



UBS Center
for Economics in Society

at the University of Zurich



University of
Zurich^{UZH}

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Superstar firms

A threat to competition and democracy?



**University of
Zurich^{UZH}**

The Rise of Superstar Firms

David Dorn

UBS Foundation Professor of Globalization and Labor Markets

Rapid Growth of Very Large 'Superstar' Firms

Global Sales of Top500 US Firms



Top3 Firms in 2021:

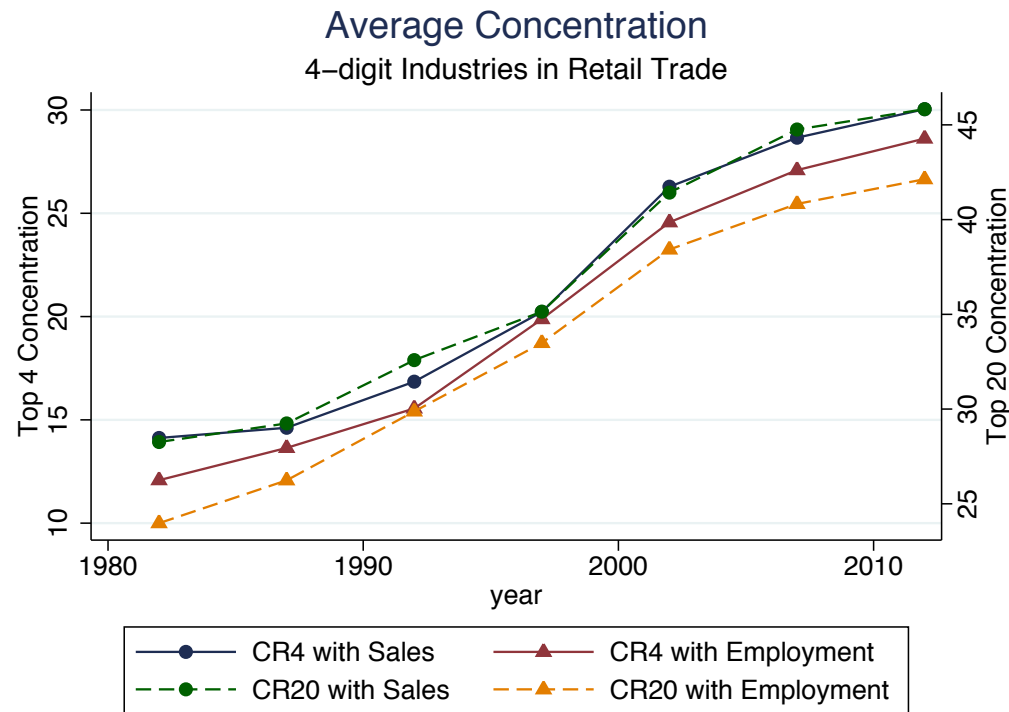
Walmart 

amazon 



Large Firms Gain Market Shares

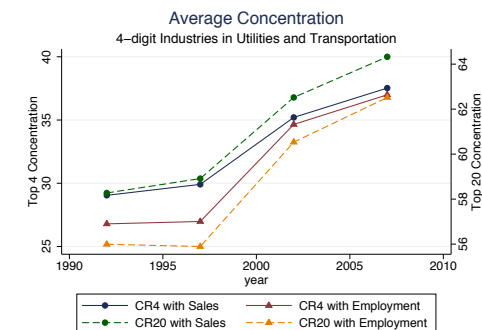
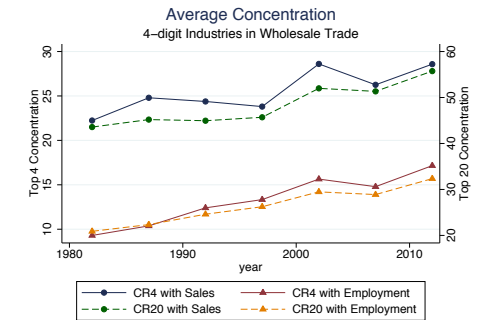
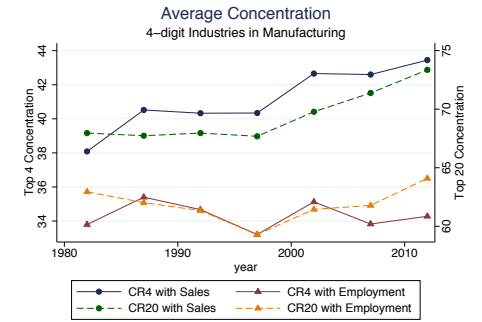
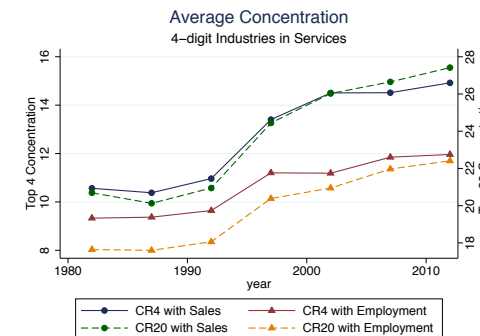
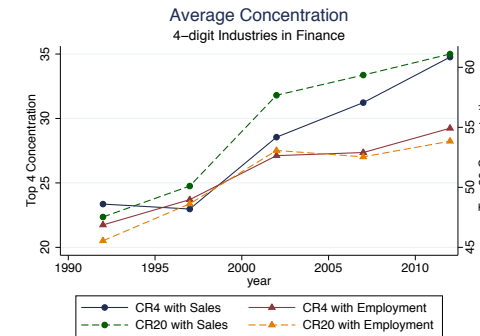
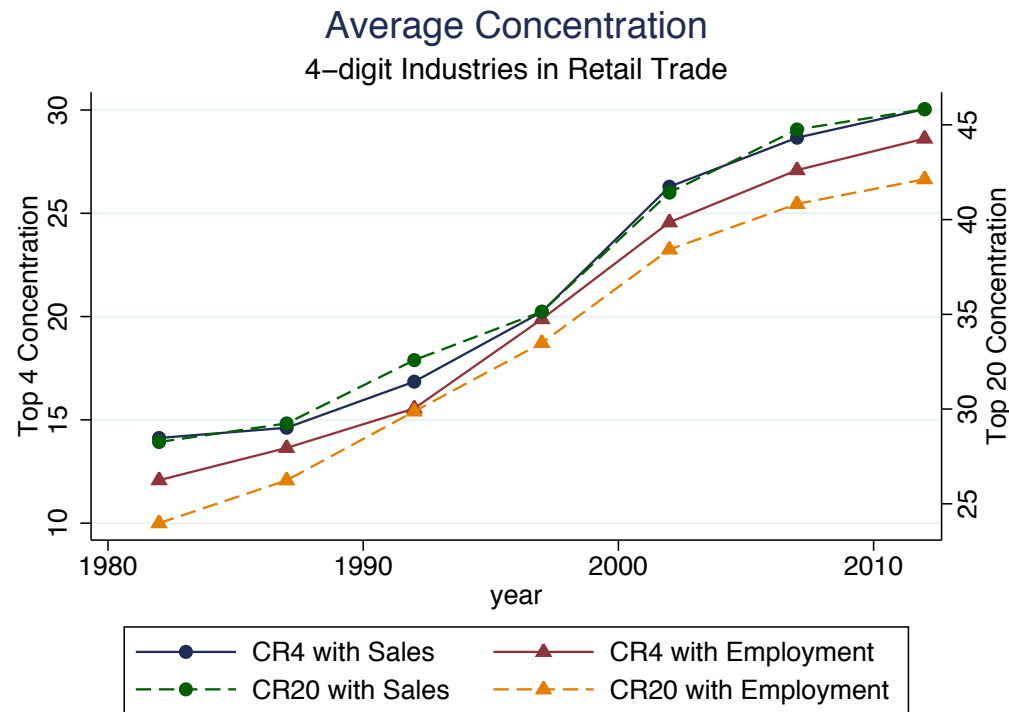
In average US retail industry, market share of top 4 firms doubled in 1982 - 2012



