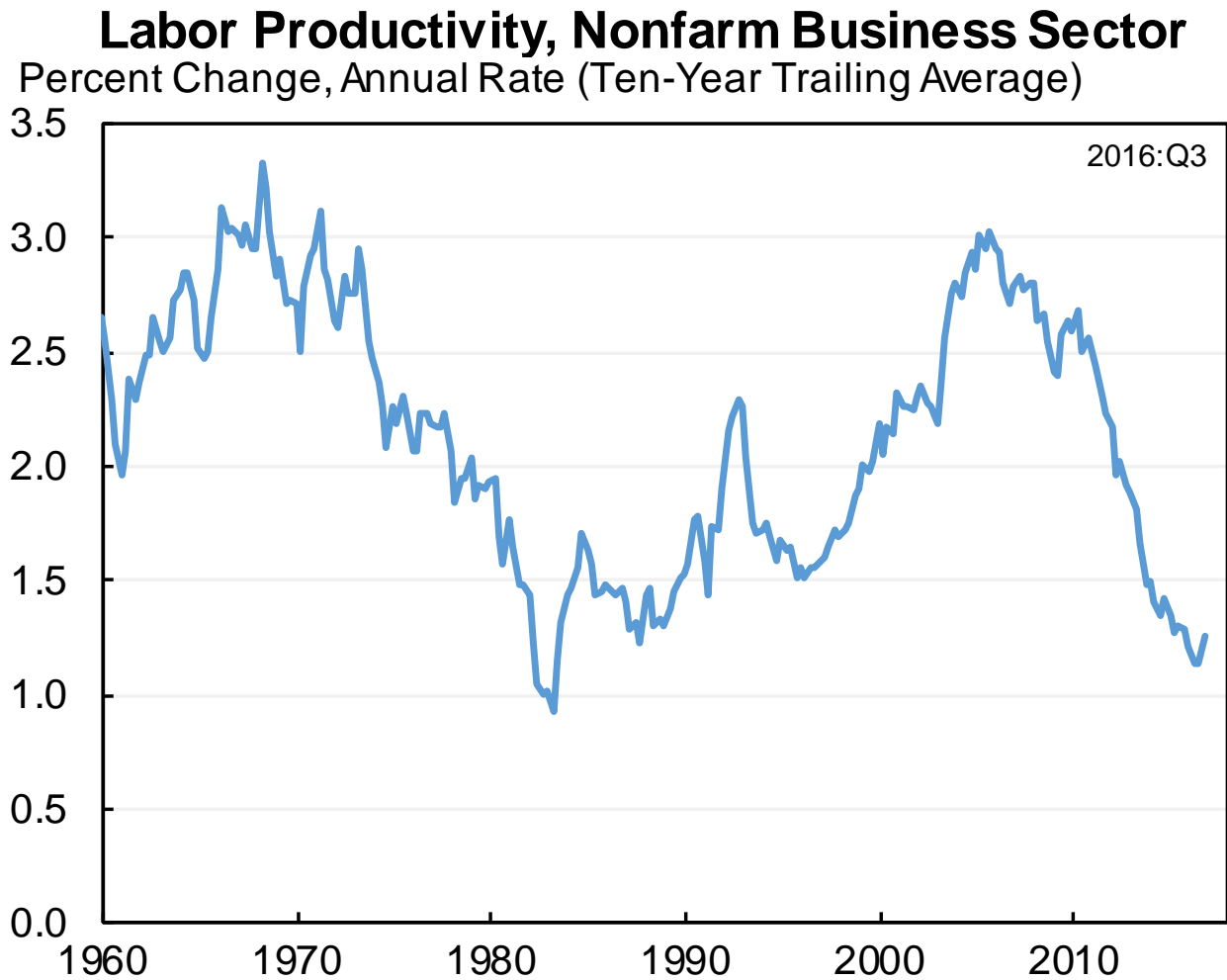
Panel Discussion: “Has Antitrust Failed?”

