


Are Markets too Concentrated?

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- Pioneering markup paper for the US by DeLoecker/Eeckhout (2017) triggered research for Europe
- Among those is Weche/Wambach and the Monopolies Commission, the German watchdog for business concentration
- Data: Firm-level panel constructed from European subsample of Bureau van Dijk's Orbis database (2007-2015)
 - Broad coverage: Not only publicly traded firms (but selection bias towards larger firms)
 - Sample of 3,604,391 firm-year observations from 17 EU28 countries

 Markup results for Europe are broadly in line with DeLoecker/Eeckhout (2018)

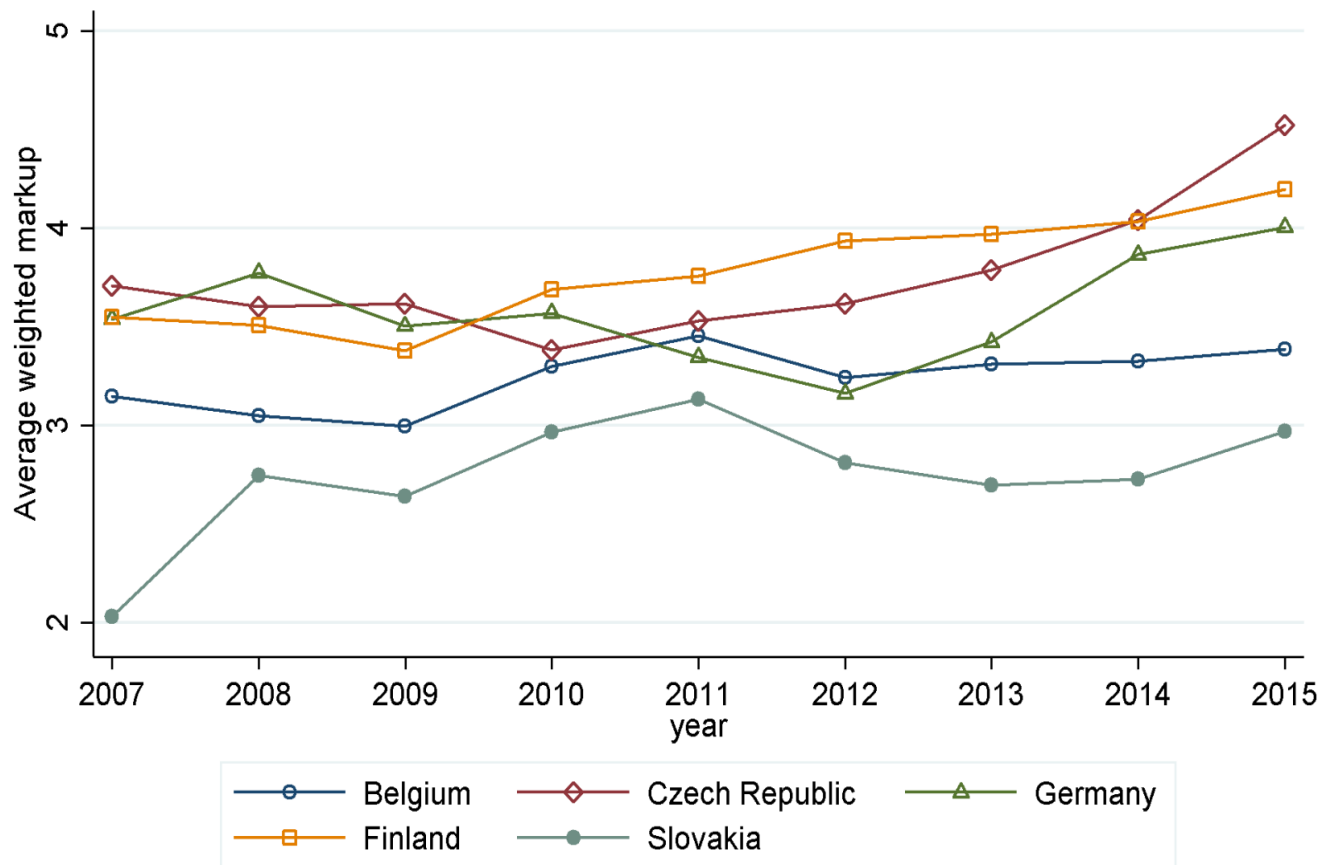
Development of average markup in Europe over the crisis



Red line: Average weighted markup; **Blue line:** average unweighted markup;
Solid lines : unbalanced panel; **Dashed lines:** balanced panel.

