REGULATING MARKET POWER AND BIG TECH ON THE TWO SIDES OF THE ATLANTIC

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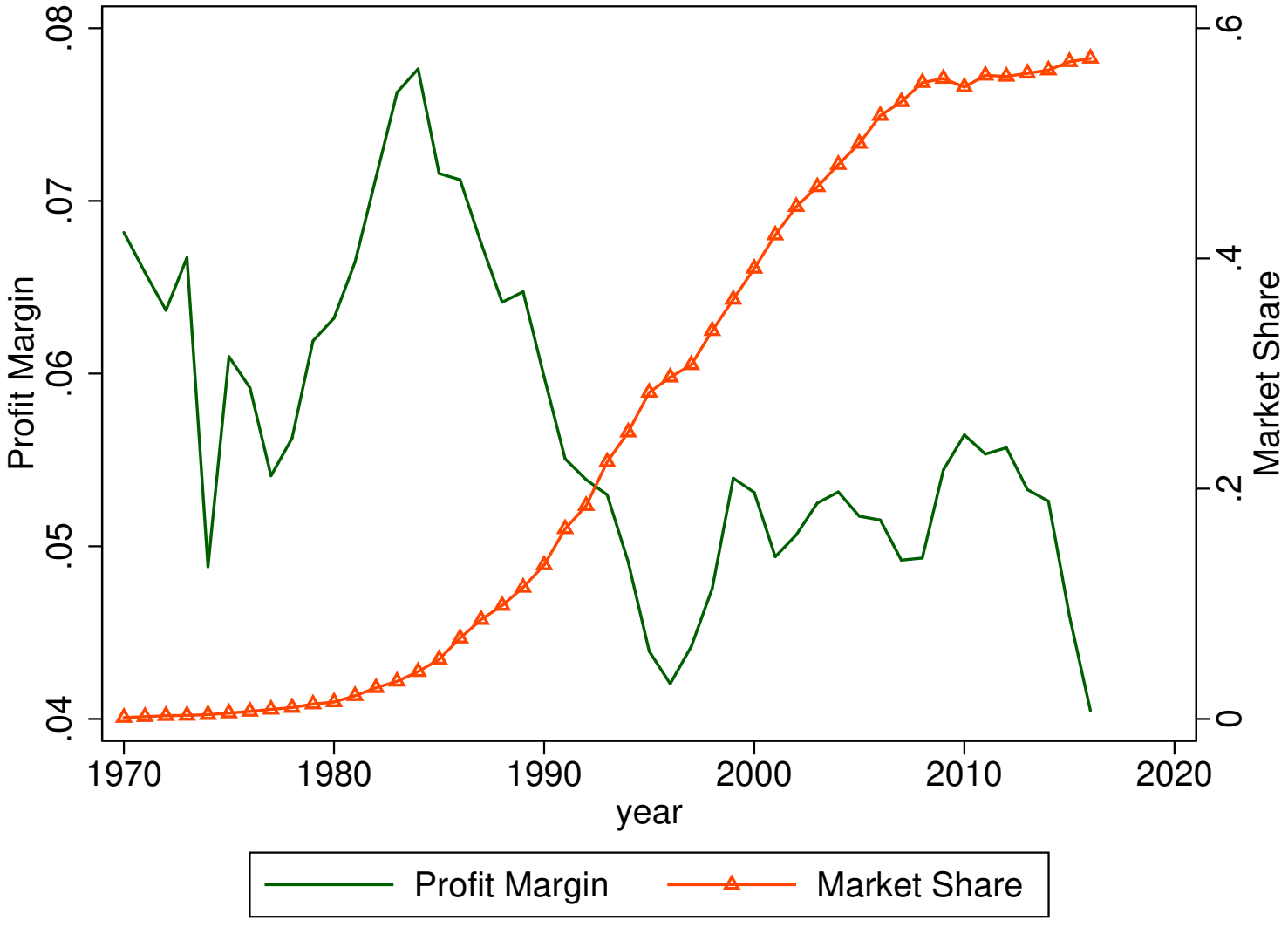
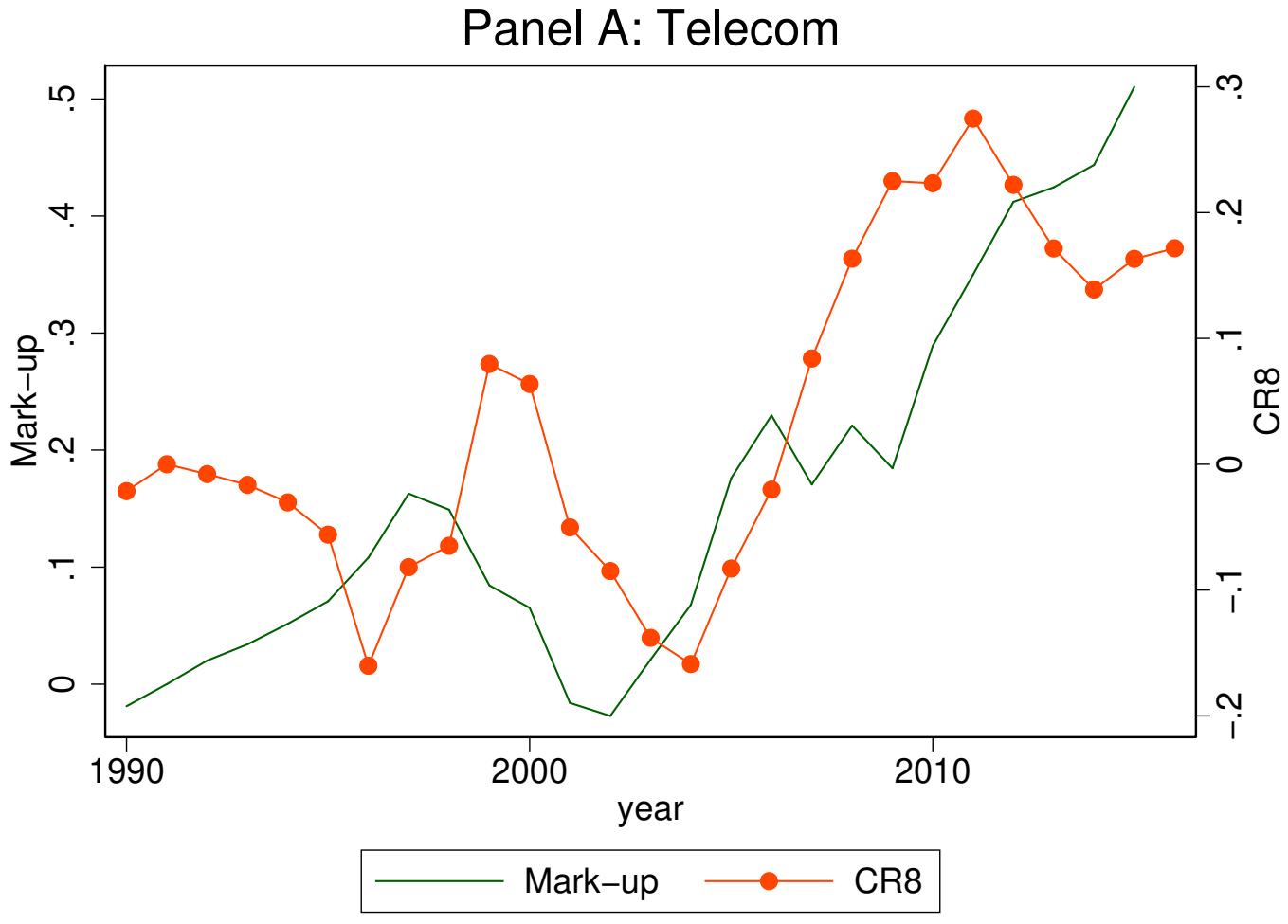
Motivation

- EU has improved its competition policy
  - Lower prices than in the US
- But what about productivity?
  - Mixed
- And what about Tech?
  - From GAFAM to AI, difficult to regulate

An Example of Good Concentration: Walmart



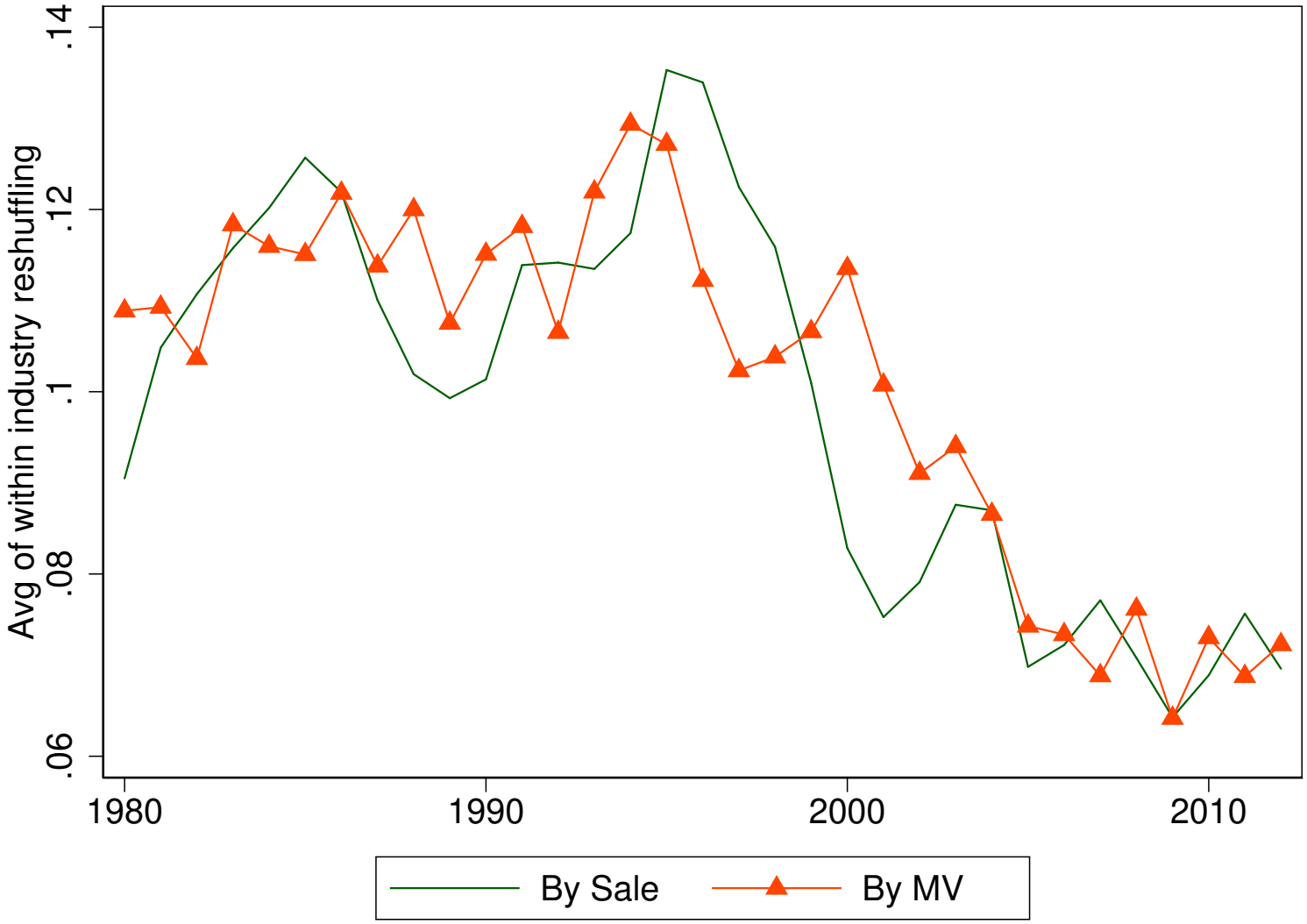
An Example of Bad Concentration: Telecom



