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Market Concentration: The Effects of Technology and Industry Specific Factors

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**MARKET CONCENTRATION: THE EFFECTS OF
TECHNOLOGY AND INDUSTRY SPECIFIC FACTORS**

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Market concentration is often viewed as an important indicator of monopoly power, which makes it a key aspect for analyzing antitrust and other cases. A good understanding of what market concentration is and how it arises is crucial to policy decision making, especially in today's world where large corporations often tend to dominate the business scene. This paper focuses on investigating how factors accounting for technological innovation and industrial specificity affect market concentration.

A variety of studies have been conducted on the affects of concentration on innovation and technology levels among industries. A majority of researchers conventionally agree that this relationship is positive. However, more recent data suggests that the relationship may be negative. Evidence suggests that there is also a reverse relationship between these two factors. In this study I hypothesize that high levels of technological innovations give rise to concentrations and that the magnitude of this affect varies among different industries. As a result, the proxy variables for innovation are constructed (R&D expenditures, number of researchers, net investments, wages). The control variables include industry size, growth, size variability and advertising intensity.

Neither of the empirical models used in the paper yields strongly significant results. This may be due to data unavailability problems, and consequently, weakness of some proxies. The final (weak) model provides general intuition and support to the hypothesis. Policy implications are discussed in the last section.