

**Romain Duval** (IMF)

**IMF World Economic Outlook – Chapter 2– The rise of corporate market power and its macroeconomic implications**

**Abstract**

This chapter investigates whether corporate market power has increased and, if so, what the macroeconomic implications are. The three main takeaways from a broad analysis of cross-country firm-level patterns are that (1) market power has increased moderately across advanced economies, as indicated by firms' price mark-ups over marginal costs rising by close to 8 percent since 2000, but not in emerging market economies; (2) the increase has been fairly widespread across advanced economies and industries, but within them, it has been concentrated among a small fraction of dynamic—more productive and innovative—firms; and (3) although the overall macroeconomic implications have been modest so far, further increases in the market power of these already-powerful firms could weaken investment, deter innovation, reduce labor income shares, and make it more difficult for monetary policy to stabilize output. Even as rising corporate market power seems, so far, more reflective of “winner-takes-most” by more productive and innovative firms than of weaker pro-competition policies, its challenging macroeconomic implications call for reforms that keep future market competition strong.