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Letter: Superstar companies are giving consumers more choice, not less

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Martin Wolf's column on reforming capitalism is a font of wisdom — conventional wisdom ("How to reform today's rigged capitalism", December 4). He repeats well-worn progressive claims that more active antitrust policy and stringent financial regulation would deliver better consumer outcomes, through more competition.

But his evidence is behind the curve. National market concentration in the US has indeed increased across many sectors, but concentration at the local level — where companies actually compete — has declined. Recent academic papers explain away this paradox: globalisation and technological change has seen highly productive superstar companies serving more locations. These companies enjoy higher mark-ups and have lower labour shares due to their adoption of new technologies. Consumers are enjoying more choice through their activity, not less. What is needed to erode their mark-ups is not more antitrust, but time — for such technologies to be broadly adopted.

US banking, as it happens, is extremely fragmented, unlike in much of Europe. Profitability is lower than it was in the 1990s and 2000s, and investors are not expecting a huge increase in bank earnings any time soon, to judge by the ratio of bank stock prices to their book value. Increasing capital requirements, as Mr Wolf would, may make banking safer but it won't reduce its operating expenses. Eliminating some of the more than 60,000 regulatory mandates and restrictions (27,000 of them added after 2010) on US credit intermediaries would.

Discussions about policy change to make the market economy better serve all of us are important. But they must be informed by the latest research, rather than codifying the prevailing zeitgeist.

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