Jason Furman

**NYSBA Antitrust Law Section Annual Meeting
New York, NY
January 26, 2017**



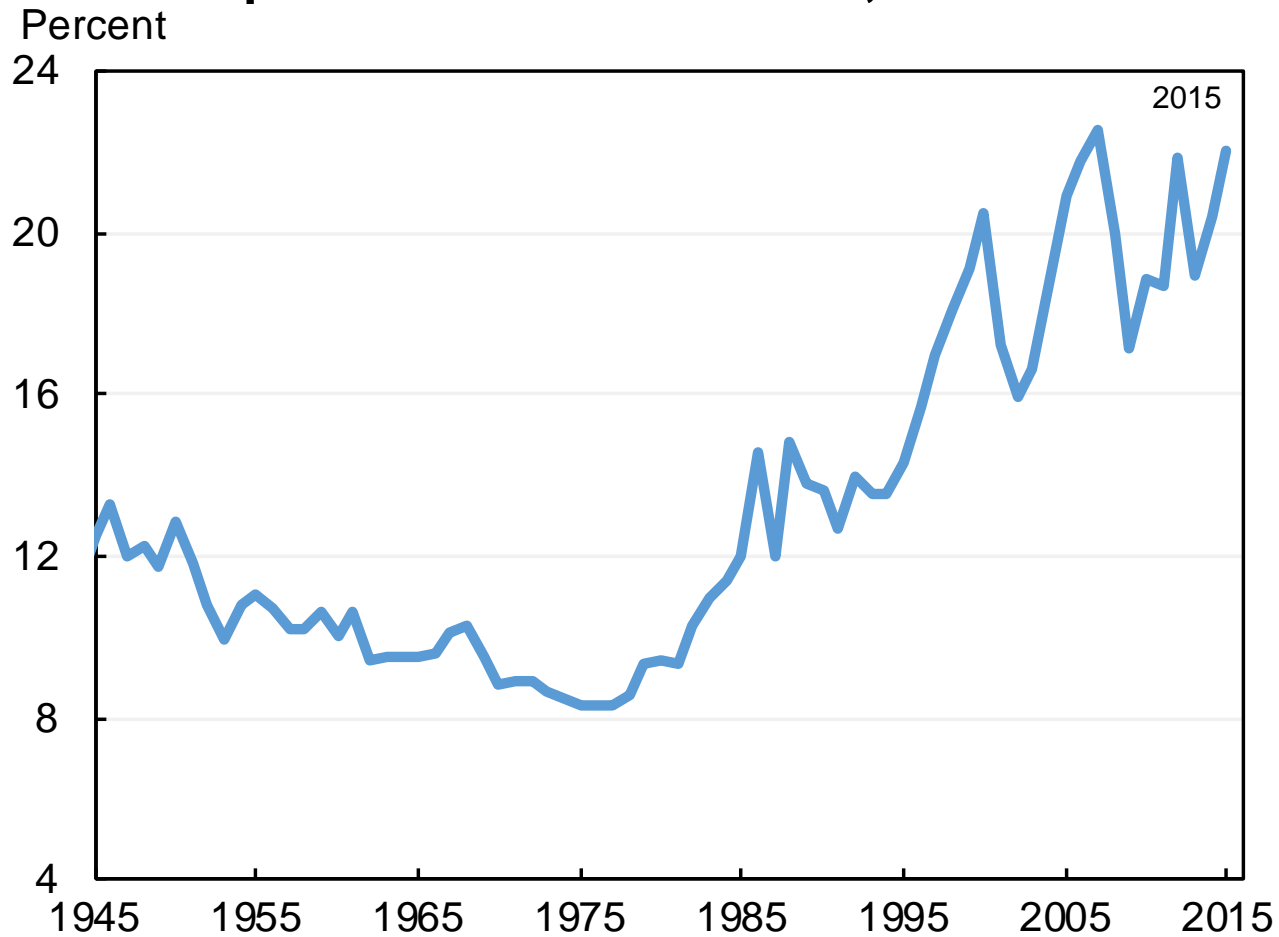
First Macroeconomic Worry: Slowing Productivity Growth



