



# The Case for Cracking Down on Large Corporations and Promoting Small Businesses Is Deeply Flawed

TRELYSA LONG | JULY 2024

---

A Democratic staff report from the House Small Business Committee claims that small businesses are better for the economy and large firms are harming it. But most of the report's assertions stem from flawed research, and its policy recommendations would be detrimental.

---

## KEY TAKEAWAYS

- Small Business Committee Ranking Member Nydia Velazquez (D-NY) released a staff report late last year that effectively echoes and supports the antitrust enforcement paradigm championed by FTC Chair Lina Khan.
- The Velazquez report's assertions that small businesses promote higher income growth and lower poverty rates while returning a higher share of revenue to local communities all rely on flawed research. They are factually questionable, at best.
- Evidence also suggests that the Velazquez report's contentions about large firms gaining market power and their subsequent impact on small businesses, local communities, inequality, and prices are likely inaccurate.
- The assertion that consolidation can negatively impact supply chain resilience is inaccurate because it fails to consider the role of innovation, scale, and geography.
- By attacking large, highly productive firms, the report's pro-small-business policy proposals would raise prices and limit innovation.
- Rather than embrace an anticorporate agenda to encourage new business creation, Congress should embrace firm-size neutrality in all its policies.

**CONTENTS**

Key Takeaways..... 1

Introduction..... 3

Refuting Claims About the Benefits of Small Firms..... 4

    Claim 1: Small Businesses Promote Income Growth and Reduce Poverty Rates..... 4

    Claim 2: Small Businesses Return More Revenue to the Local Economy..... 5

Refuting Claims About Large Firms and Concentration ..... 6

    Claim 3: Large Corporations Are Accumulating Market Power ..... 6

    Claim 4: Large Companies Are Using Their Market Power to Harm Small Businesses ..... 7

    Claim 5: Large Firms Are Extracting More From Local Communities ..... 9

    Claim 6: Large Firms Are Using Their Market Power to Increase Inequality ..... 10

    Claim 7: Large Companies Pad Their Profits by Increasing Prices With Higher Markups ..... 12

    Claim 8: Consolidation Results in Poor Supply Chain Resilience ..... 14

Consequences of Anti-Big-Business Policy Recommendations..... 15

    Questionable Recommendation 1: Challenge Mergers and Acquisitions ..... 15

    Questionable Recommendation 2: Increase Antitrust Enforcement Actions ..... 16

    Questionable Recommendation 3: Finalize the 2023 Merger Guidelines..... 17

    Questionable Recommendation 4: Revive the Robinson-Patman Act..... 18

    Questionable Recommendation 5: Pass a Series of New Antitrust Laws ..... 18

    Questionable Recommendation 6: Reform the Tax Code ..... 20

    Questionable Recommendation 7: Expand the SBA Office of Advocacy’s Role..... 21

Conclusion ..... 22

Endnotes..... 23

## INTRODUCTION

Democratic staff on the U.S. House Committee on Small Business prepared a somber report late last year asserting that “recent growth in concentration and the decline in competition in the American economy ... has hollowed out rural towns across the country, lowered business dynamism, weakened the economy in the face of shocks ... and hurt businesses, workers, and consumers.”<sup>1</sup> Ranking Member Nydia Velazquez (D-NY) later put a fine point on the report’s conclusions, writing in *The Hill*:

Dominant firms ... have used their market power to crush smaller companies and discourage new entrants. As a result, our economy has grown more consolidated, our supply chains less resilient and our communities more dependent on large corporations that often serve to extract more than they contribute to local economies.<sup>2</sup>

“Big Tech is just the tip of the iceberg,” Velazquez continued. “A survey of our economy reveals monopoly power in nearly every sector.”<sup>3</sup> Therefore, she argued, “In addition to blocking mergers that may harm smaller firms, the Federal Trade Commission should work to revive existing authorities to ensure a level playing field.”<sup>4</sup> As an example, she called on the FTC to reinvigorate its enforcement of the Robinson-Patman Act “to protect small retailers from the buying power of large chains.”<sup>5</sup>

---

**It is critical for policymakers to understand that most of the assertions the Velazquez report makes about large and small firms are inaccurate.**

---

The analysis and recommendations that Velazquez and her Democratic committee staff put forward in their report and subsequent commentary piece (together hereafter referred to as the “Velazquez report”) have significant political appeal beyond just Democratic circles. In fact, the report’s arguments effectively echo and support the antitrust enforcement paradigm championed most vocally by FTC Chair Lina Khan, who in turn has made common cause with an increasingly influential group of “Khanservative” Republicans.<sup>6</sup> These ideas thus could be a rare area of agreement for the next administration and Congress, regardless of the balance of power after the coming election. This is troubling because, despite proponents’ best intentions, their agenda would fundamentally change the character of the U.S. economy, for the worse, by raising prices and inhibiting innovation.

