General Discussion of 'The Rise of Market Power and the Macroeconomic Implications'

The presentation clearly showed a consistent pattern of rising mark-ups across various countries. Participants discussed how much of the increase in mark-ups was caused by technological change compared to other factors such as policy settings or market structure. The presenter suggested both were important in driving the observed increase in mark-ups. Participants also related increased mark-ups to the decline in business dynamism, as measured by business entry. The presenter supported this observation and added that declining business dynamism was also a result of the model, which matches the data. The discussion suggested that technological change alone could not explain the decrease in business entry, although increasing fixed costs of production were posited as a factor contributing to declining business entry. Another participant questioned how much of the increase in mark-ups could be explained by global industry factors. This dimension was outside of the scope of the work.

Another topic of discussion was the implications of the work for the labour market. One participant noted that increased mark-ups should lead to lower labour force participation, but labour force participation rates in many countries are currently high. It was questioned whether the current US experience of declining labour force participation was the exception. Naturally, this would mean that taking lessons from the United States may not be informative for other countries. Demographic trends were suggested as a possible confounding factor that has been driving labour force participation down in the United States.

A participant pointed out that the focus of the paper was on the upper end of the distribution, where mark-ups were increasing. However, there was a considerable proportion of firms at the lower end of the distribution where mark-ups were falling. The participant suggested that when creating an economy-wide model the firms with falling mark-ups need to be more carefully considered. The presenter clarified that the model used the whole distribution of firms and stressed that the trends are heavily driven by the upper end of the distribution, where mark-ups were increasing. It was suggested that the idea from labour economics where good workers select into good firms and vice-versa could be relevant to explaining the diverging trends across the mark-up distribution.

Another participant observed that the declining labour share generated in the model occurs without any monopsony power among employers. This runs counter to much of the dialogue on the declining labour share of income. The participant suggested that this points to interesting policy prescriptions. For example, Amazon is very productive because they have low costs after they invested heavily in networks and production. Participants agreed that it is unclear whether a government would want to intervene in this market to promote competition. Such interventions could end up reducing productivity and increasing prices.

Finally, participants pondered how these results might relate to Australia. The different structure of production in Australia compared to the United States could lead to different results. The example of Australian mining companies was given. These companies have high fixed cost and low marginal costs, however much of their output is exported. It was also raised whether the results would hold for an economy like Australia that imports heavily. However, the presenter suggested the trends were quite similar across most industries and across countries. It was also suggested that industries may not be as different as they seem. For example, many companies in different industries leverage similar logistic and network development technologies. And this allows companies to achieve high mark-ups. Hence, despite being ostensibly different many companies may achieve high mark-ups in a similar way.