Second Macroeconomic Worry: Rising Inequality

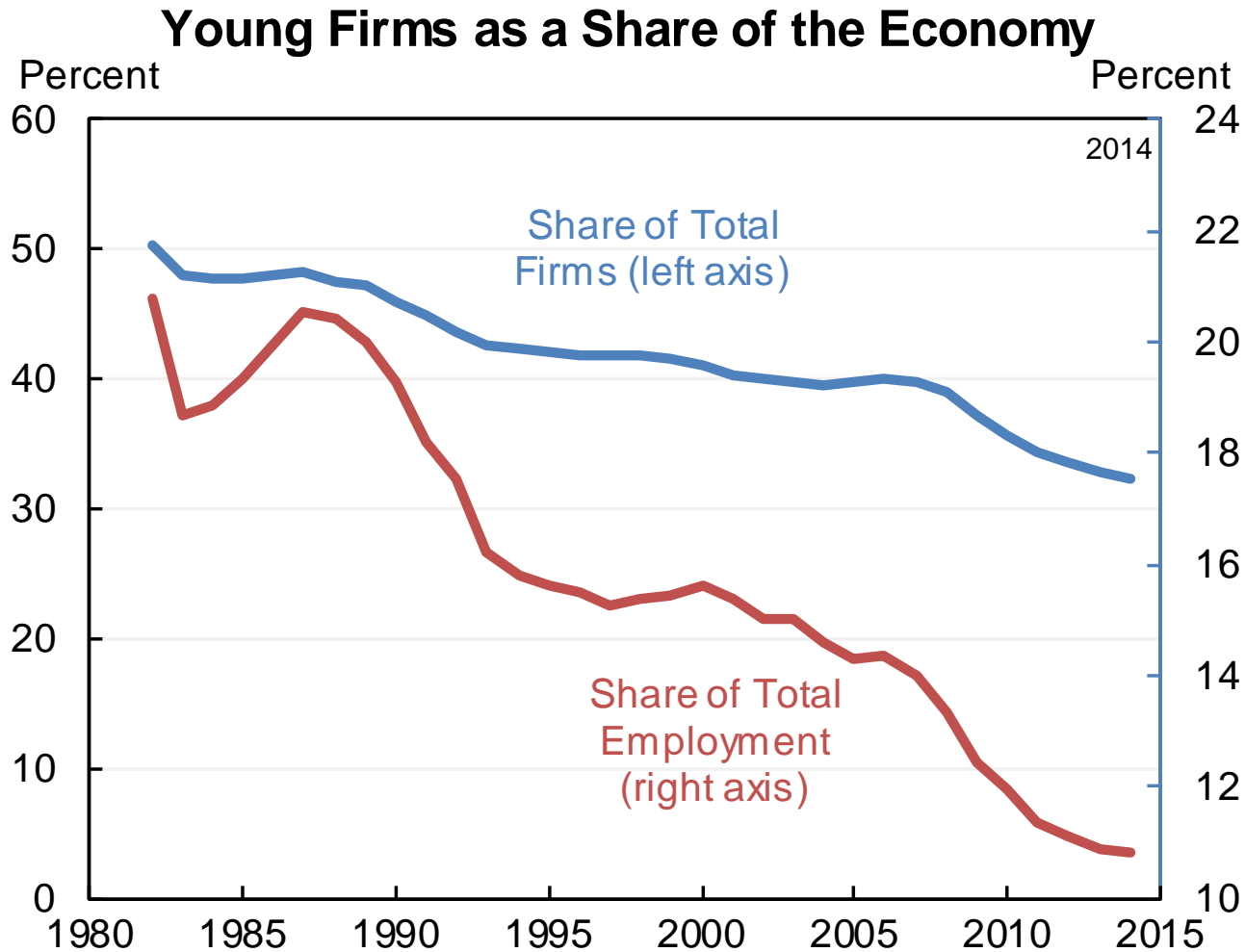


Top 1 Percent Income Share, 1945-2015





Trend #1: Decreasing Firm Dynamism

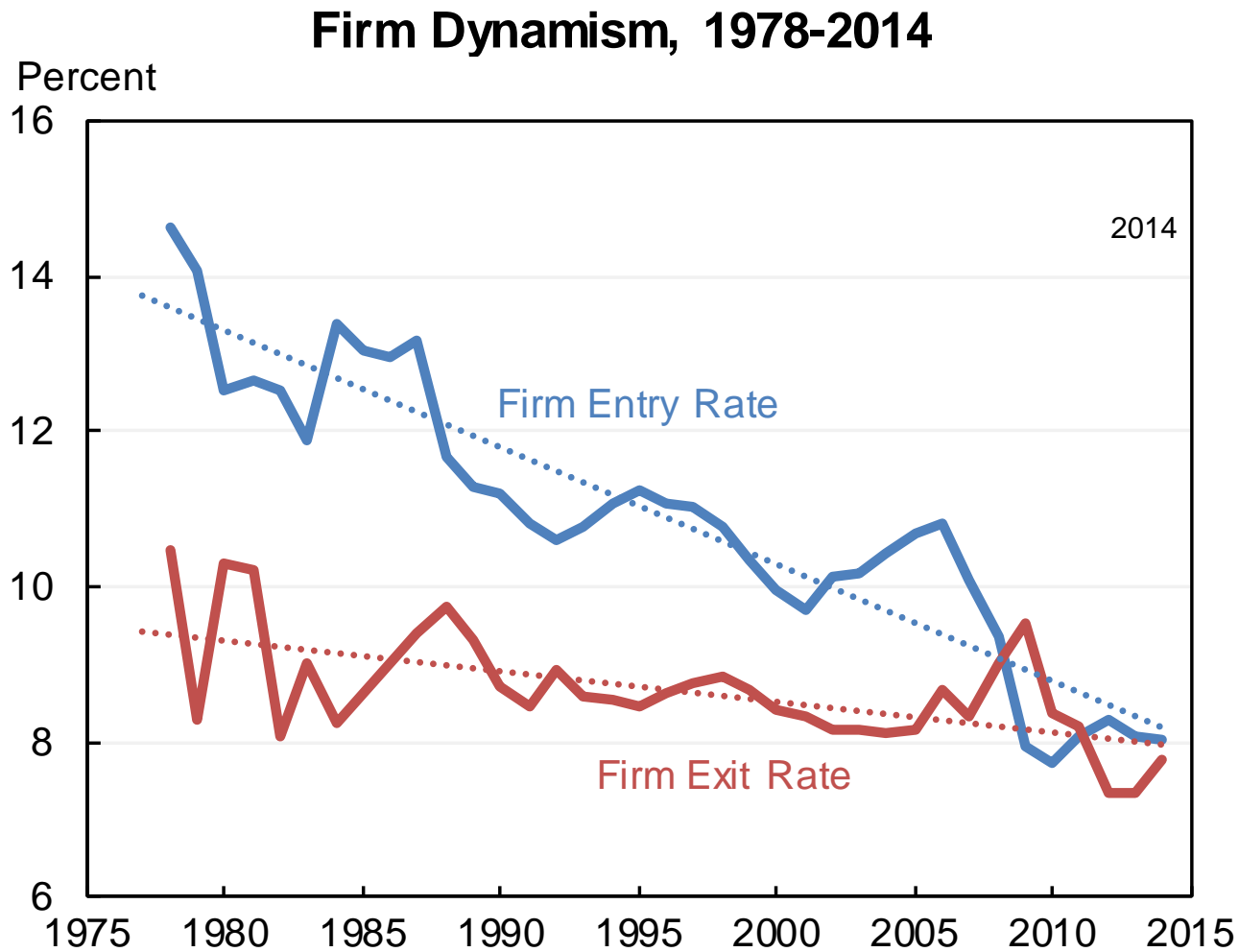


Note: "Young firms" are five years old or less.

Source: Census Bureau, Business Dynamics Statistics; CEA calculations.