So, it is critical for policymakers to understand that most of the assertions the Velazquez report makes about large and small firms are inaccurate. For example, the report argues that concentration has risen, but the studies it uses as supporting evidence are flawed. Meanwhile, other studies have shown that concentration has remained about the same in recent decades.

This report will refute the Velazquez report’s main claims about small and large firms and demonstrate that most of the Velazquez report’s pro–small business recommendations would have negative economic consequences. Policymakers therefore must reject them.

## REFUTING CLAIMS ABOUT THE BENEFITS OF SMALL FIRMS

The Velazquez report contends that small businesses benefit the economy more than larger companies do, but this assertion relies on shaky foundations. Indeed, the assertion that small businesses promote higher income growth and reduce poverty in local communities does not have strong supporting evidence. Meanwhile, the contention that small businesses return a higher share of revenue to the local economy is also questionable and could harm the national economy if every community, and even neighborhood, adopted such “beggar thy neighbor” policies.

### Claim 1: Small Businesses Promote Income Growth and Reduce Poverty Rates

The Velazquez report contends that small businesses promote higher income growth and reduce poverty rates in local communities, asserting that “communities with more small and locally owned businesses have higher income growth and lower poverty rates.”<sup>7</sup> However, this assertion is inaccurate because it hinges on two flawed studies.

First, the study by Fleming and Goetz cited as supporting evidence has a methodological flaw.<sup>8</sup> The study uses data from 2000 to 2007 to find that small, locally owned businesses have a positive effect on country-level per capita income growth while large, nonlocal firms have a negative effect.<sup>9</sup> However, this is problematic because the United States lost a vast share of large manufacturing firms that provided high-paying jobs in local communities during this period. Indeed, as an Information Technology and Innovation Foundation (ITIF) report highlights, “From 1980 to 1999, manufacturing jobs declined by an average of 0.5 percent per year. But from 2000 to 2011 the rate of loss dramatically accelerated, with manufacturing jobs shrinking at a rate nearly six times faster (3.1 percent per year) than the rate in the prior two decades.”<sup>10</sup> And a significant share of those jobs were in large manufacturing companies. Corroborating this, the economy also lost 13 times as many jobs from 2000 to 2010 compared with the previous decade.<sup>11</sup> As such, the results from the study are likely biased because they capture an atypical period when the local economies had significantly fewer large, nonlocal firms that provided high-paying jobs and boosted income compared with small, nonlocal ones.

---

**Large businesses had a statistically significant positive effect on employment growth, showing that these businesses may actually have a positive effect on local communities.**

---

Moreover, the study also finds contradicting evidence to indicate that smaller firms may not have a beneficial impact on per capita income growth for *all* local communities. Indeed, the paper finds that locally owned firms from 1 to 10 employees have a statistically significant negative effect on per capita income growth in metropolitan areas.<sup>12</sup> Supporting this, a study by Rupasingha finds that firms in this size class do not have a statistically significant impact on metropolitan countries.<sup>13</sup> As such, this suggests that the growth of these kinds of small firms could likely reduce income growth. This is likely given that small firms have lower productivity and pay lower wages on average than large firms do.<sup>14</sup> Thus, this paper provides weak evidence for the assertion that small businesses, especially the locally owned ones, promote higher income growth in local communities. Moreover, given that the data is from 2000 to 2007, this study also cannot be generalized to the present.<sup>15</sup>

A second study by Rupasingha cited as supporting evidence also has contradicting results that further raise questions about whether small, locally owned businesses are beneficial to (*all*) local communities.<sup>16</sup> Indeed, the study finds that micro resident (local) businesses have a positive effect on income growth but small ones have a negative effect, meaning that small firms may actually reduce income growth.<sup>17</sup> It claims that when endogeneity is controlled for, micro and small businesses have a beneficial impact on poverty reduction for all countries.<sup>18</sup> However, when further disaggregated, small businesses do not have a statistically significant impact on metro areas, indicating that they may not be beneficial to poverty reduction in all local communities.<sup>19</sup> As such, the assertion that small businesses promote higher income growth and reduce poverty rates in *all* local communities is, at best, questionable, given the weak evidence. Similar to the previous study, the results in this paper also cannot be generalized to the present, as the analysis is for the period 2000 to 2009.<sup>20</sup>

More importantly, the Rupasingha study also shows that large businesses are not detrimental to local communities even if smaller ones may be beneficial. As the paper concludes, large businesses do not have a statistically significant effect on income growth and change in poverty, meaning large businesses are not necessarily harmful to local communities.<sup>21</sup> Furthermore, they found that large businesses have a statistically significant positive effect on employment growth, showing that these businesses may actually have a positive effect on local communities.<sup>22</sup> Additionally, when endogeneity is controlled for, large businesses do not have a statistically significant effect on income growth, employment growth, or change in poverty.<sup>23</sup> As a result, large businesses should not be demonized in favor of small firms, as they could be beneficial to local communities. This is likely the case, as the U.S. Census Bureau found that firms with more than 500 employees pay their workers 38 percent more than do firms with fewer than 100 employees, promoting greater income growth while reducing poverty.<sup>24</sup>

