Superstar firms

A threat to competition and democracy?
The Rise of Superstar Firms

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Rapid Growth of Very Large ‘Superstar’ Firms

Global Sales of Top500 US Firms

Top3 Firms in 2021:

Walmart
Amazon
Apple

Source: Autor, Dorn, Katz, Patterson and Van Reenen (2020)
Large Firms Gain Market Shares

In average US retail industry, market share of top 4 firms doubled in 1982 - 2012
Large Firms Gain Market Shares

Large firms have become more dominant in all sectors of the US economy (and in Europe).

Source: Autor, Dorn, Katz, Patterson and Van Reenen (2020)
Why Do Large Firms Grow Faster than Others?

Some hypotheses and explanations:

1. Larger investment in computer technology
2. Weakening start-up and innovation activity
3. Weak anti-trust regulation and enforcement

Larger Software Investment per Worker in Larger French Firms

Source: Lashkari, Bauer and Boussard (2021)
What Are the Consequences of the Rise of Superstars?

Evidence shows:

1. Rising price markups in output markets
2. Rising average profitability of firms
3. Declining labor income share in GDP
   → Rising income inequality in society

SOURCE: DE LOECKER, ECKHOUT AND UNGER (2020); AUTOR, DORN, KATZ, PATTERSON AND VAN REENEN (2020)
Should One Restrict the Growth of Superstar Firms?

A policy dilemma!

**YES**, because superstar firms
- exploit market power over consumers
- can block competitors
- contribute to rising income inequality

**NO**, because superstar firms
- are highly productive and innovative
- provide great products to consumers
- contribute to economic growth
Superstar firms: A threat to competition and democracy?