DIVERGING TRENDS IN NATIONAL AND LOCAL CONCENTRATION

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And the reader also has little doubt that concentration has declined in most of those markets.
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I defer to Jan’s comments about his approach to measuring market power, which I am sympathetic with.
Figure 7 from the paper shows which industries are most prone to diverging trends.

Figure 7: Pervasive diverging trends across 2-digit sectors

- Percent of Employment in SIC 2
  - Retail Trade
  - FIRE
  - Services
  - Wholesale Trade
  - Manufacturing

Legend:
- Blue: Percent of Employment in SIC 8s with Increasing National and ZIP Trends
- Red: Percent of Employment in SIC 8s with Increasing National and Decreasing ZIP Trends
- Black: Percent of Employment in SIC 8s with Increasing National and Zero ZIP Trends

The figure presents in solid orange and solid red, respectively, the national HHI and the local ZIP code level HHI among these industries. Given our industry selection, the national concentration (orange) line is increasing by construction and the local concentration (red) line is decreasing by construction. The dashed orange and dashed red lines in that figure depict the same objects but excluding the top enterprise in each SIC 8 industry as measured by sales in 2014.

We consider only industry-geography pairs \((i, g)\) for which \(i\)'s top enterprise has at least one establishment present in \(g\) in at least one year. Furthermore, because we are interested in isolating the effect of the top enterprise on market concentration, among those remaining industry-geography pairs, we then only include observations \((i, g, t)\) where at least one establishment remains after dropping the top enterprise in \(i\) and its associated establishments.

Figure (8) shows that among SIC 8 industries with diverging trends, excluding the top firm results in a national concentration trend that is less pronounced. The fact that large firms have contributed to the national increase in concentration is as expected. More surprising is the observation that the top firms have also contributed to the decline in local concentration. Figure (8) shows that when we exclude the top firm, the negative trend in ZIP-code-level concentration is less pronounced. Hence, the top firm (and more...
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Those on the right trade in national or international markets.
In another interesting paper, “The Industrial Revolution in Services”, Rossi-Hansberg and Chang-Tai Hsieh pursue the idea that services, broadly defined, are going through a revolution typified by Walmart’s expansion in competition with local supermarkets.

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We show in the online-only appendix that we obtain similar results when we exclude the top 3 firms rather than only the top firm.

We also exclude industry-geography pairs whose first year of observed sales results from only one establishment belonging to the top enterprise, since the change in market concentration cannot be computed in that case.
In the NIR, firms use advanced IT to standardize products and production methods across thousands of nearly identical establishments.
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The New Industrial Revolution

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Sectors undergoing NIR grow faster than other sectors, refuting market power stories and supporting productivity stories.
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I show the ratio of the IP intensity of the NIR sector (trade, health, accommodation, and food services) to the non-NIR sector.
IP intensity of New Industrial Revolution Industries as a Ratio to Other Industries
Franchise contracting is a powerful tool for accomplishing the NIR

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So far, only the 2012 survey has been published.

The results are sharp: only 3 percent of sales economy-wide arise in franchised establishments, but 26 percent arise in franchised establishments in the NIR sectors.
In 5 NAICS 6-digit industries, more than half of total sales occurred in franchised establishments

New car dealers
Limited-service restaurants (fast food)
Private mail centers
Diet and weight reducing centers
Optical goods stores
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- Optical goods stores

All are in the NIR sector.
I thought that fast food might be more affected by NIR, but the employment fraction of fast-food among all restaurants is remarkably stable.
Ratio of fast-food employment to total restaurant employment
On the other hand, restaurant employment has risen substantially as a fraction of total non-farm employment.
So,

the hypothesis that sectors benefiting differentially from NIR should grow faster is sustained in the case of restaurants (a leading NIR sector, it appears)
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The growth of out-of-the-household food preparation and consumption relative to in-household has been noted in the context of the modeling of household production, but the paper offers a new explanation—the rising efficiency of restaurants.
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There a lot more to do, including more intensive study of individual industries.