Cost of Internet Access, 2018

Rank	Country	Broadband Cost
40	France	$ 31
43	South Korea	$ 32
53	Germany	$ 37
...		
119	US	$ 68

Decreasing Turnover (1/2)

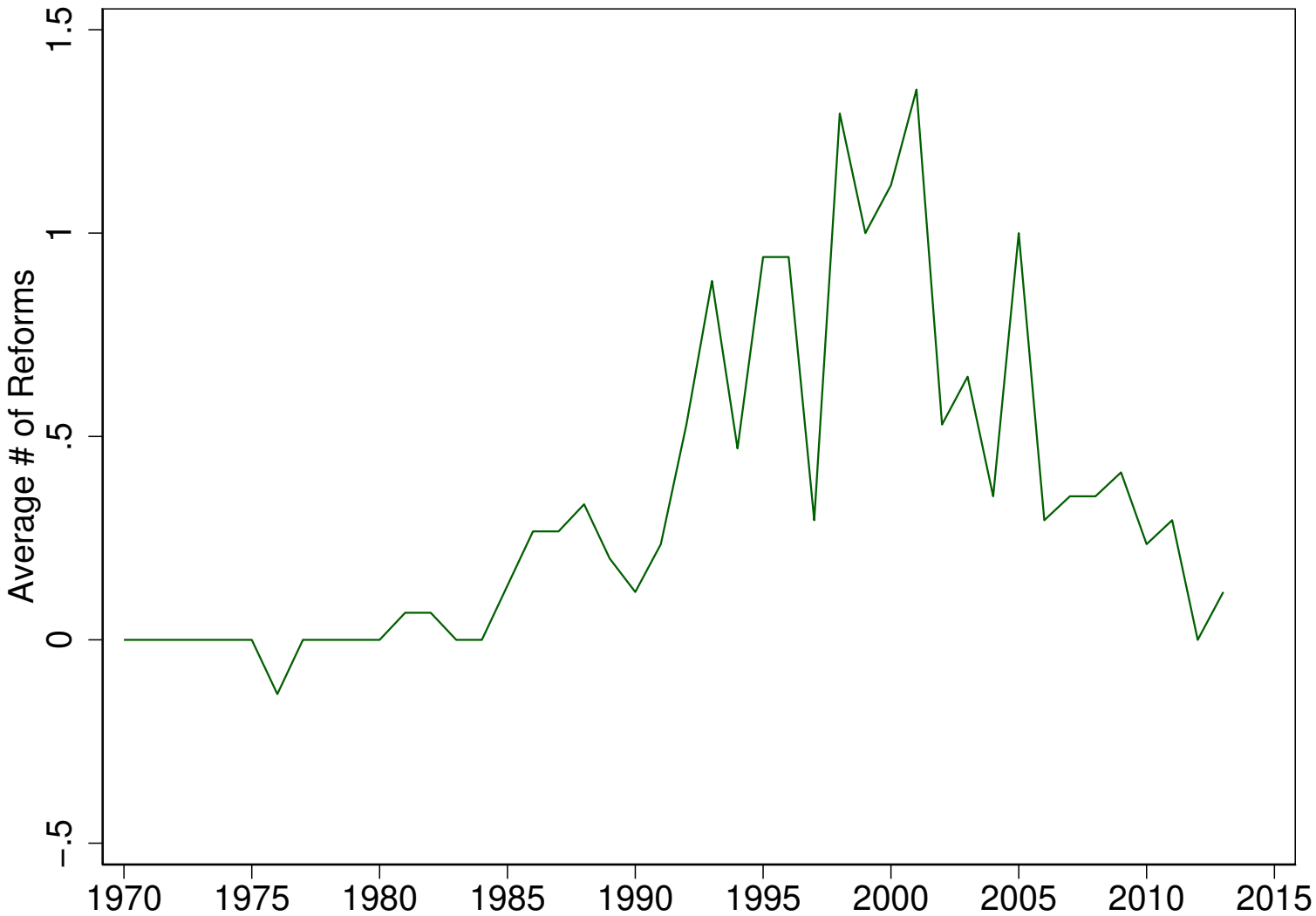


Philippon (2019)

Technology or Policy

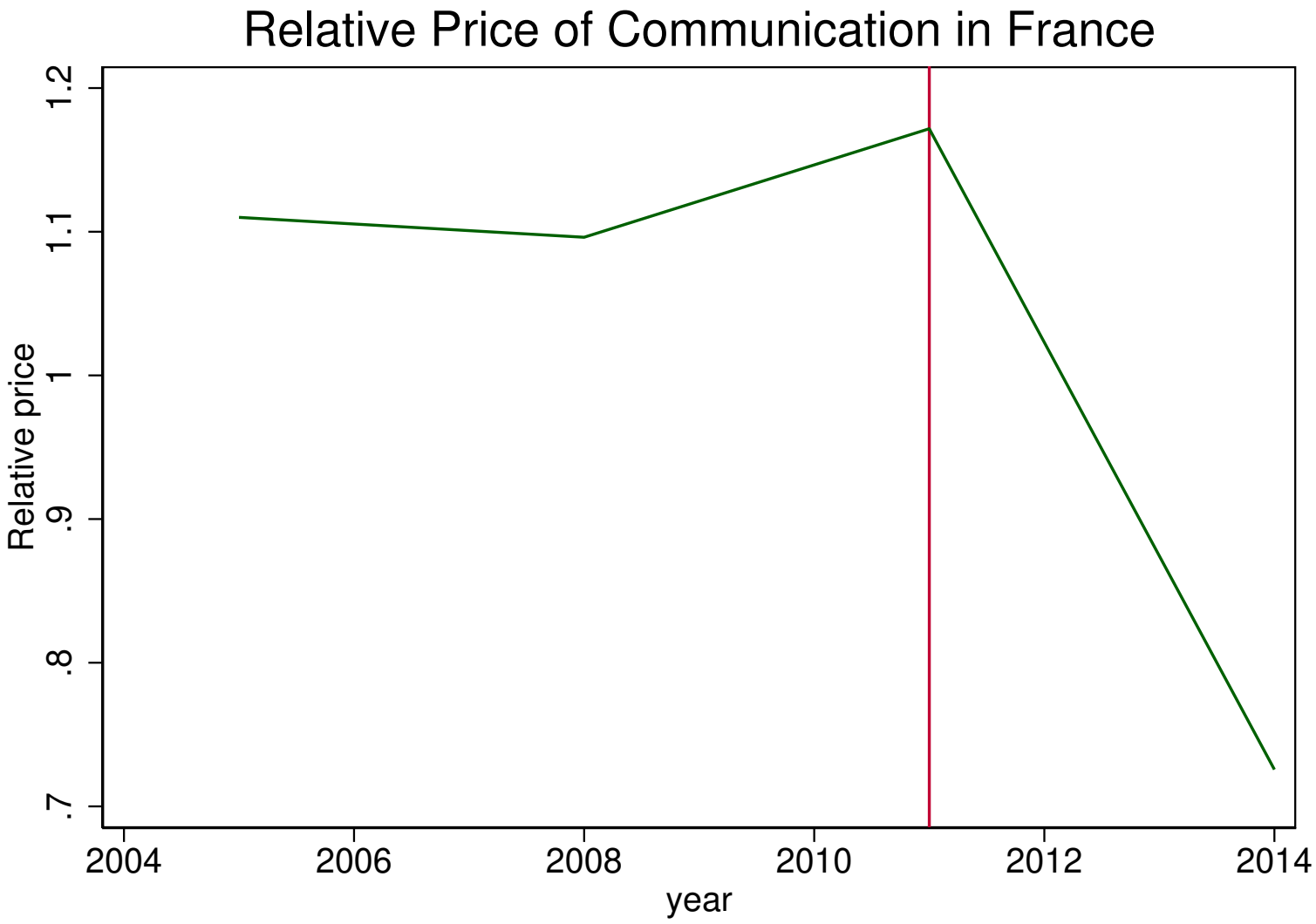
Europe?

Product Market Reforms in Europe



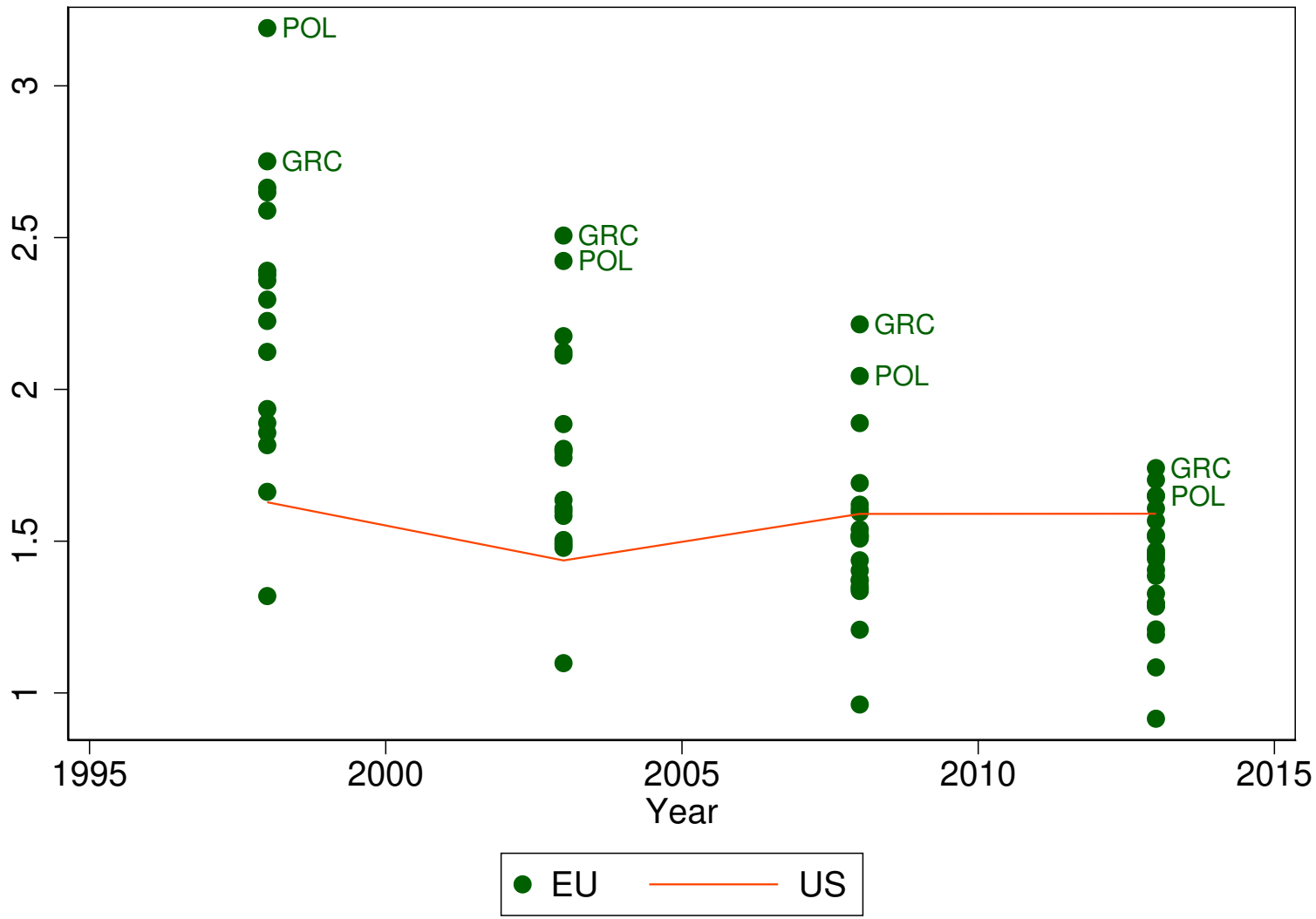
Source: Duval et al. (2018).