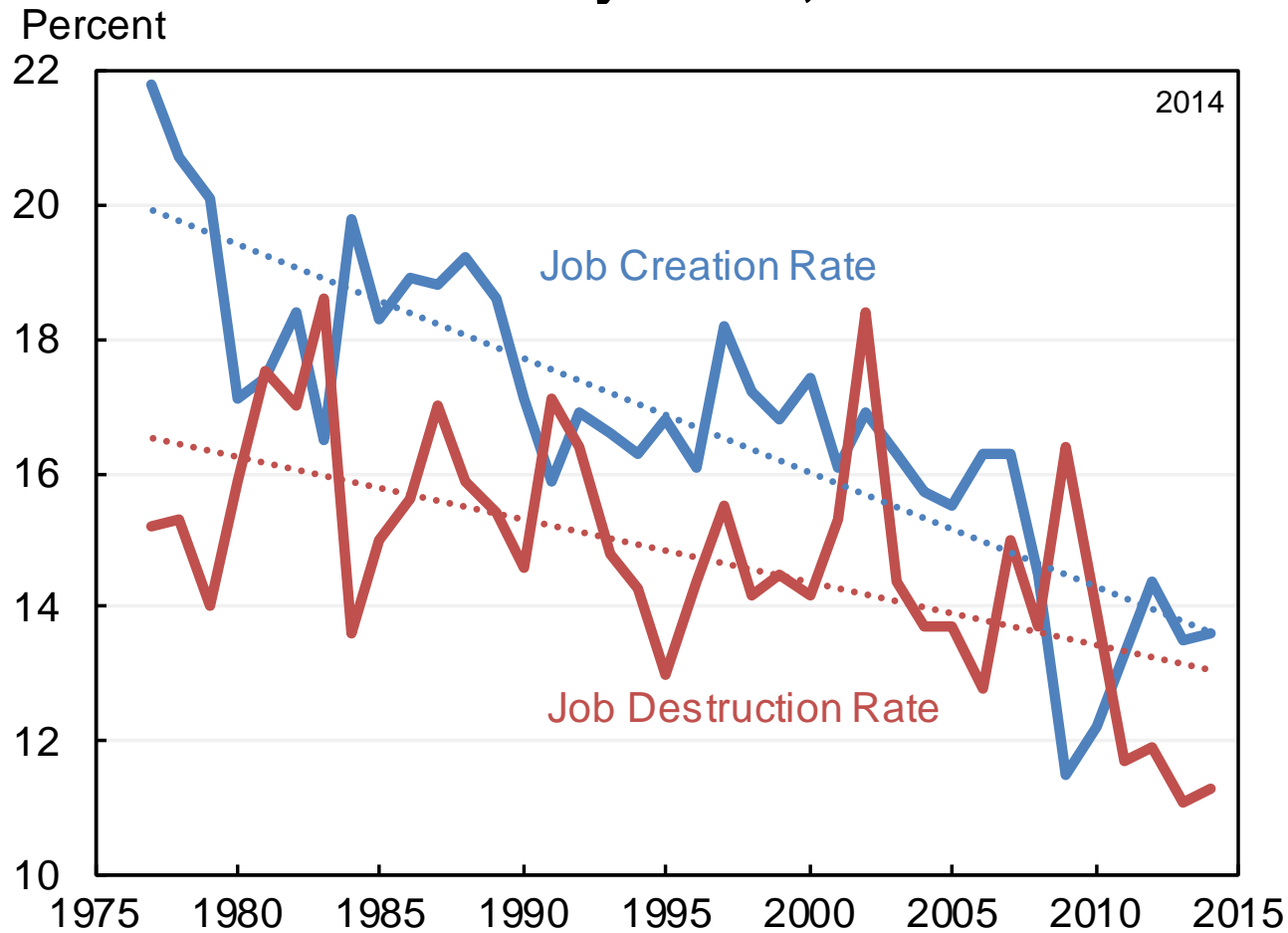
Trend #1: Decreasing Firm Dynamism (cont.)



