

Multinationals, Markets and Mark-Ups

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- Paper contributes by taking an international perspective

Evolution of Global Market Power

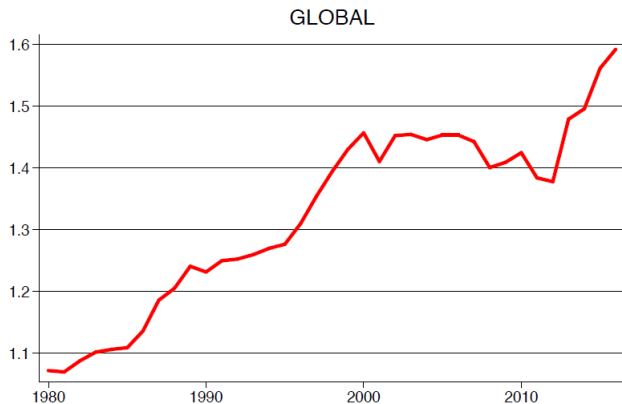


Figure 1: Global Market Power

De Loecker & Eeckhout (2018)

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 2. Firm-country panel of operations by U.S. multinationals to estimate markups (De Loecker and Warzynski (2012)) and analyze extensive and intensive margin decisions by multinationals: $wL/S = \theta^L/\mu$
 - **Geography of mark-ups:** Lower mark-ups in AEs, differences relative to EMs has grown, global component in concentration trends.
 - **Location choices:** Choose larger markets, $f_L \rightarrow m_L$ & $f_S \rightarrow m_S$; over time *more likely to open affiliates in less competitive markets*
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- **How is this different/new?** Model, data and results.

Comment 1/3

Focus on Multinationals

Does the use of data on U.S. multinational bias or affect results in particular ways?

- **Size:** multinationals are large (selection: proximity-concentration bias)
- **Intangible/knowledge capital:** multinationals invest more in intangibles.

McGrattan & Prescott (2010): “BEA returns on foreign direct investment (FDI) are distorted because most intangible investments made by multinationals are expensed.”

→ Bias labor shares?

- **Technologies:** different factor intensities and products produced.

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Comment 1b/3: Is the use of parent sales really controlling for productivity? This assumption is key in the estimation.

Comment 1/3

Evolutions look different? How can we square these differences? Could there be something specific to EMs biasing results?

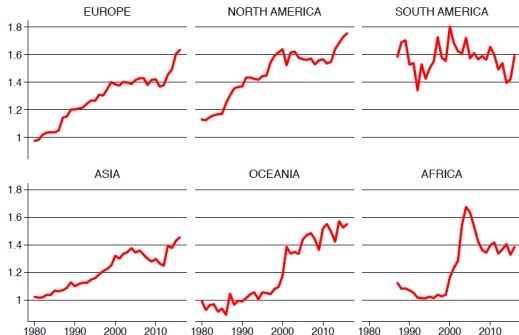


Figure 3: GLOBAL REGIONS

De Loecker & Eeckhout (2018)

Comment 2/3

Global Component of Concentration

How important is the global component of concentration?

"Finally, in industries in which sales concentration has grown in the United States over the sample period 1999-2004 the mark-ups charged by the affiliates of U.S. multinationals have grown as well."

→ Very interesting and novel result!

- Could market power in the U.S. be dictating the evolution of market power in other countries in other countries?
 - ▶ [De Loecker, Eeckhout and Unger \(2018\)](#): if largely driven by composition, maybe driven by decisions by multinationals
 - ▶ Exploit differences in initial exposure to U.S. multinationals
 - ▶ Maybe it is simply an industry-specific global component?

→ Much to say here!

Comment 3/3

Contribute to debate on causes

Can the model together with the data tell us anything about the causes of changes in the strength of competition?

- Model's strength of competition,

$$p^{max} = \frac{\alpha\gamma + \eta M\bar{p}}{\eta M + \gamma}$$

- ▶ M : mass of entrants,
- ▶ \bar{p} : prices charged by competitors, and
- ▶ α, γ, η : preferences.

1. Regulation? (antitrust) [Gutiérrez & Philippon \(2017\)](#)
2. Changes/differences in demand? [Autor et al. \(2017\)](#)
3. Or completely orthogonal, biased changes in technologies? [Karabarbounis & Neiman \(2013,2014\)](#)

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Comment 3b/3: Does the estimation strategy control for technology biased changes? Not De Loecker & Warzynski (2012), but maybe relevant with multiple countries.

Conclusion

- Great paper! → On the spot regarding hot research topic...
 - ▶ Results specific to multinationals? General? Interaction?
 - ▶ **Global component of market power** → super interesting!
- Great mix of theory and data delivering novel results!