

Reinvigorating Competition Policy: What Can IO Contribute?

Nancy L. Rose

MIT

July 12, 2019

There has been an explosion of work lamenting the state of competition in the U.S., and perhaps global markets. Media reports have highlighted growing concentration across industries and the dominance of large digital platforms; government agencies and non-governmental organizations have weighed in on the state of competition;¹ economic researchers have documented trends in aggregate concentration measures and the correlation of concentration with a variety of other economic outcomes, including rising profit rates and declining labor share of income;² and some politicians have taken up calls for policy changes to invigorate antitrust enforcement, regulate dominant firms, or even break up large tech companies ([Graham, 2019](#)). These debates extend to labor markets as well as to product markets, with an increasing body of research exploring labor market power, so-called “monopsony.”³

Rising concerns have generated indictments of antitrust enforcers for being asleep at the switch, and calls for overhaul of competition policy and the introduction of sectoral regulation. While these topics are at the heart of traditional questions in industrial organization economists often have seemed on the sidelines of this debate led by labor and macroeconomists, until relatively recently.⁴

In this talk, I briefly sketch some of the limitations of aggregate analyses to inform on the state of competition and sources of any trends that might exist. Rather than engage that decades-old debate, I turn instead to a direct discussion of competition policy. I draw on insights from 28 months as the Deputy Assistant Attorney General for Economics at the DOJ Antitrust Division to develop a “wish list” for advancing competition policy, focusing particularly on merger enforcement and emphasizing the potential IO scholarship has to empower better decision-making and more effective enforcement.

¹ For example, Council of Economic Advisors (2016a, 2016b); OECD ([2018](#)).

² A very small sampling includes Autor, Dorn, Katz, Patterson, and Van Reenen ([2019](#)), Covarrubias, Gutiérrez, and Philippon ([2019](#)), Ganapati ([2019](#)), Rossi-Hansberg, Sarte, and Trachter ([2018](#)), De Loecker, J., J. Eeckhout, and G. Unger (2018).

³ See Azar, Marinescu, and Steinbaum ([2017](#)), Azar, Marinescu, Steinbaum, and Taska ([2018](#)), Benmelech, Bergman, and Kim ([2019](#)), Prager and Schmitt ([2019](#)), and Rinz ([2018](#)).

⁴ See Kwoka (2015), Shapiro (2018, 2019), and Berry et al. (2019) as well as references therein for example exceptions.

References:

- Autor, D., Dorn, D., Katz, L. F., Patterson, C., & Van Reenen, J. (2019). The Fall of the Labor Share and the Rise of Superstar Firms.
- Azar, J. A., Marinescu, I., Steinbaum, M. I., & Taska, B. (2018). Concentration in US Labor Markets: Evidence From Online Vacancy Data (Working Paper No. 24395). <https://doi.org/10.3386/w24395>
- Azar, J., Marinescu, I., & Steinbaum, M. I. (2017). Labor Market Concentration (Working Paper No. 24147). <https://doi.org/10.3386/w24147>
- Benmelech, E., Bergman, N., & Kim, H. (2019). Strong Employers and Weak Employees: How Does Employer Concentration Affect Wages? (Working Paper No. ID 3146679). Retrieved from Social Science Research Network website: <https://papers.ssrn.com/abstract=3146679>
- Berry, S., Gaynor, M., & Scott Morton, F. (2019). Do Increasing Markups Matter? Lessons from Empirical Industrial Organization [NBER Working Paper].
- Council of Economic Advisers. (2016a). Benefits of Competition and Indicators of Market Power [Issue Brief]. Retrieved from https://obamawhitehouse.archives.gov/sites/default/files/page/files/20160414_cea_competition_issue_brief.pdf
- Council of Economic Advisers. (2016b). Labor Market Monopsony: Trends, Consequences, and Policy Responses [Issue Brief]. Retrieved from https://obamawhitehouse.archives.gov/sites/default/files/page/files/20161025_monopsony_labor_mrkt_cea.pdf
- Covarrubias, M., Gutiérrez, G., & Philippon, T. (2019). From Good to Bad Concentration? U.S. Industries over the past 30 years (Working Paper No. 25983). <https://doi.org/10.3386/w25983>
- De Loecker, J., J. Eeckhout, and G. Unger. 2018. "The Rise of Market Power and the Macroeconomic Implications." <https://sites.google.com/site/deloeckerjan/research/RMP-DLEU.pdf?attredirects=0&d=1>
- Kwoka, J. 2015. Mergers, Merger Control, and Remedies: A Retrospective Analysis of U.S. Policy. Cambridge, MA: MIT Press.
- OECD. 2018. 1st Joint IMF-OECD-World Bank Conference on Structural Reforms. (2018, June). Retrieved July 9, 2019, from OECD website: <http://www.oecd.org/eco/reform/joint-imf-wb-oecd-conf-structural-reform-2018/>

- Prager, E., & Schmitt, M. 2019. Employer Consolidation and Wages: Evidence from Hospitals (Working Paper No. ID 3391889). Retrieved from Social Science Research Network website: <https://papers.ssrn.com/abstract=3391889>
- Rossi-Hansberg, E., Sarte, P.-D., & Trachter, N. 2018. Diverging Trends in National and Local Concentration (Working Paper No. 25066). <https://doi.org/10.3386/w25066>
- Shapiro, C. 2018. Antitrust in a time of populism. *International Journal of Industrial Organization*, 61(C), 714–748. Retrieved from <https://ideas.repec.org/a/eee/indorg/v61y2018icp714-748.html>
- Shapiro, C. .2019. Protecting Competition in the American Economy: Merger Control, Tech Titans, Labor Markets (SSRN Scholarly Paper No. ID 3405501). Retrieved from Social Science Research Network website: <https://papers.ssrn.com/abstract=3405501>