Comparison of Telecom Prices in FR vs US



Gutiérrez and Philippon (2018)

Regulation: US vs EU



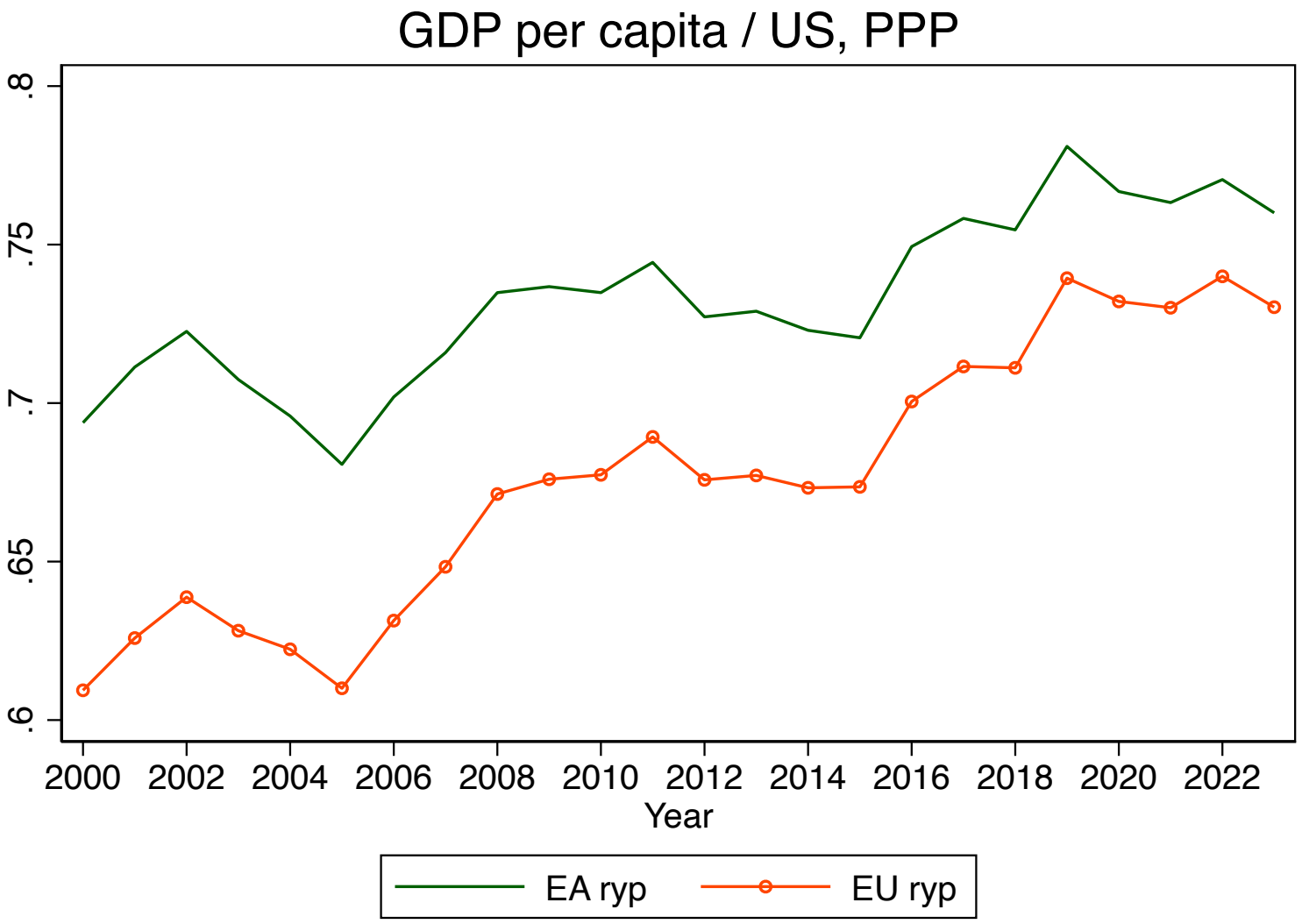
Source: OECD PMR.

The Missing Trillion Dollar

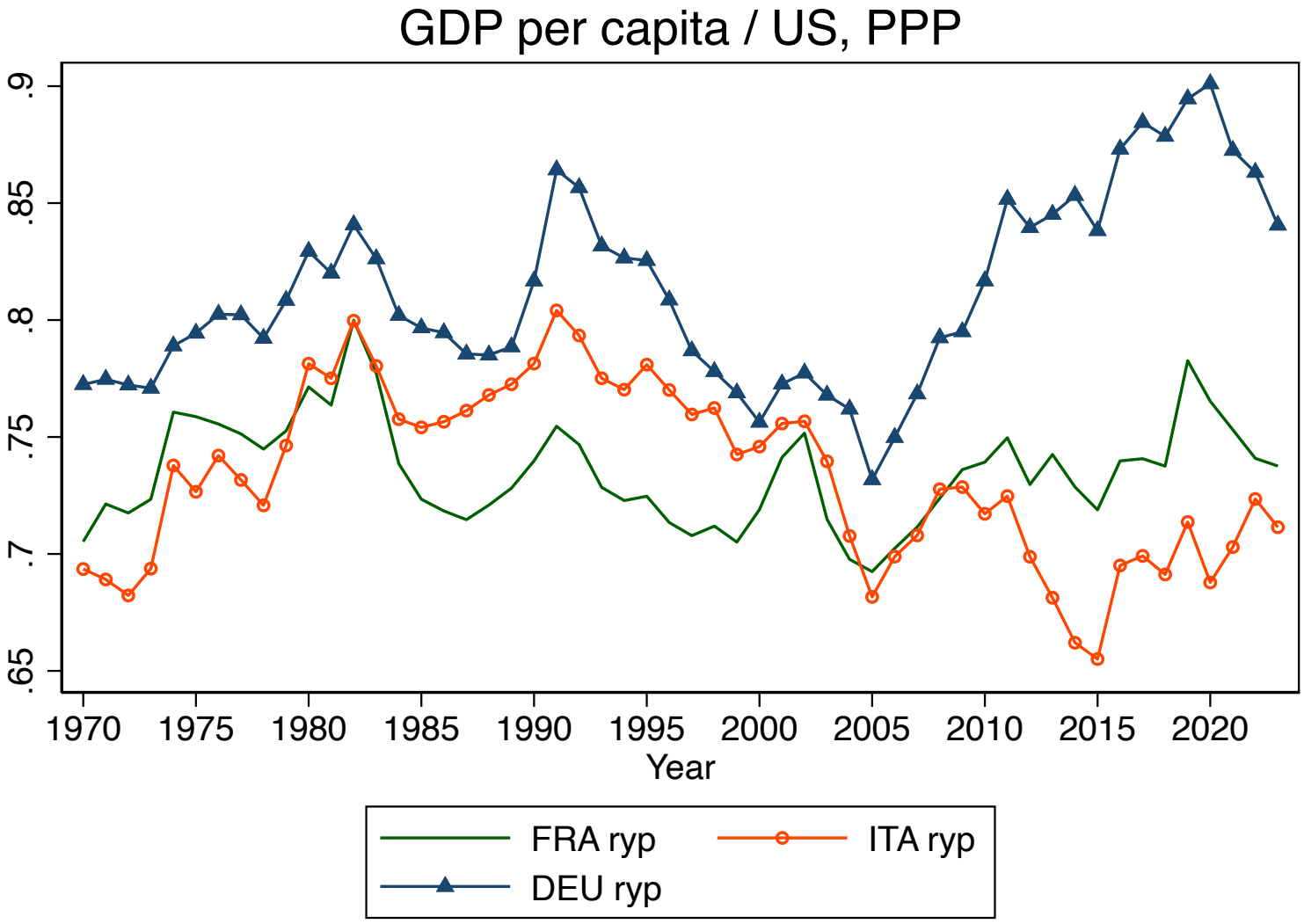
Estimated loss from excessive market power in the US

- Monthly savings per households: $300
- Nationwide annual household direct savings: $600 billion
- General equilibrium impact of returning to competitive markets
  - GDP: $1 trillion
  - Labor Income: $1.25 trillion, profits: -$250 billion