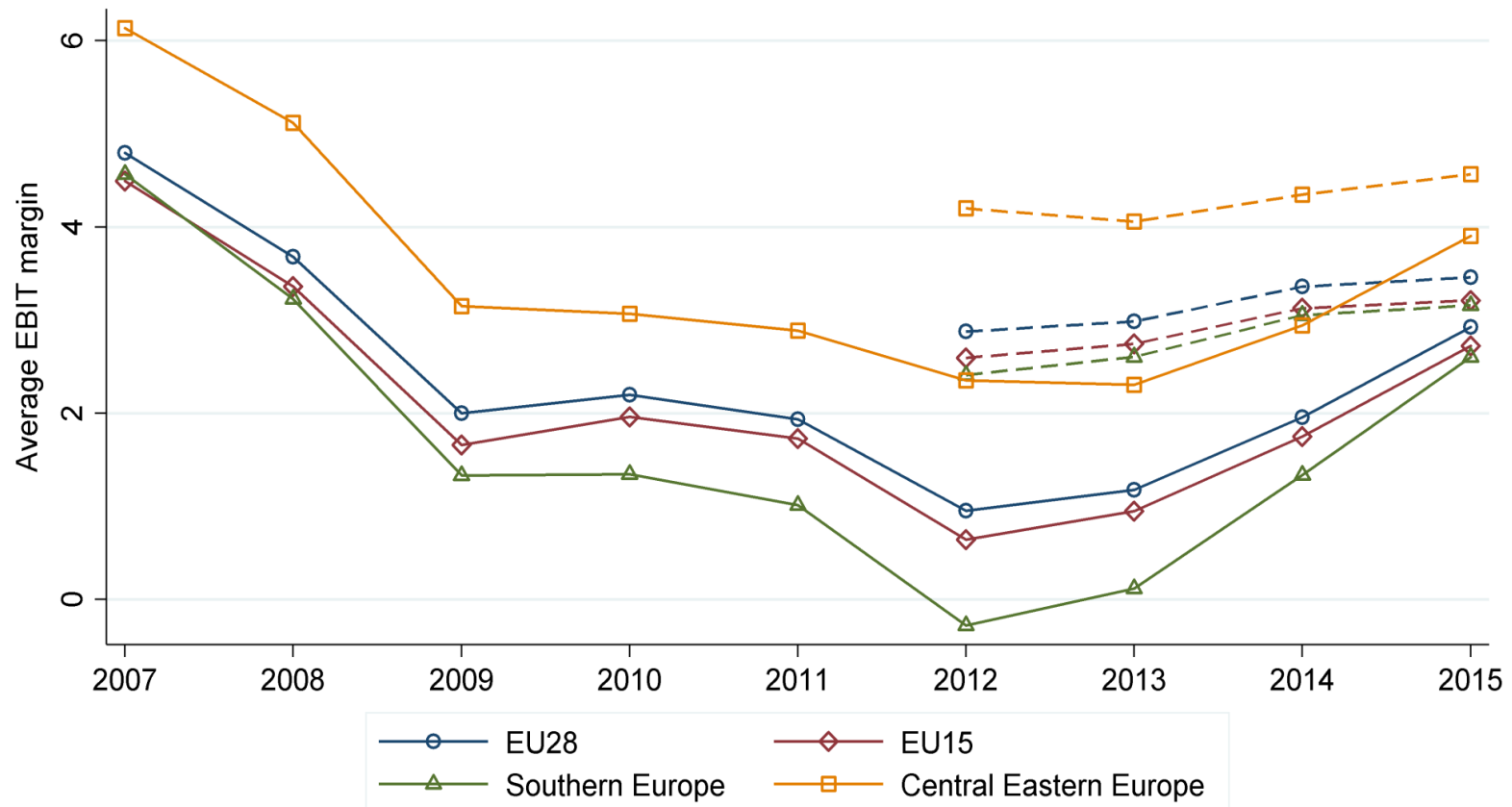
Source: Weche, J.P./ Wambach, A. (2018)