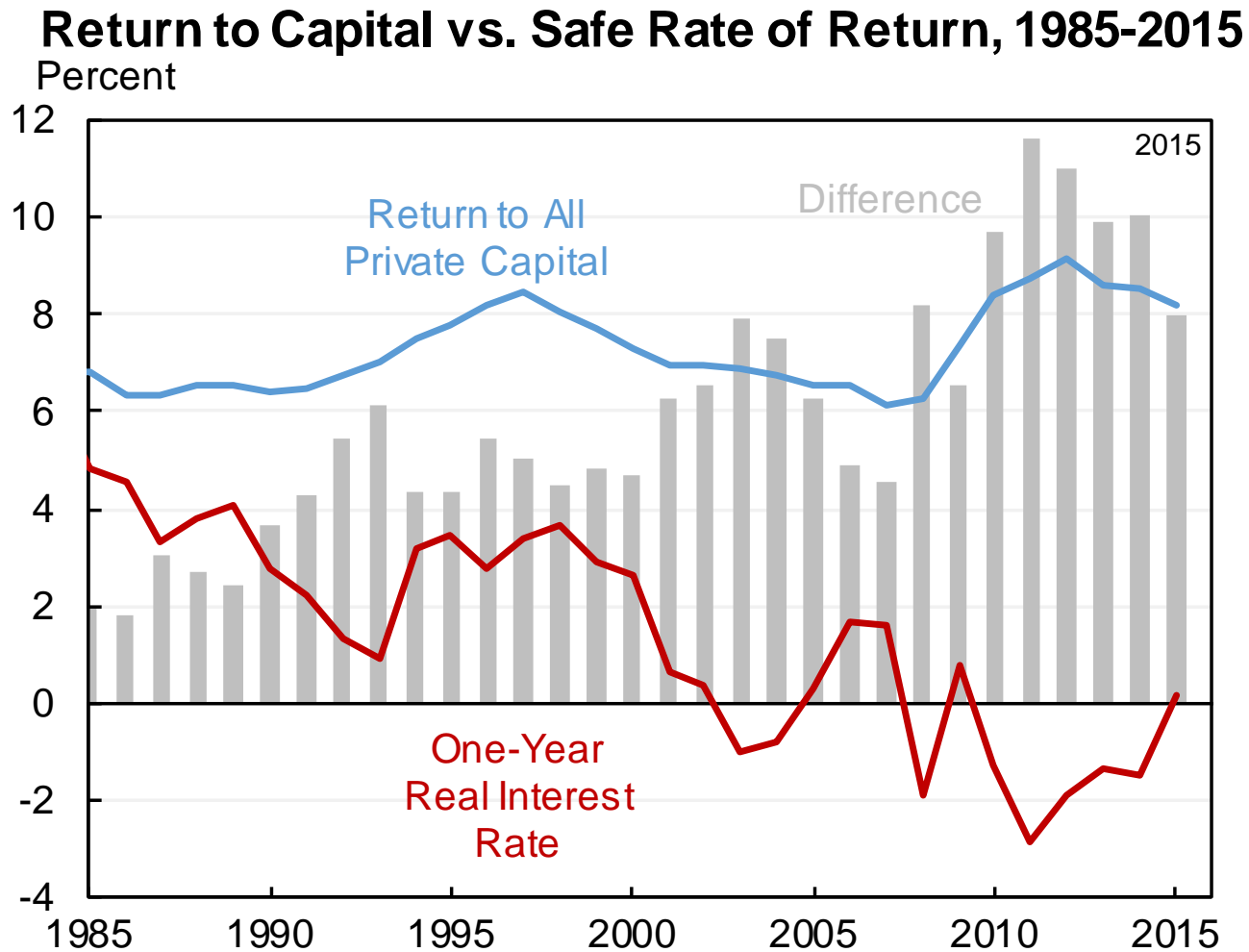


Trend #2: Declining Labor Market Fluidity

Labor Market Dynamism, 1977-2014



Trend #3: Increase in Return to Capital Relative to Safe Rate of Return

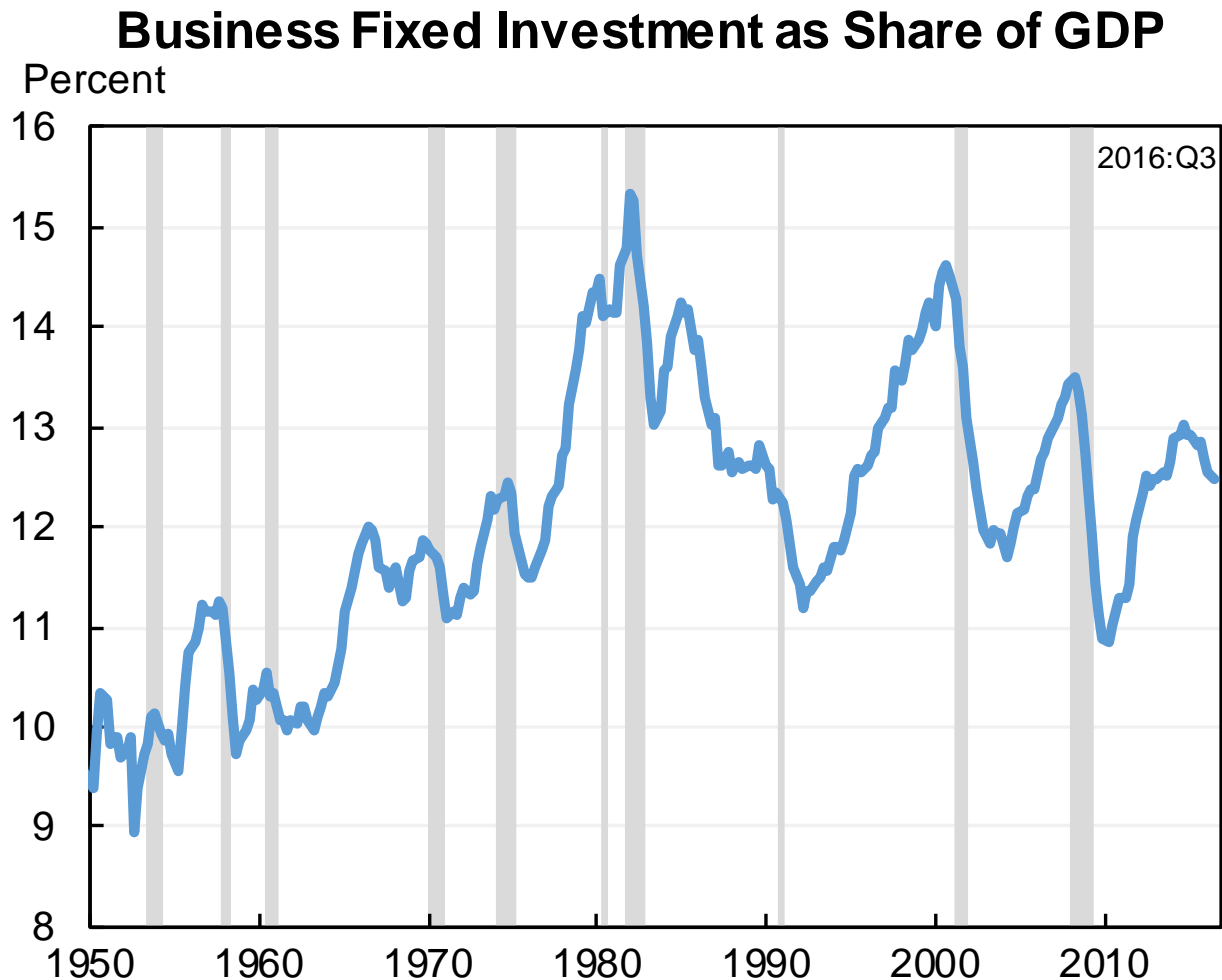


Notes: Shading denotes recession.

