Economists warn on dominance of US corporate giants

'Superstar companies'. Labour market

Slow wage growth amid rising revenues is contributing to income inequality, say experts

SAM FLEMING - WASHINGTON

America's biggest companies are grabbing a swelling share of revenues while workers suffer from stagnant wage growth, setting up an internationall debate over whether public policy needs to respond.

So-called superstar companies are becoming increasingly powerful in their sectors, allowing some to widen the markups they charge on products and services. As these highly profitable businesses become more dominant, workers are capturing a smaller slice of the economic pie, some analysts say, contributing to income inequality.

Democratic party politicians had progressed think-tanks basic attack on the phenomenon, pointing to winners like Netflix, whose shares are up 70% this year, and others argue that competition is declining.

The system that sustains growth too are too lax is contested, however. A presentation to the US Department of Justice and the Federal Trade Commission at the OECD in June cast doubt over some of the research on concentration in the corporate world, saying the analysis was not tracking meaningful market trends.

Economists increasingly argue that some of the biggest names have become more dominant and paid by a few big players. A standard measure of corporate concentration, the Herfindahl-Hirschman index, is up by 7 percentage points since 1996. Revenue is up by 13% in 2016, according to research from academics including Wharton.

The concentration has been driven by the growth of technology companies, which have seen a wave of acquisitions, including hospital tie-ups and the proposed merger between CVS Health and Aetna.

The IMF published research in June focusing on a measure of corporate power – markups reflecting the gap between the prices charged and production costs. Among US publicly listed companies, the report found that the economic weight of a small number of highly profitable and innovative “superstar” companies has increased, workers’ slice of the pie has fallen in those industries.

As a result, the power of companies’ power has increased, and there is a risk that the economy may suffer.

The IMF argues, for example, that innovation and investment may ultimately fall off as initial spikes in industries become increasingly dominated by a small number of companies.

Some politicians and analysts say regulatory policy is an important part of the phenomenon. They argue, for instance, that authorities have permitted too many mergers and done too little to crack down on overly powerful companies.

There has been a recent resurgence of antitrust law to be more mindful of the costs of these mergers and acquisitions,” said a Democrat spokesman for California. He stressed that these companies are “too big to fail” and that they are “too big to handle.”

“The question is: what are you allowing mergers and acquisitions to do? What is the policy you would have allowed before?” asked Mr. Furman.

REUTER SHAPES,

A DEMOCRATIC CONGRESS

MAKE A SMART INVESTMENT
Subscribe to the FT today at FT.com/subscription

Creditors eye Venezuela oil assets in battle over unpaid debt

Creditors eye Venezuela oil assets in battle over unpaid debt

BONDHOLDER STRATEGY

CREDITOR'S EYE VENEZUELA OIL ASSETS IN BATTLE OVER UNPAID DEBT

Gordon Long - BOSTON

John Paul Routh - NEW YORK

wrestling with an economy wracked by hyperinflation, and faces government sanctions by the US. Europe, Canada, and the US oil major said the company's assets are subject to sanctions.

The creditors are now on the lookout for any assets that could be sold or accessed that value left to meet Crystallex's $1.4bn claim.

Some commentators point to the fact that while oil is not as much a part of the Venezuelan economy as it once was, it is still an important asset. However, the situation is complex and uncertain.