

New data analysis of U.S. 'oligopoly problem' reaffirms antitrust push, says economist

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A new study on U.S. oligopolies uses, according to its author, a "groundbreaking model" to more accurately measure competition in U.S. markets and the consequences for consumers "who are capturing a

smaller slice of a shrinking pie."

Bruno Pellegrino, author of the working paper recently cited by the Western Finance Association, says his work gives a new set of data and weight to the bipartisan push on Capitol Hill to strengthen antitrust agencies and weaken the dominance a few big—namely tech—companies have over entire industries.

Pellegrino used a dataset based on a textual analysis of product descriptions contained in Securities and Exchange Commission filings to create a macroeconomic model to map the U.S. competitive landscape. He looked at competition like a network that can shift and change over time, rather than a static classification. This is particularly helpful as companies introduce new product offerings or sell off business sectors."

Pellegrino says his model is the first to give economists a picture of three measures (profits, consumer surplus, and deadweight loss) across multiple industries, allowing them to measure the cost of oligopoly to [consumers](#). He computes the toll on the U.S. economy. He estimates that this deadweight loss increased to 11% in 2017, up from 8.5% in 1997. The seminal paper from economist Arnold Harberger, which inspired Pellegrino, put that price tag at 0.1% in 1956. That's two orders of magnitude difference. The increasing deadweight loss shows the United States is not as prosperous as it could be, says Pellegrino. The higher the oligopoly power of firms, the bigger the share of surplus that goes to the producers as opposed to the consumer.

Oligopoly also affects the distribution of income, he says. When oligopoly power increases, a larger share of GDP goes to capital owners, and a smaller one goes to workers. Hence, oligopoly has major implications for inequality.

More information: Bruce Pellegrino's paper is available at

[westernfinance.org/wp-content/...oads/2021.links_.pdf](https://westernfinance.org/wp-content/uploads/2021/links.pdf)

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