Source: Bureau of Economic Analysis; Federal Reserve; Bureau of Labor Statistics; CEA calculations.



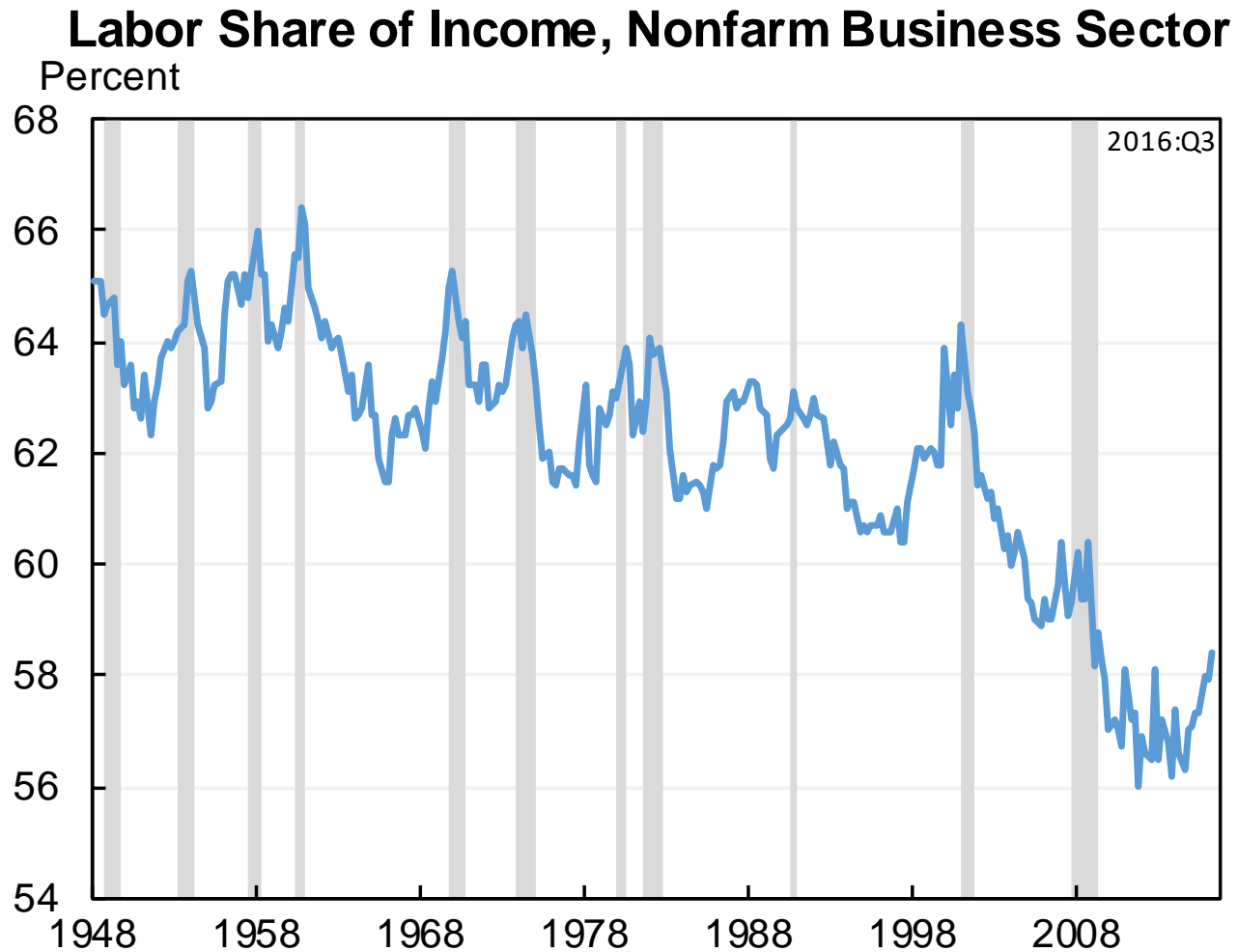
Trend #4: Decrease in Business Investment



Note: Shading denotes recession.
Source: Bureau of Labor Statistics, National Income and Product Accounts; CEA calculations.