Countries with rising markups



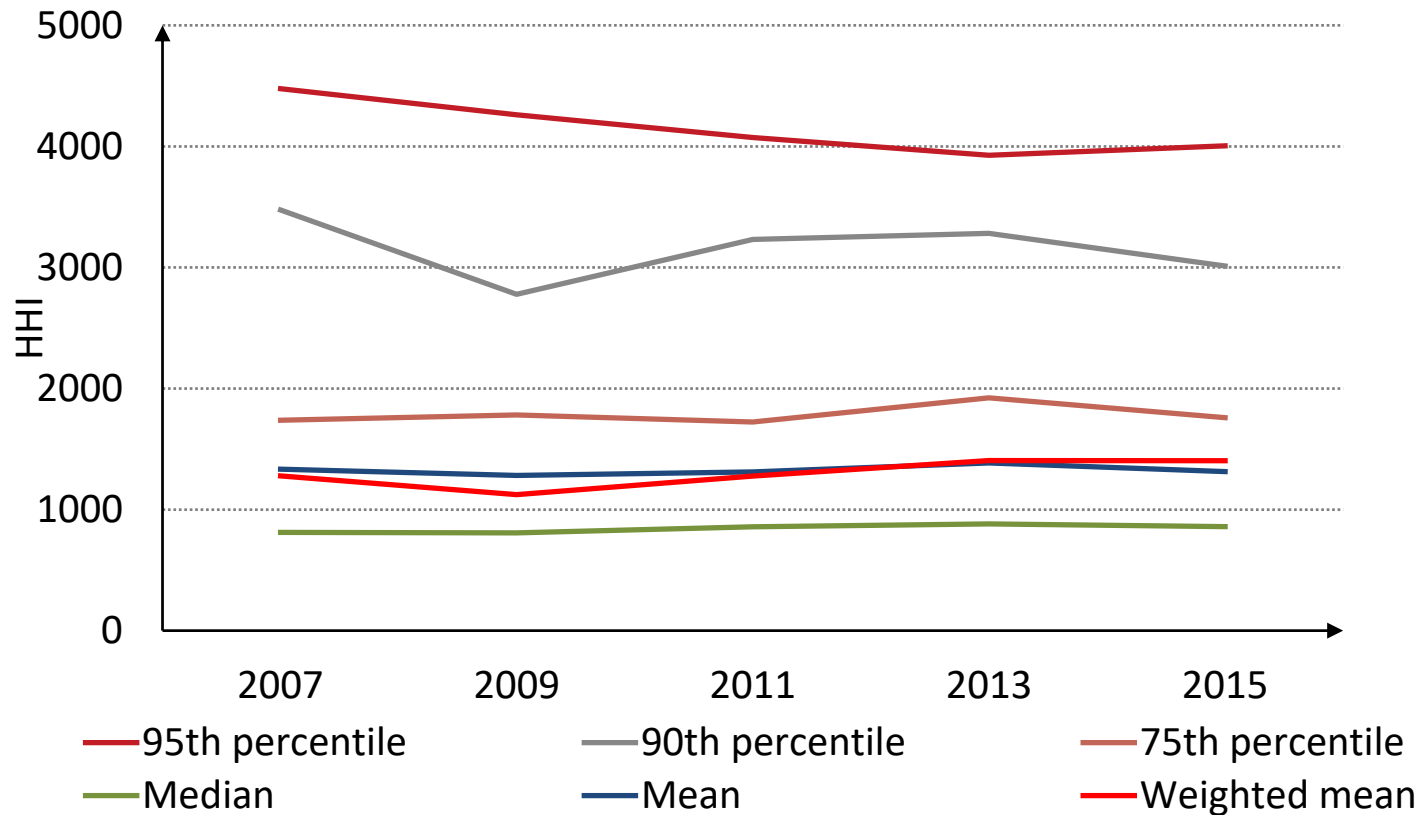
Source: Weche, J.P./ Wambach, A. (2018)