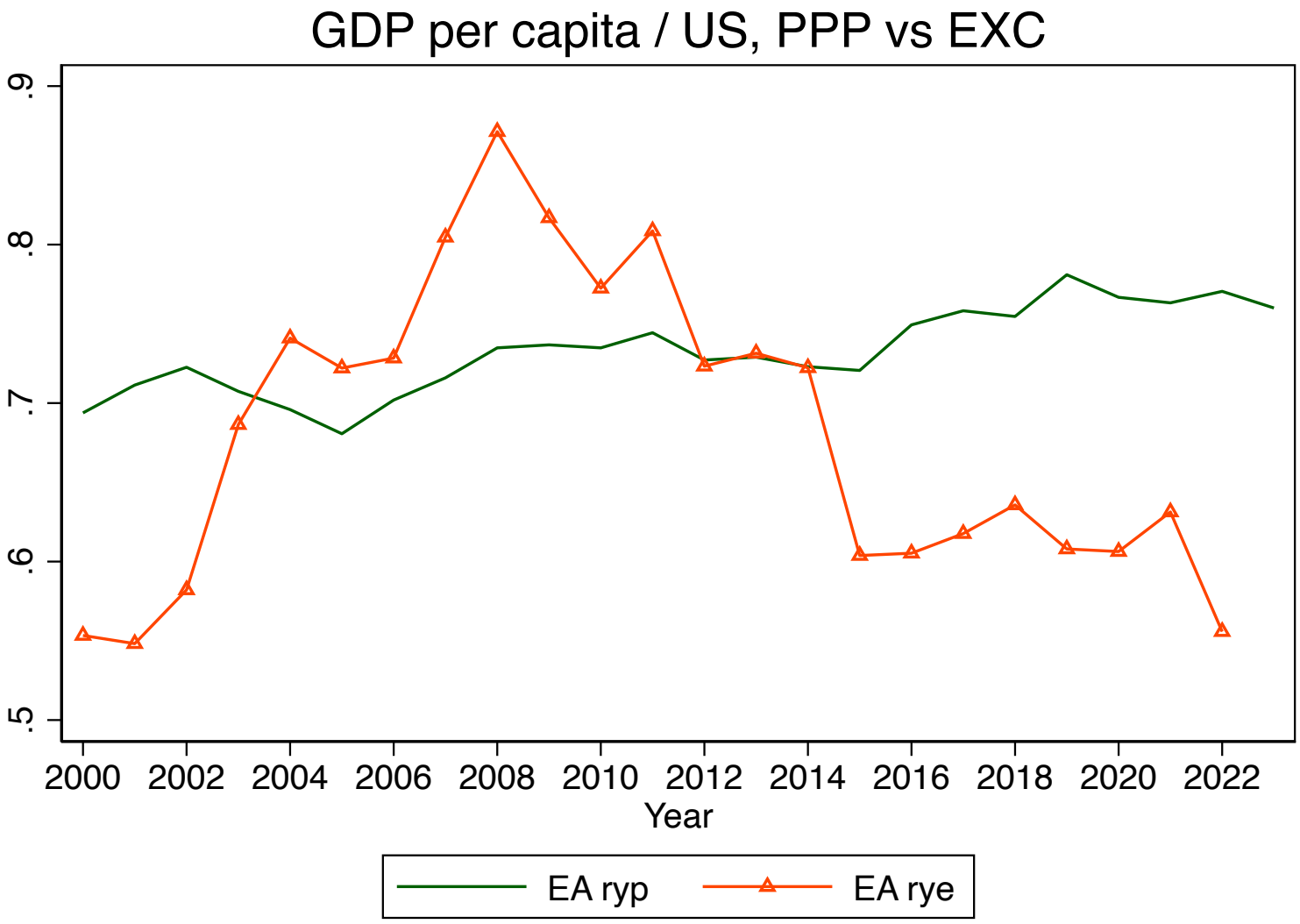
EU-EA/US GDP per Capita at PPP



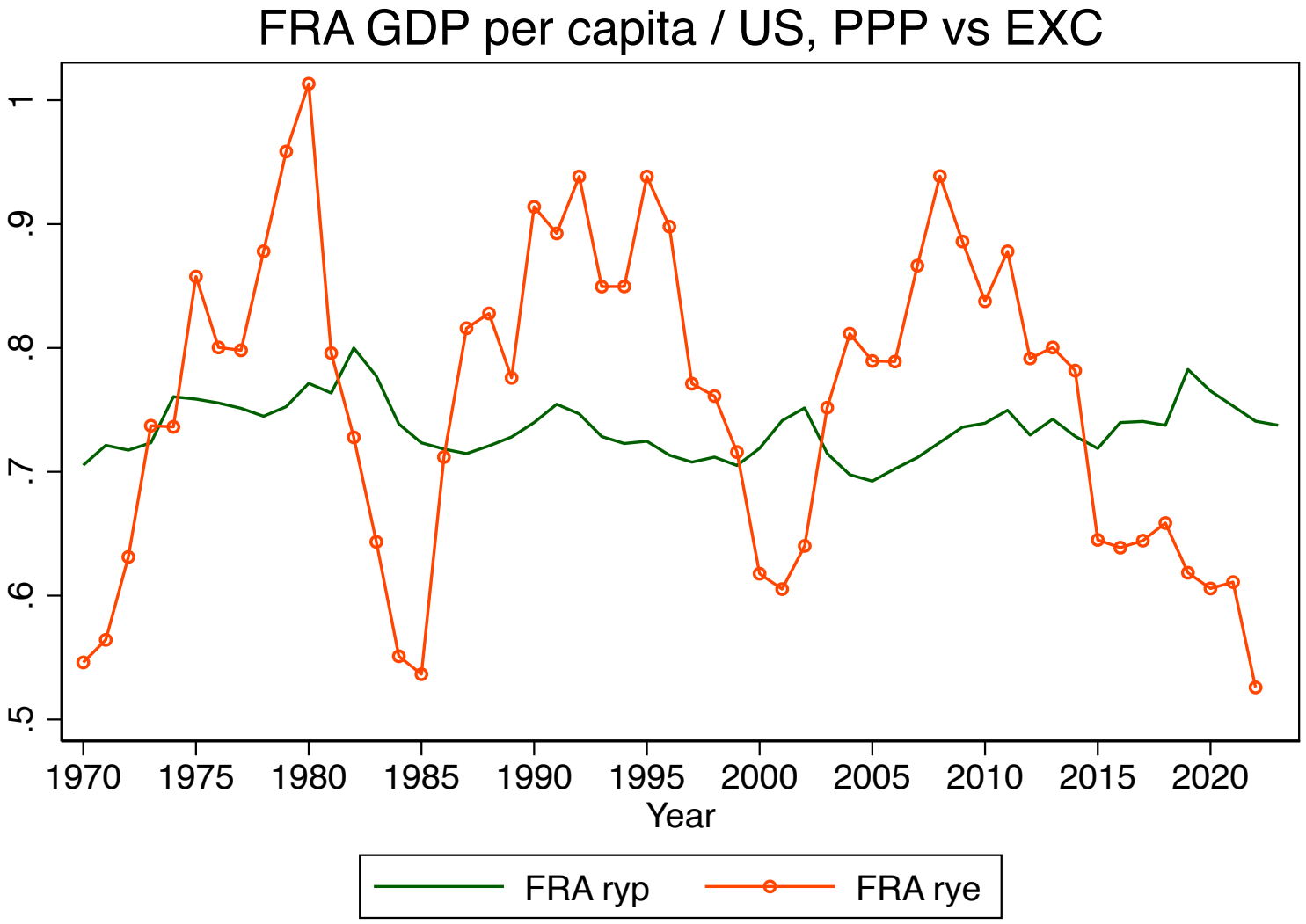
GDP per Capita at PPP



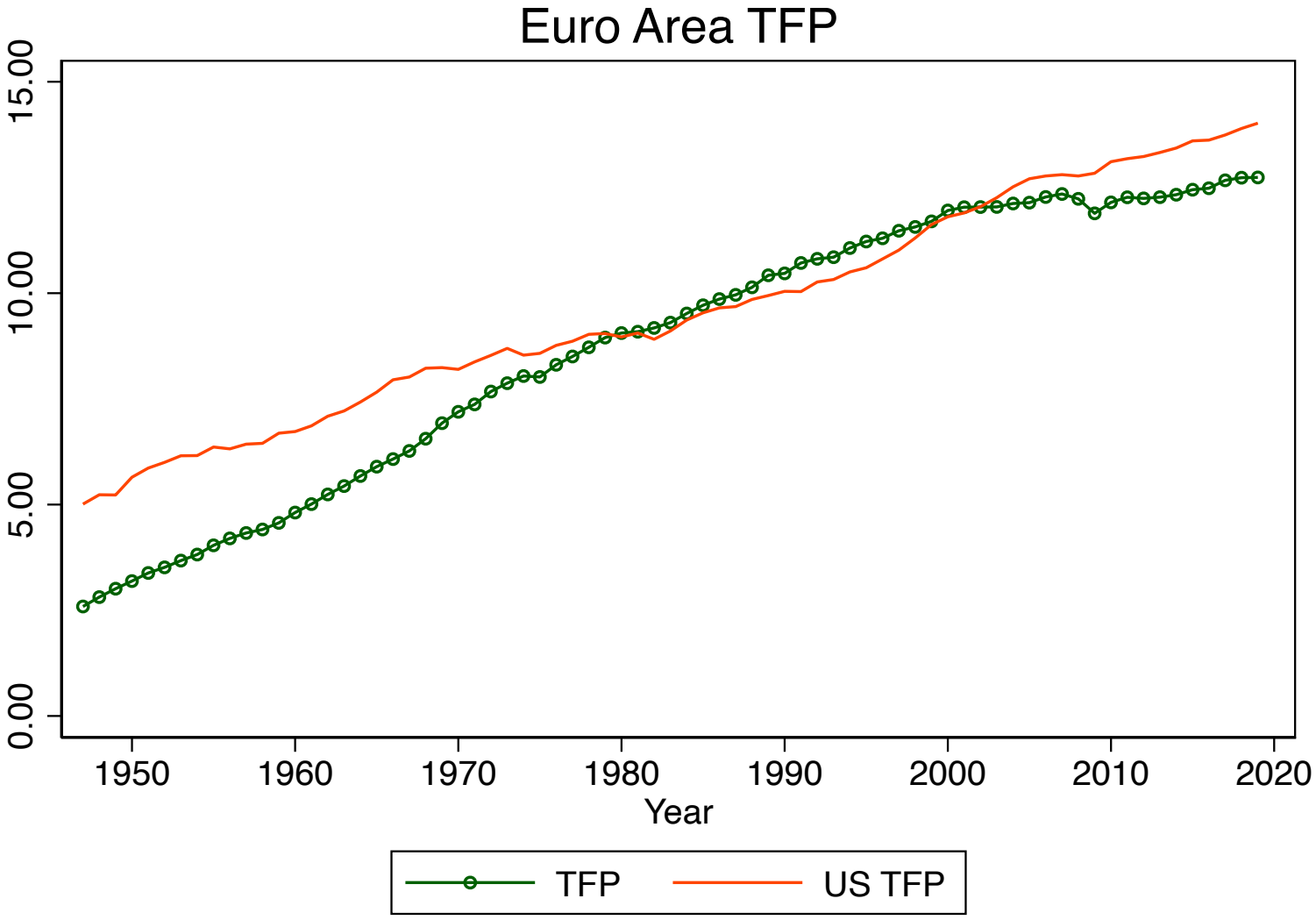
GDP per Capita: Beware of PPP



GDP per Capita: Beware of PPP, FRA



TFP: Catch-Up and Slowdown



EU Catch-Up and Slowdown

Table: TFP Increments

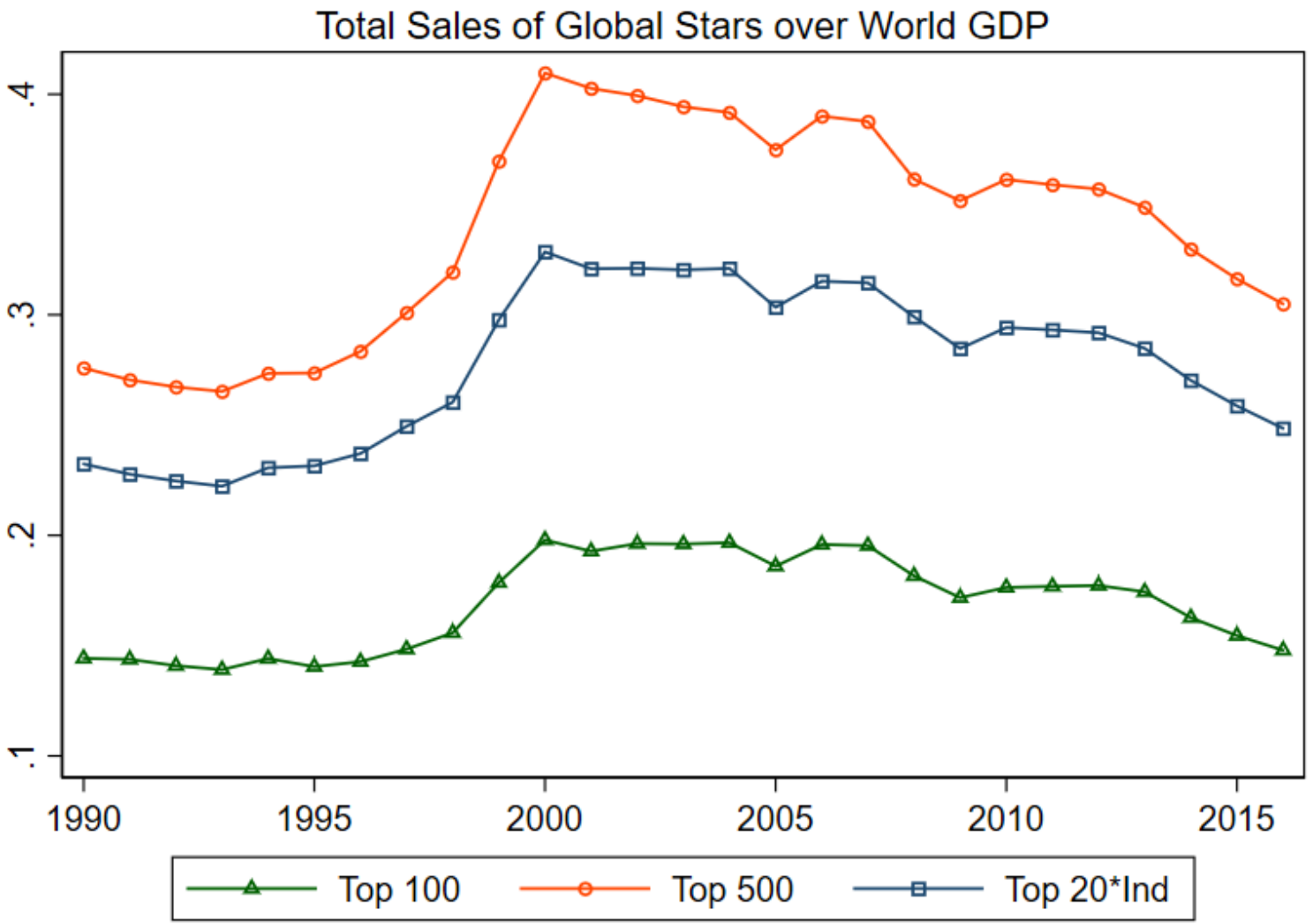
$\Delta[TFP]/TFP_{US,1947}$	1947-1990	1991-2019
USA	.023	.027
Euro Area	.037	.016