Trend #5: Fall in Labor Share of Income



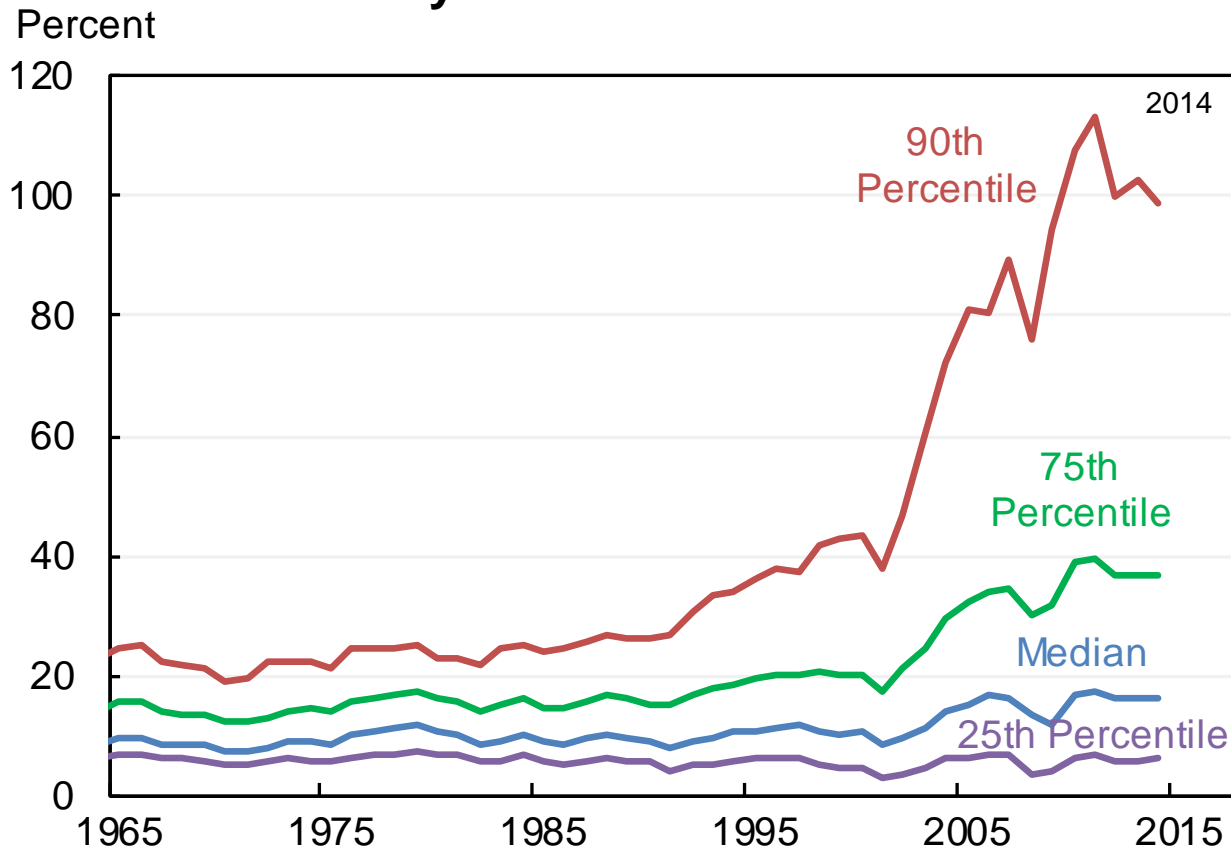
Notes: Shading denotes recession.

Source: Bureau of Labor Statistics, Productivity and Costs

Trend #6: Increasing Dispersion in Returns Across Firms



Return on Invested Capital Excluding Goodwill, U.S. Publicly-Traded Nonfinancial Firms



Note: The return on invested capital definition is based on Koller et al (2015), and the data presented here are updated and augmented versions of the figures presented in Chapter 6 of that volume. The McKinsey data includes McKinsey analysis of Standard & Poor's data and exclude financial firms from the analysis because of the practical complexities of computing returns on invested capital for such firms.

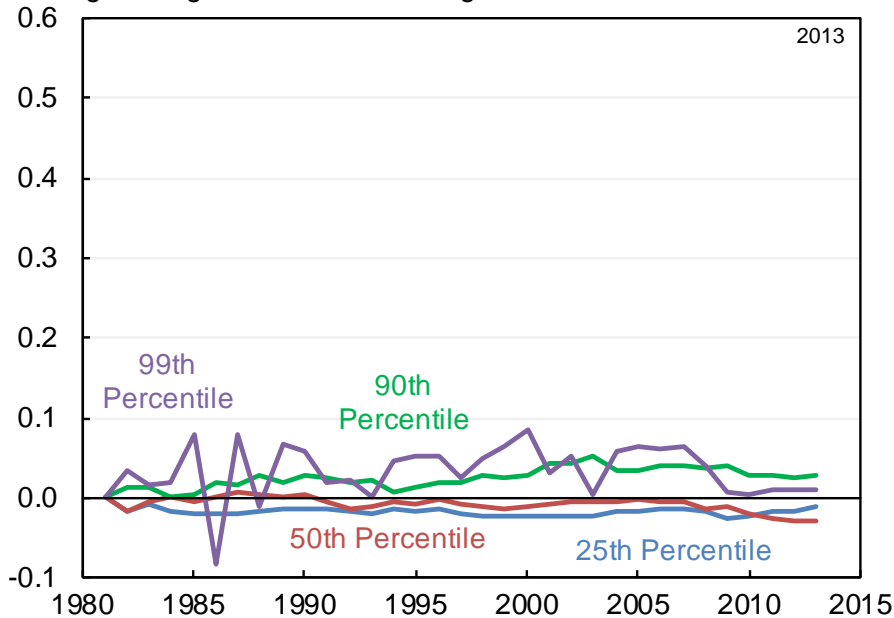
Source: Koller et al. (2015); McKinsey & Company; Furman and Orszag (2015).