Development of average EBIT margin by European regions



Source: Weche, J.P./ Wambach, A. (2018)

Development of overall business concentration (HHI) in Germany

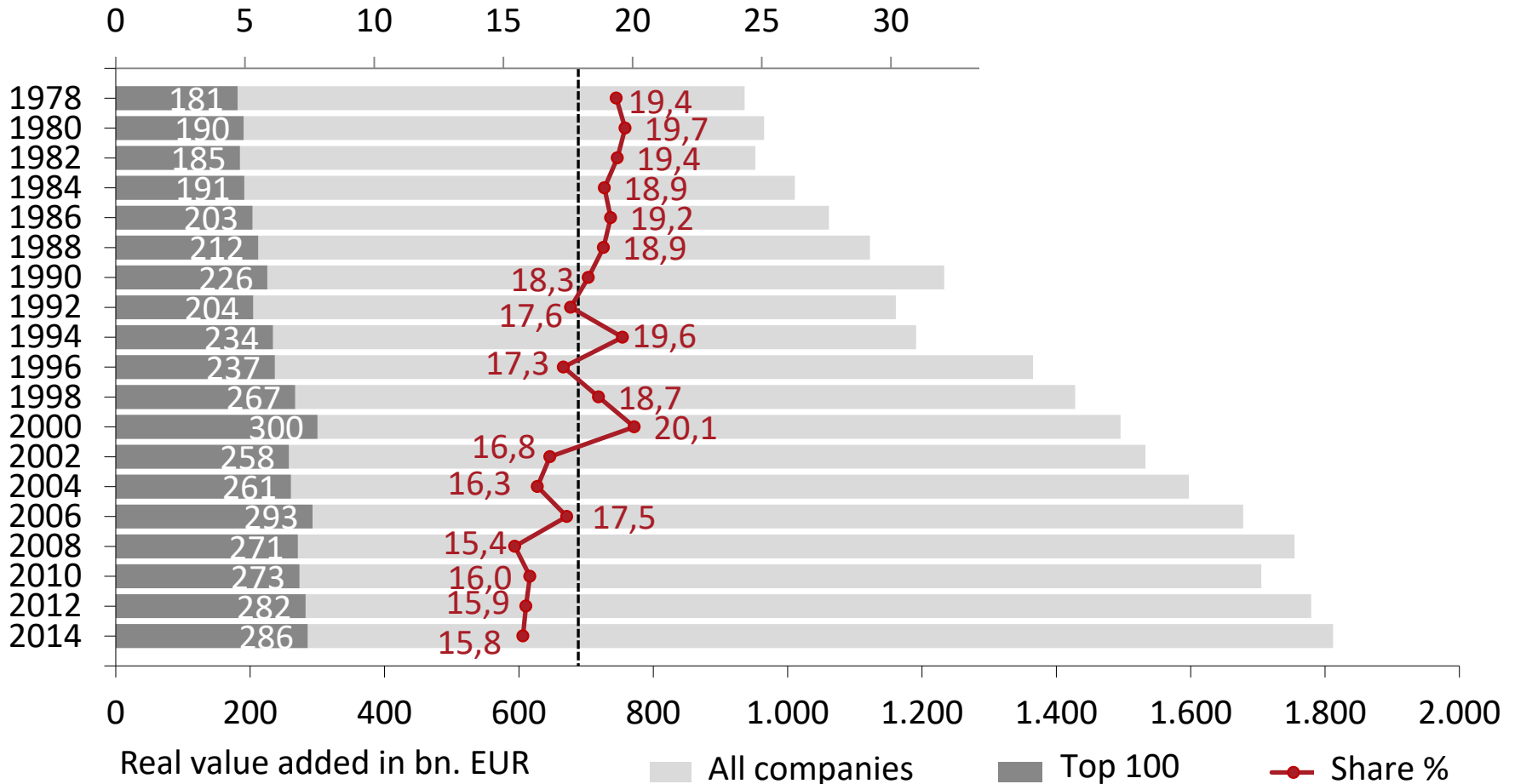


Source: Monopolies Commission (2018): Competition 2018, XXII. Main Report.