SOURCE: AUTOR, DORN, KATZ, PATTERSON AND VAN REENEN (2020)

Large Firms Gain Market Shares

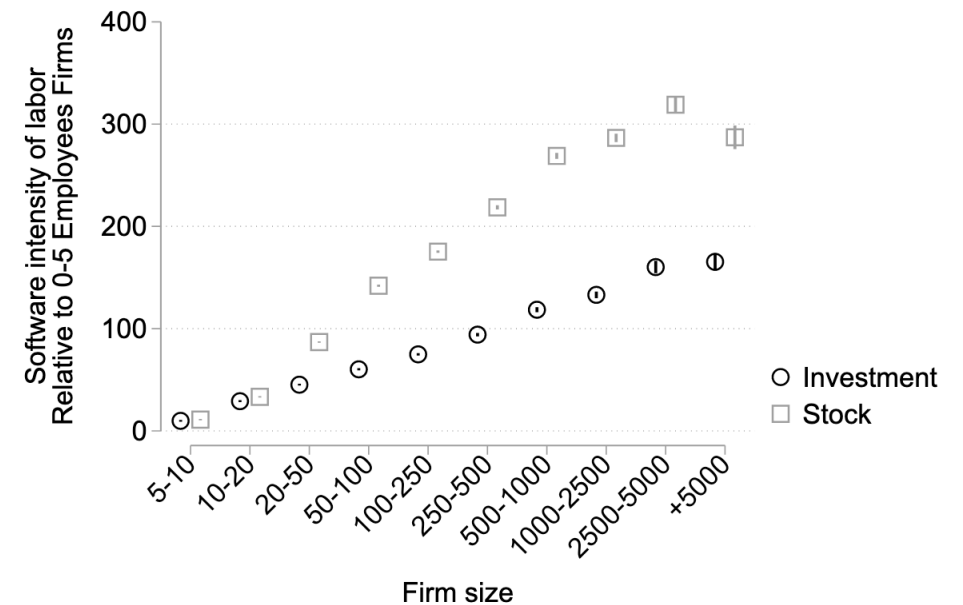
Large firms have become more dominant in **all** sectors of the US economy (and in Europe)



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

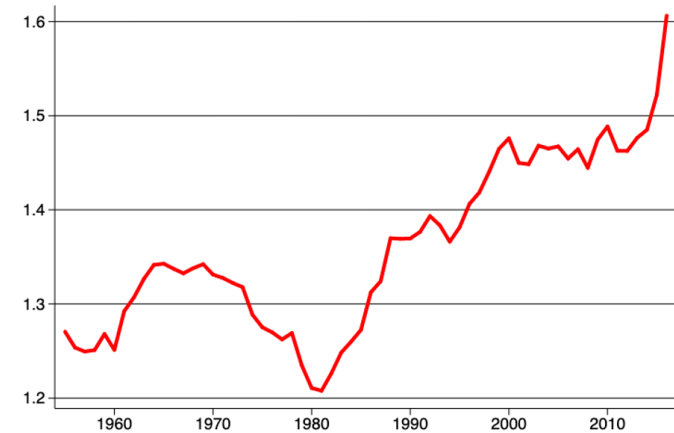


Larger Software Investment per Worker
in Larger French Firms

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



Rising Price Markups in USA



Falling Labor Share of GDP

Should One Restrict the Growth of Superstar Firms?

A policy dilemma!

YES, because superstars firms

- exploit market power over consumers
- can block competitors
- contribute to rising income inequality

NO, because superstars firms

- are highly productive and innovative
- provide great products to consumers
- contribute to economic growth





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