Japan	.029	.012
Denmark	.026	.026
Sweden	.022	.028

Notes: TFP Increments measured in units of US TFP in 1947.

About the Stars

How Do Current Stars Compare to those of the Past?

Footprint of Global Stars



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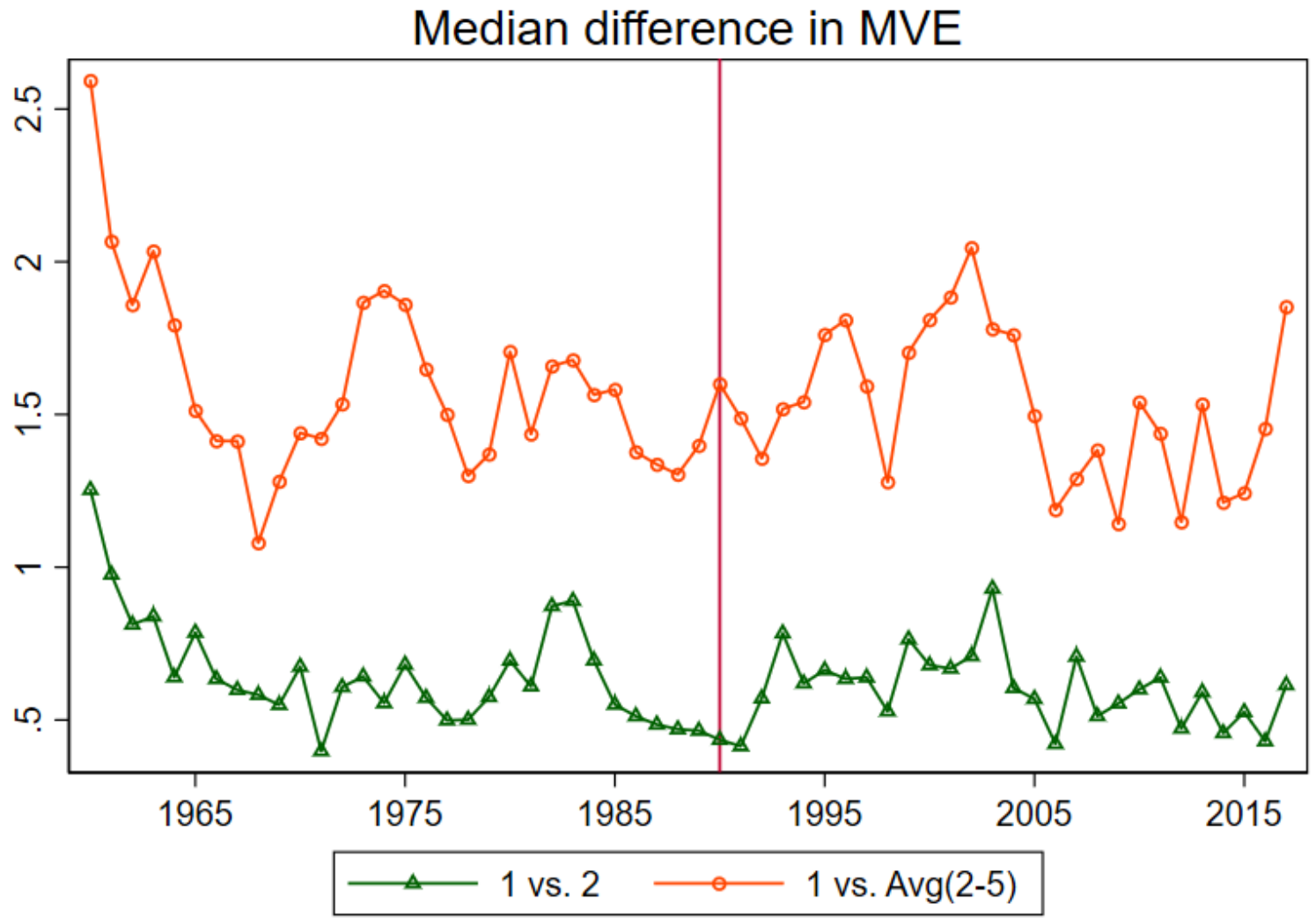
Winner Takes All?



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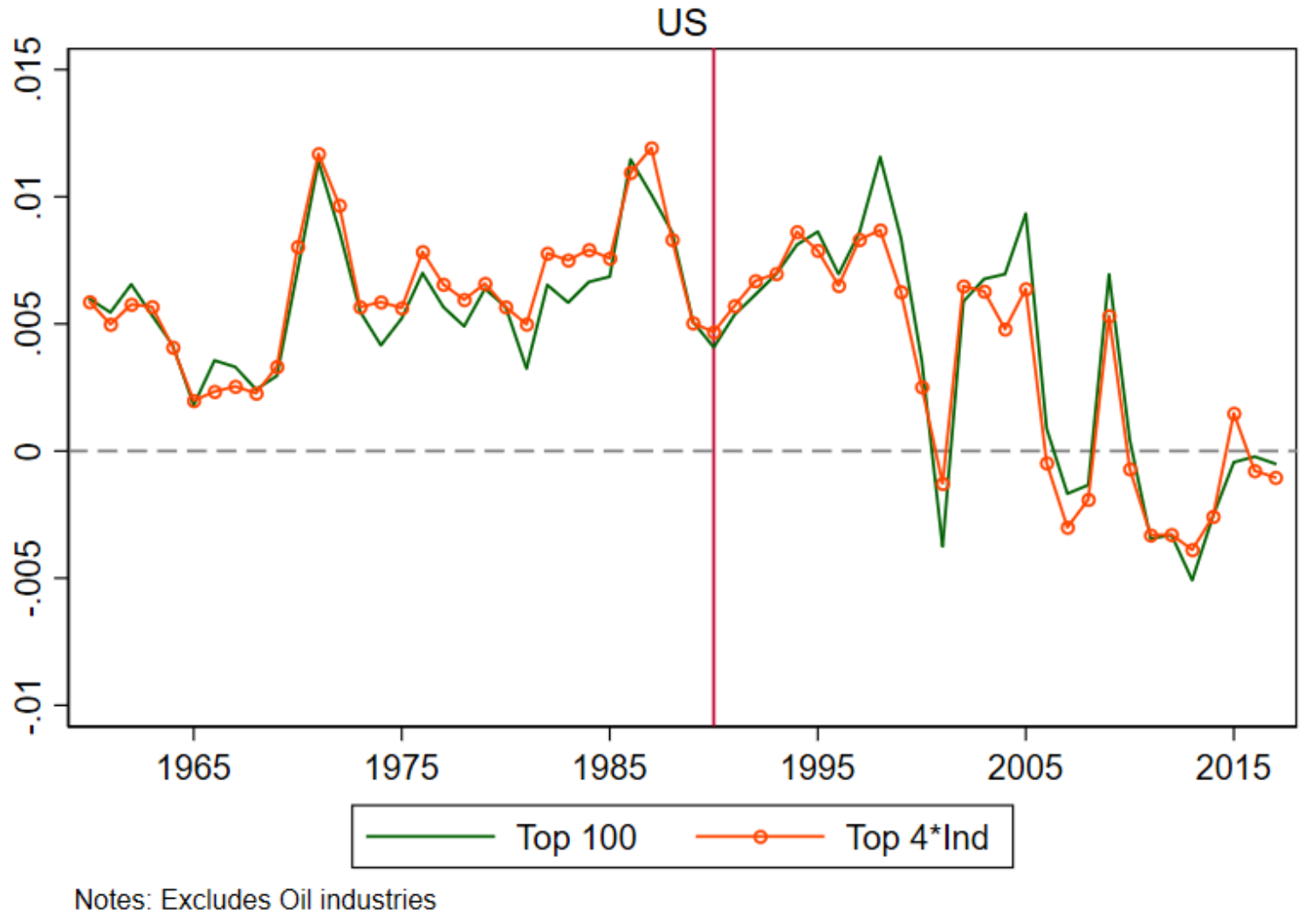
Productivity?