→ Other European countries show similar concentration developments according to first evidence by the European Commission

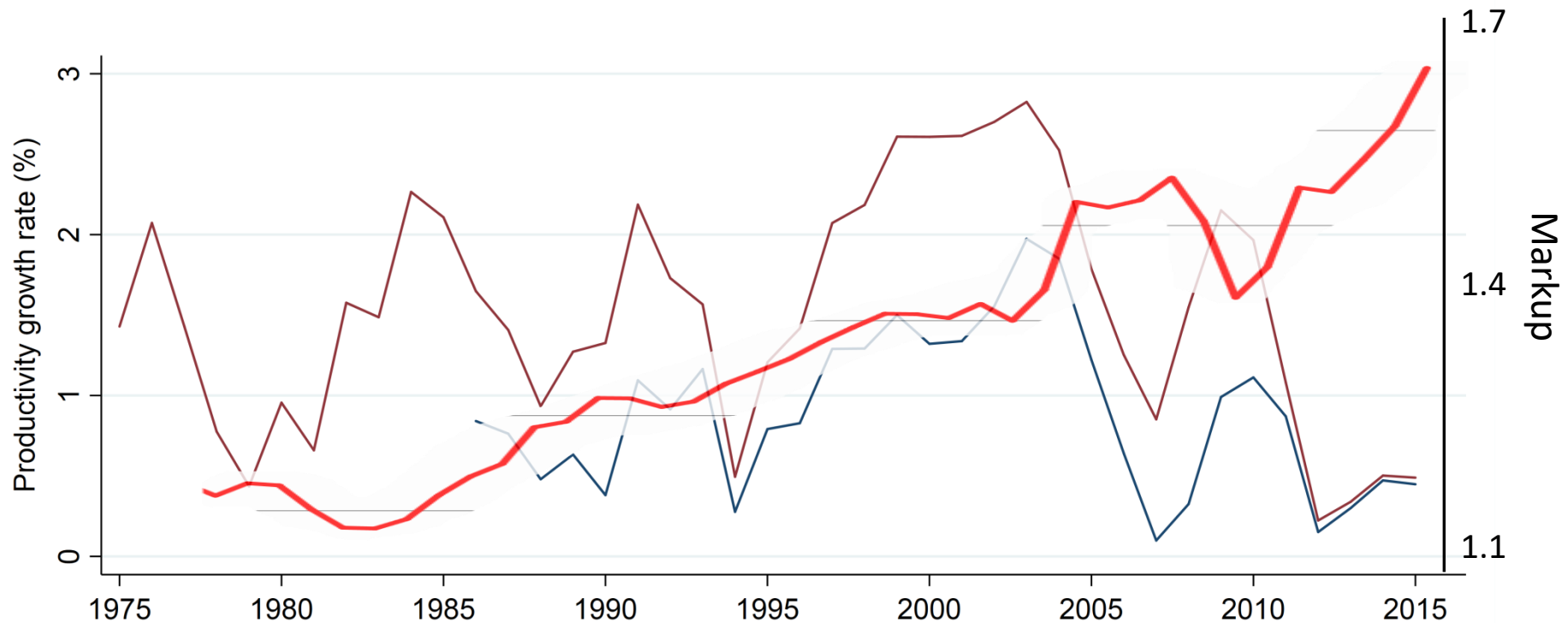
Economic weight of top 100 companies in Germany

Real value added share of top 100 companies (%)



Source: Monopolies Commission (2018): Competition 2018, XXII. Main Report.

