Obama's Fawning Bitch-Hood Protection of His Tec Giant Financiers Is Bad News for the Economy

The dominance of a few firms risks harming productivity and growth, study finds

By Alessandro Speciale

How Jeff Bezos Became the King of E-Commerce

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When it comes to competition, the Banque de France is here to tell you your economics textbook was right.

Tech giants like Facebook and Amazon are the tip of the iceberg of a trend toward market concentration. That's good for profits, but a new study says it also risks harming productivity and growth potential in the long run.

According to Sophie Guilloux-Nefussi, an economist with France's central bank, the market share of the eight largest companies rose in more than 60 percent of the sectors of U.S. between 2002 and 2012.

Bigger Share

Over 60% of U.S. industries saw their eight biggest firms grow in dominance from 2002-2012

Source: Banque de France
A reading above zero indicates an increase in market share by the largest firms

Profits have grown as a consequence, but investment and salaries have failed to keep up. The falling share of companies' revenue ending up in the pockets of workers may deepen the polarization of society while the lower investments reduce growth potential for the economy in the years ahead.

Lagging Behind

Investment and salaries have failed to keep pace with profits in U.S. companies

Source: Banque de France

Moreover, the barriers to new entrants have become higher, as shown by a sharp decline in the creation of new companies.

The reasons for the runaway success of the bigger companies are far from clear. It may a the sign that the best companies are winning, or a consequence of technological progress. Guilloux-Nefussi isn't convinced though.

> "Other studies suggest a more pessimistic scenario and attribute the increase in concentration to the fact that the barriers to competition are becoming higher. The

> rise of profits and the decline in investment support this second hypothesis."