Gutiérrez and Philippon (2020)

(Misconceptions about) “Star” Firms

- Star firms scale with world GDP
  - Foreign sales bias Domar weights
- “Winner-takes-all” effect does not seem to have increased
- Productivity growth not as high as in the past
- High profit margin and valuation mostly due to lower taxes and lower costs (global sourcing)

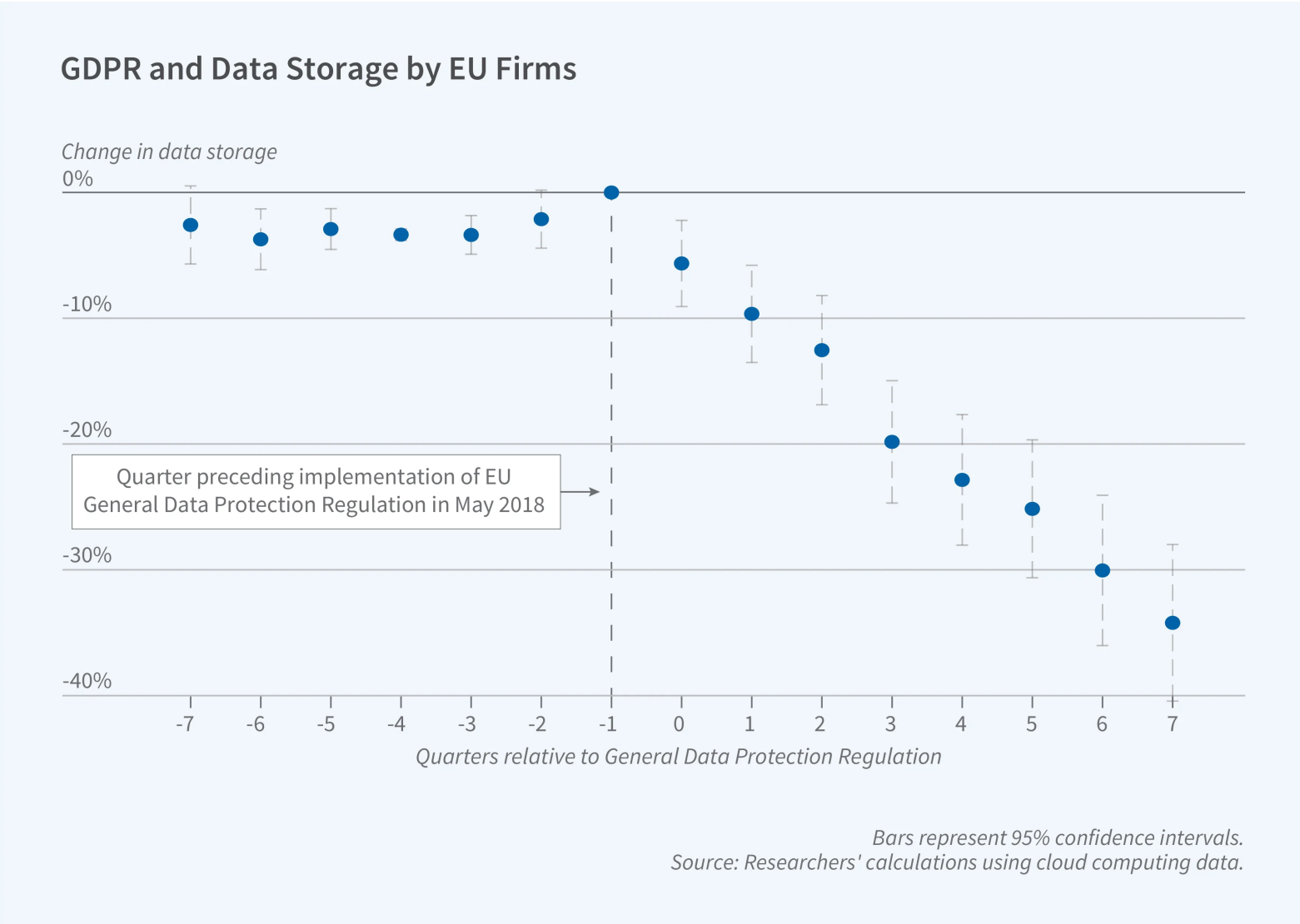
New New Stars

- Phase 1 (time to 1M users)
  - Google. 1998. 1M in 1 year
- Phase 2 (time to 100M users)
  - Facebook. 2004 + 4 years
  - Twitter. 2006 + 6 years
  - Spotify: 2008 + 8 years
  - Instagram: 2010 + 2.5 years
  - Uber: 2010 (or 2009) + 6 years
  - Snapchat: 2011 + 3 years
- Phase 3 (time to 100M users)
  - TikTok: 2016 + 9 months
  - Chat GPT: 2022 + 2 months

Regulating Tech Sector

- Antitrust ill-equipped to deal with global market power and with the speed of new technologies/platforms
- Current actions are useful but too late, and probably too small
  - Impact of antitrust on values is all but invisible
- And cost of regulation is real
  - GDPR
  - AI

Data &GDPR



Source: Demirer et al. (2024)

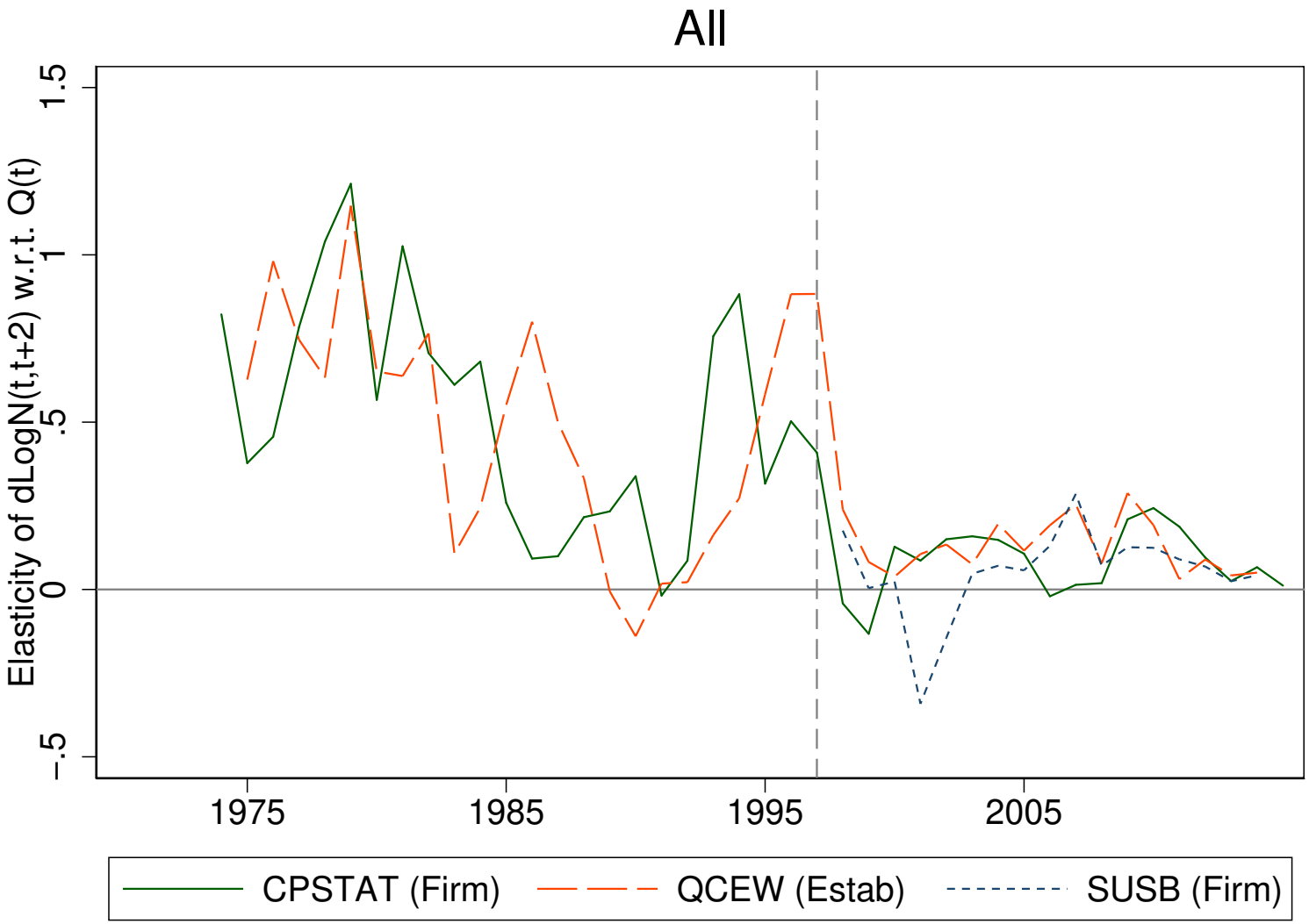
Conclusion

- EU competition policy mostly a success
- Lack of impact on productivity
  - Energy prices
- Tech regulation is balancing act
  - GDPR: OK, but need review
  - AI: too much regulation