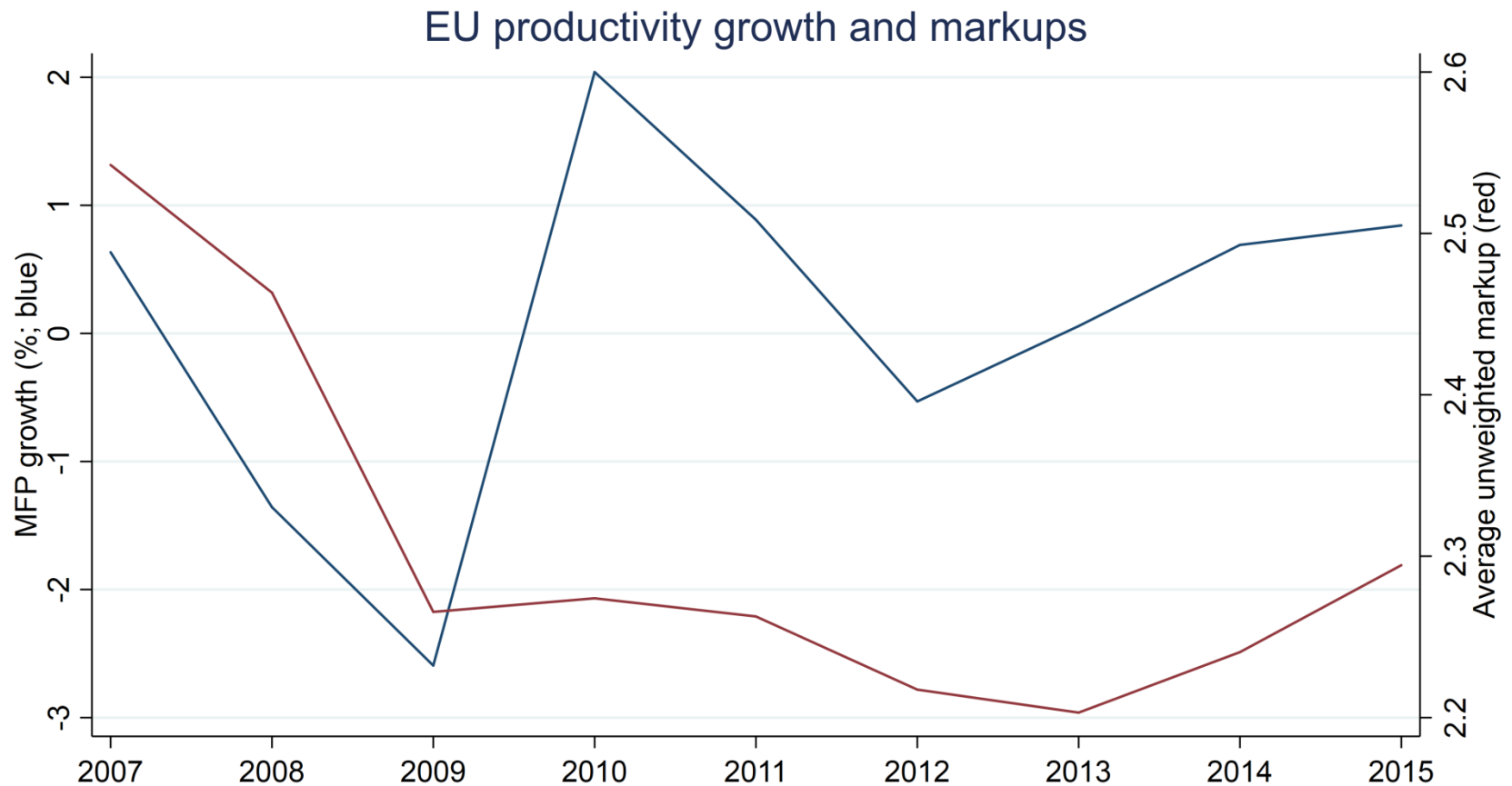
Productivity and markup development in the US



Blue line: Moving average (3) of multi factor productivity
Dark red line: Moving average (3) of labor productivity
Bright red line: Markup

Data source: OECD

Productivity and markup development in Europe



- Rising markups appear to become a stylized fact also for Europe
- However, great uncertainty concerning the potential implications
 - Decreasing investment, innovation and productivity?
 - Decreasing labour share?
 - Increasing income inequality?
- ... and the underlying reasons
 - Increasing role of scale economies?
 - Selective technological progress?
 - Growing importance of network effects in a digital economy?
 - Underenforcement of competition authorities?
- More research is needed before taking concrete policy measures
- But there is already reason for a particular vigilance regarding markups in merger control



Thank you for your attention!