Trend #7: Increasing Wage Inequality Across Firms

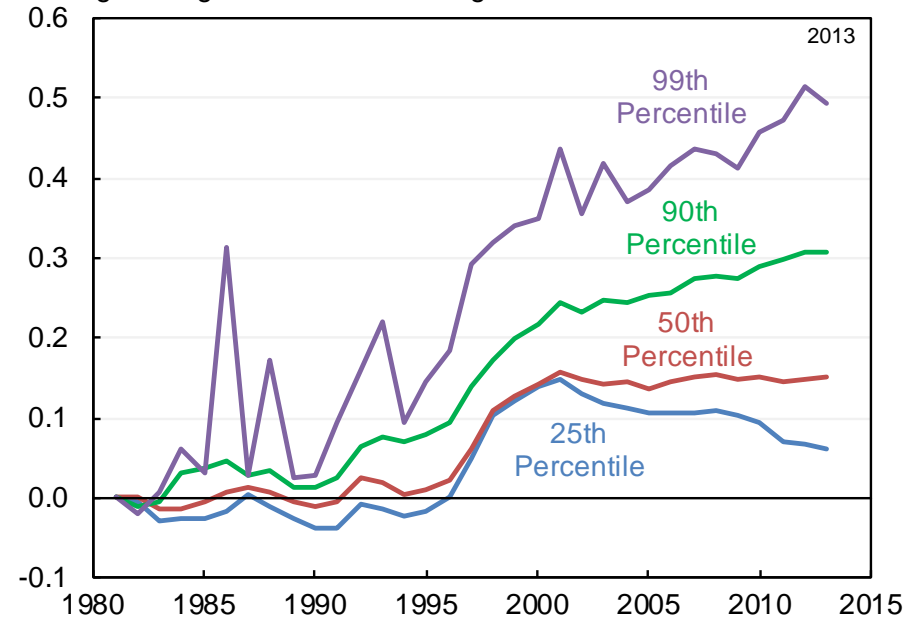
Within Firms: Change in Earnings Since 1981

Change in Log Real Annual Earnings



Between Firms: Change in Earnings Since 1981

Change in Log Real Annual Earnings



Note: Only firms and individuals in firms with at least 20 employees are included. Only full-time individuals aged 20 to 60 are included in all statistics, where full-time is defined as earning the equivalent of minimum wage for 40 hours per week in 13 weeks. Individuals and firms in public administration or educational services are not included. Firm statistics are based on the average of mean log earnings at the firms for individuals in that percentile of earnings in each year. Data on individuals/their firms are based on individual log earnings minus firm mean log earnings for individuals in that percentile of earnings in each year. All values are adjusted for inflation using the PCE price index.

Source: Song et al. (2016).

Micro Evidence: From 1997-2012, Most Industries Saw Increases in the Revenue Share of the 50 Largest Firms



Change in Market Concentration by Sector, 1997-2012

Industry	Revenue Earned by 50 Largest Firms, 2012 (Billions \$)	Revenue Share Earned by 50 Largest Firms, 2012	Percentage Point Change in Revenue Share Earned by 50 Largest Firms, 1997 2012
Transportation and Warehousing	307.9	42.1	11.4
Retail Trade	1,555.8	36.9	11.2
Finance and Insurance	1,762.7	48.5	9.9
Wholesale Trade	2,183.1	27.6	7.3
Real Estate Rental and Leasing	121.6	24.9	5.4
Utilities	367.7	69.1	4.6
Educational Services	12.1	22.7	4.2*
Professional, Scientific and Technical Services	278.2	18.8	2.8*
Arts, Entertainment and Recreation	39.5	19.6	2.5*
Administrative/ Support	159.2	23.7	1.6
Health Care and Assistance	350.2	17.2	0.8*
Accommodation and Food Services	149.8	21.2	0.1
Other Services, Non-Public Admin	46.7	10.9	-0.2*

Note: Concentration ratio data is displayed for all North American Industry Classification System (NAICS) sectors for which data are available from 1997 to 2012. * indicates that the percentage point change is calculated using only taxable firms in that industry, as its 1997 revenue share data are only available for the 50 largest taxable firms and the 50 largest tax-exempt firms as separate categories, rather than for all firms combined. Performing this same calculation using data for only tax-exempt firms results in two additional industries showing a decline in concentration (Arts, Entertainment and Recreation, and Educational Services), while one shows a slight uptick (Other Services).

Source: Census Bureau, Economic Census (1997 and 2012).

Industry Case Studies



Financial Services: Loan market share of the top ten banks increased from about 30 percent in 1980 to about 50 percent in 2010 (Corbae and D'Erasmus 2013).

Agriculture: Share of revenues held by the top four firms increased between 1972 and 2002 in eight of nine agricultural industries (Shields 2010).

Hospitals: Between the early 1990s and 2006, average Herfindahl-Hirschman index (HHI) increased by about 50 percent to about 3,200, level associated with just three equal-sized competitors in a market (Gaynor, Ho, and Town 2015).

Wireless: Average HHI for wireless providers in a market increased from under 2,500 in 2004 to over 3,000 in 2014 (FCC 2015).

Railroads: Increase in market concentration between 1985 and 2007 (Prater et al. 2012).

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