Concentration can be Good or Bad

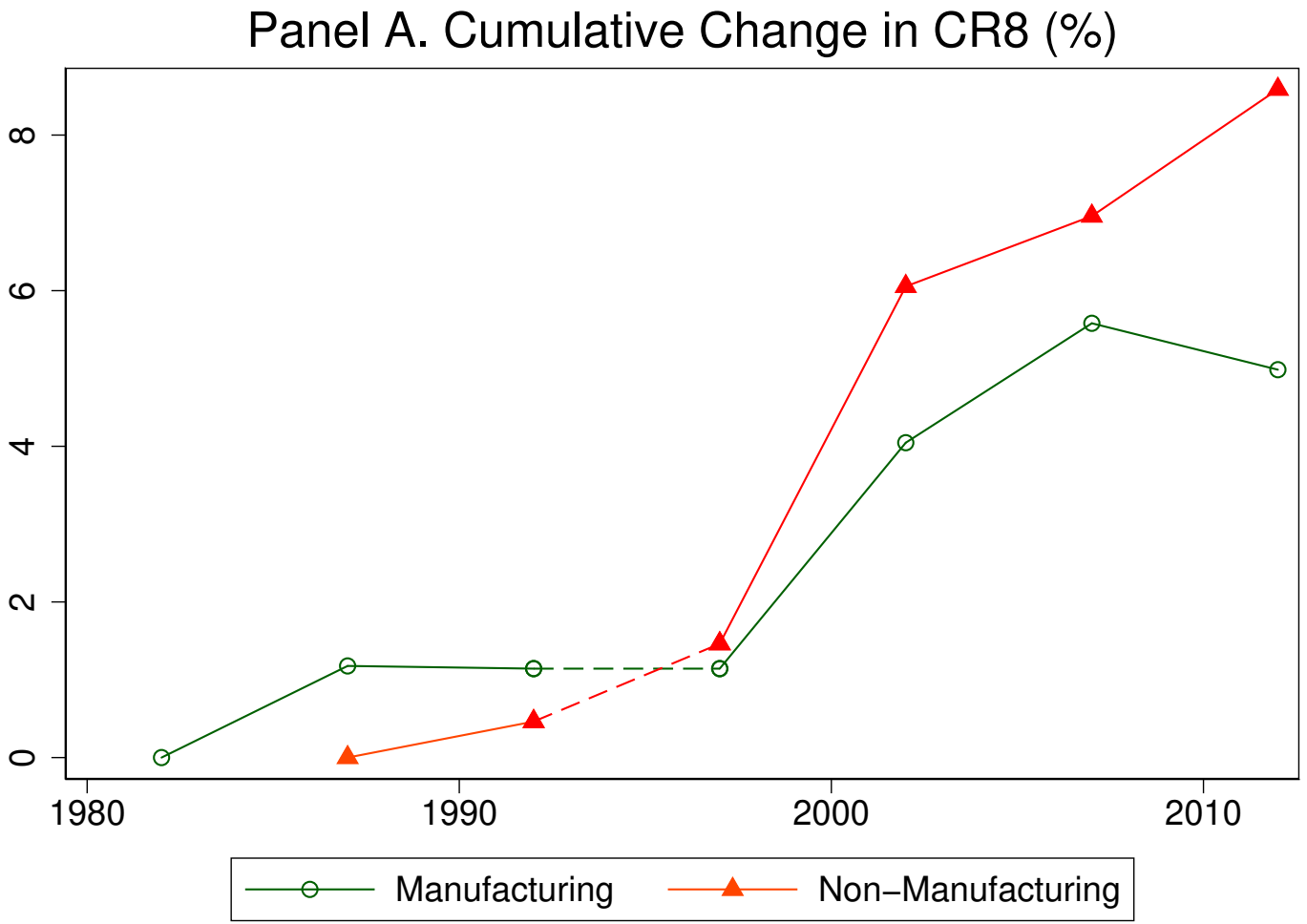
- Good concentration
  - low prices, high productivity, intangible investment
  - e.g, retail & wholesale trade
- Bad concentration
  - high prices and low productivity
  - e.g., telecoms, airlines, healthcare

Failure of Free Entry



Elasticity of Number of Firms to *Q* Across U.S. Industries. Gutiérrez and Philippon (2019)

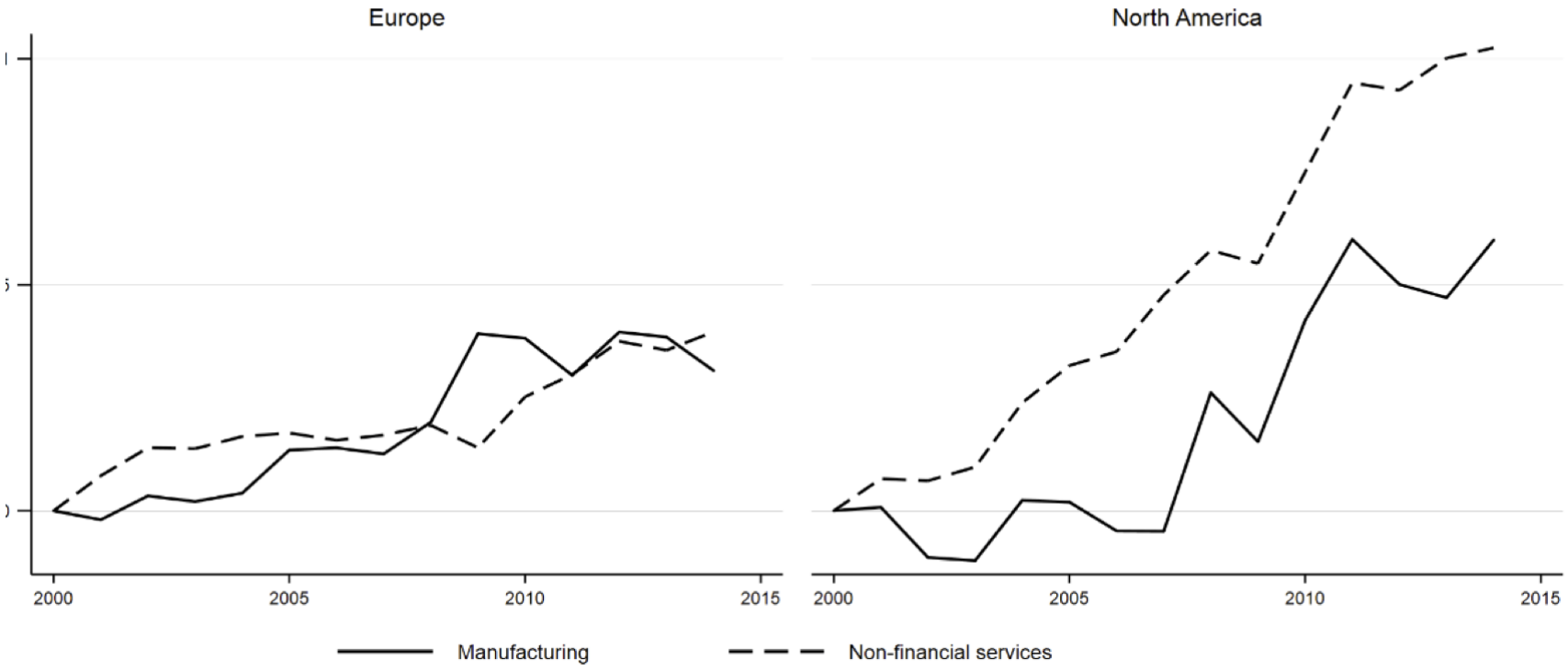
The Rise in US Concentration



Source: U.S. Economic Census for all Businesses. Dashed lines because of changes in industry classification from SIC to NAICS.

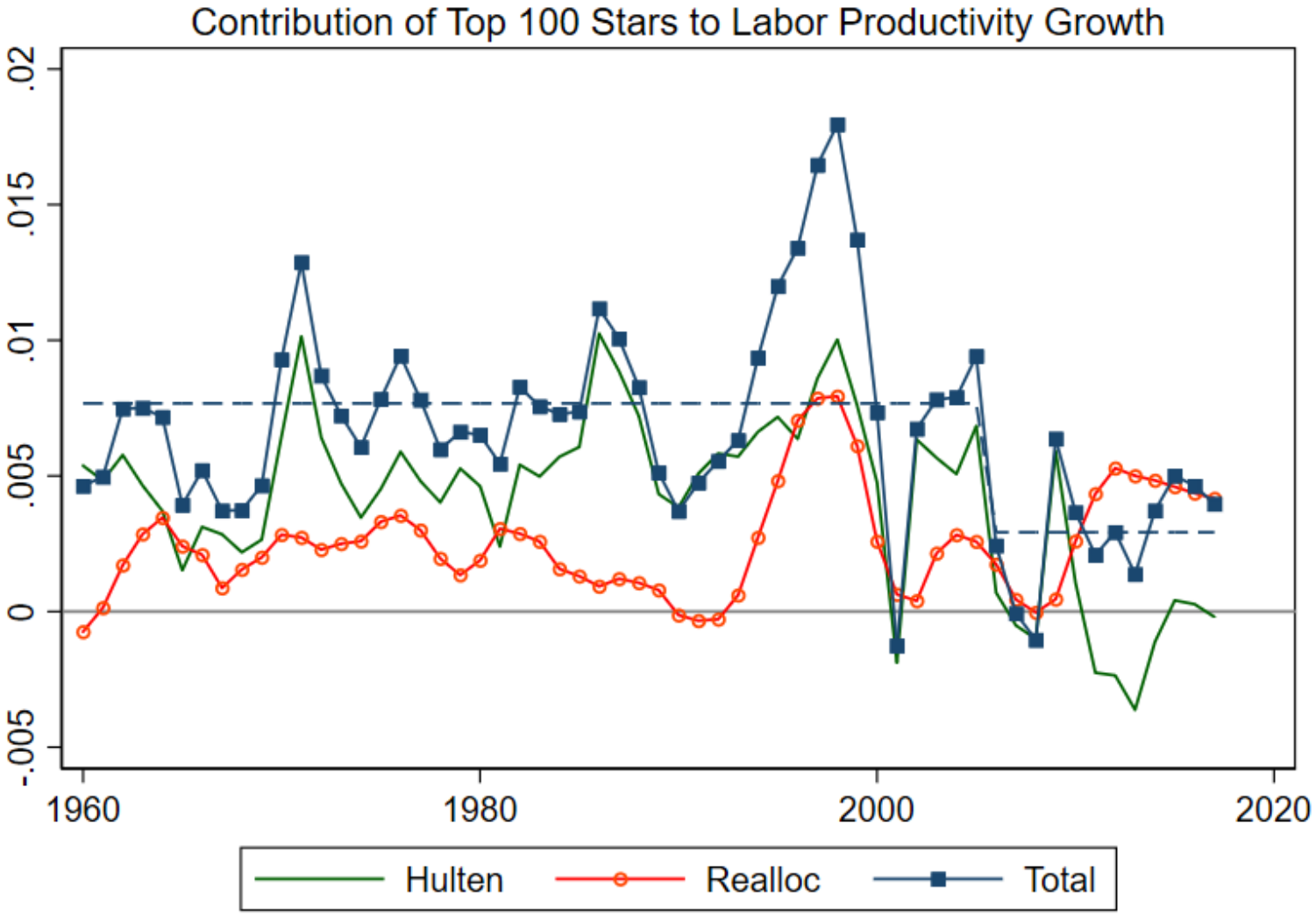
US VS EU Concentration

Figure 9. Concentration for Manufacturing vs Services in Europe & North America

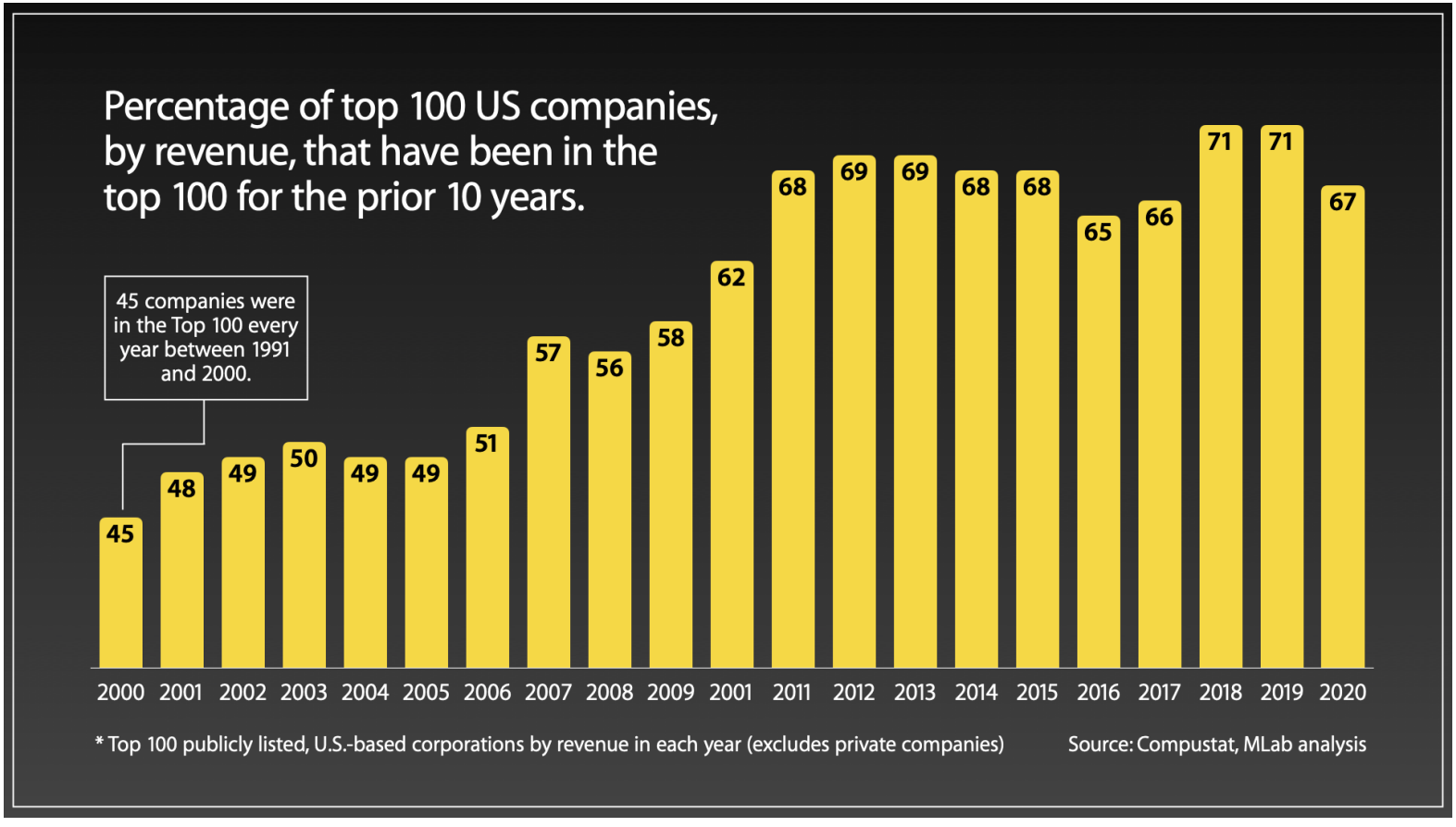


Source: OECD. Bajgar et al. (2019)

Fading Stars



Increasing Entrenchment (2/2)



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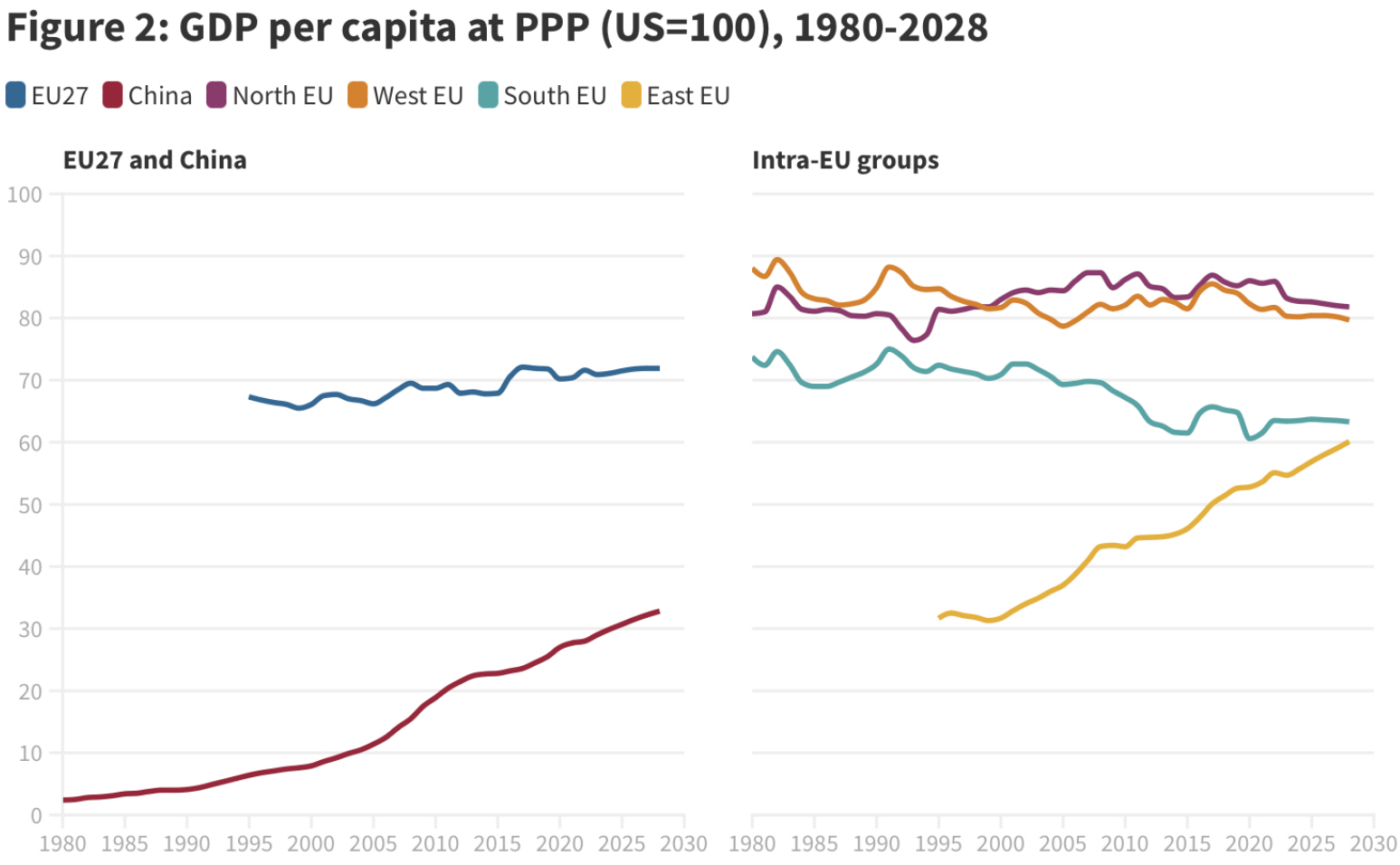
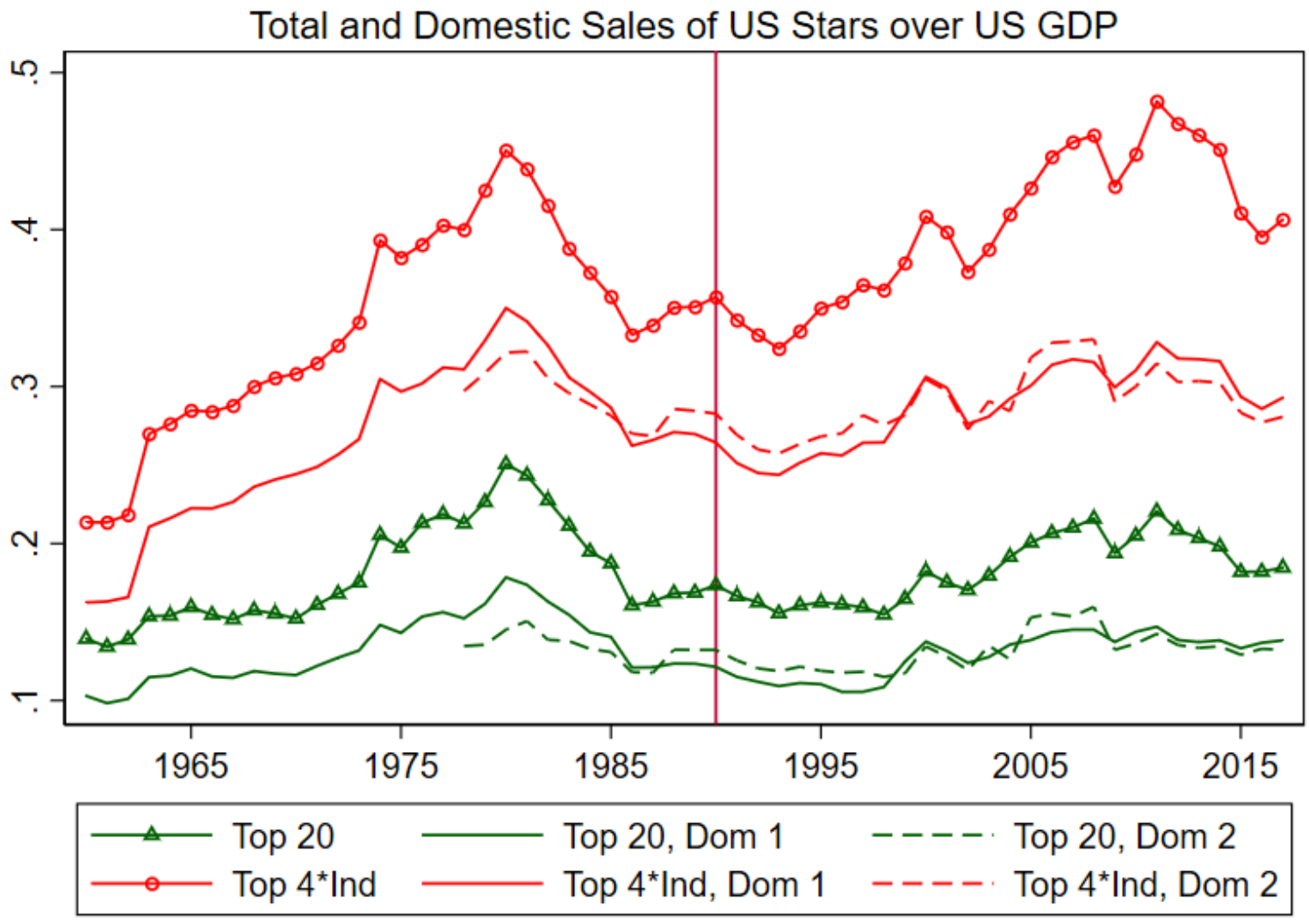


Source: Bruegel

Footprint of US Stars



Gutiérrez and Philippon (2020)

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