## **Claim 2: Small Businesses Return More Revenue to the Local Economy**

The Velazquez report claims that small, local businesses return more of their revenue to the local economy compared with national chains—58 percent of revenue compared with 33 percent, respectively.<sup>25</sup> However, there are two problems with this analysis: It is based on a study that has methodological issues, and it only focuses on the local economy while ignoring how policies based on this assertion can harm the national economy.

To begin, the cited Maine Center for Economic Policy (MCEP) study provides weak evidence for the assertion that small businesses return more revenue to local communities. That is, the study only examines the local community of Portland, Maine, meaning that its results are unlikely to hold in communities that are not similar to Portland.<sup>26</sup> For example, a similar analysis conducted on a city such as San Francisco with a population that is over 10 times larger than that of Portland is unlikely to produce similar results. For this reason, the study's sample is far too small to generalize to all local economies in the United States.

Moreover, this study only analyzes 28 businesses in the Portland area for their sample of locally owned businesses, when the city has at least a few hundred of these businesses.<sup>27</sup> More concerning, the sample for national chains is even smaller, with the study only analyzing a single chain: the Dollar Tree.<sup>28</sup> As a result of this small sample of businesses, the study's results likely misrepresent the contributions of local, small businesses and nationally-owned businesses to the

local economy. Thus, the assertion that local businesses return more revenue to the local communities does not have strong supporting evidence and is, at best, questionable.

The second problem is that this assertion ignores that when a local community substitutes imports from other US communities (e.g., a local bank opens to take market share from a national bank), all communities will lose income. As Robert Atkinson and Michael Lind explained, “This is zero-sum thinking, if one region gets to keep more of its spending in its region by preferring small, locally owned firms, by definition that means other regions will get less. But if all other regions do the same, it will mean less spending for the first region.”<sup>29</sup> Moreover, the national economy would also suffer from lower incomes and reduced productivity because only having local businesses with no imports and exports would keep the money within a community and firms would not be able to maximize scale economies.

Indeed, firms in a vast proportion of industries would not be able to maximize scale economies when they are only serving the local market.<sup>30</sup> For example, a nail salon may only need to produce a low output level to maximize its scale economies and be efficient, so it makes sense to have small nail salons serving the local economy. On the other hand, a semiconductor fabrication plant likely needs to produce very high outputs to maximize its scale economies and be efficient since it has high fixed costs relative to marginal costs.<sup>31</sup> In that case, it would not make sense to have a local semiconductor fab serving the local community because the local demand is not enough for the fab to produce at an efficient level. Accordingly, this is why export controls limiting market access to the semiconductor industry can have a significant impact on the productivity of a nation’s economy.<sup>32</sup> As such, even if the assertion that small businesses are better than national chains for local economies is accurate (it is not), policies based on it could harm the national economy. This is why Atkinson and Lind also wrote, “Communitarian small business advocates are actually advocates for their local community at the expense of the broader national community.”<sup>33</sup>

---

**Having only local businesses with no imports and exports would keep the money within a community but firms would not be able to maximize scale economies.**

---

## **REFUTING CLAIMS ABOUT LARGE FIRMS AND CONCENTRATION**

The Velazquez report contends that large corporations use their market power to harm the economy and small businesses, asserting that geographic “areas with higher rates of concentration in an industry have lower rates of startup activities ... dominant firms [can] exploit their market power at the expense of smaller competitors ... This can have broad impacts on the economy that can affect everything from wages for workers to prices for consumers.”<sup>34</sup> However, the report’s contentions about large firms gaining market power and the subsequent impact on small businesses, local communities, inequality, prices, and supply chain resilience are inaccurate.

### **Claim 3: Large Corporations Are Accumulating Market Power**

The Velazquez report declares that large, older firms have accumulated significant market power, asserting that “mergers and acquisitions have been accelerating, and industries in every sector have seen increasing concentration. As a result, industries are becoming increasingly dominated by a small number of larger and older companies.”<sup>35</sup> However, this assertion is inaccurate

because it hinges on flawed studies that do not, for example, analyze concentration data at the most detailed six-digit NAICS level. For instance, a study by Grullon et al. is cited as supporting evidence, but this study only examines concentration at the 3-digit subsector level.<sup>36</sup> This is problematic because 3-, 4-, and 5-digit NAICS codes include multiple industries that do not constitute a relevant market in any meaningful antitrust sense.<sup>37</sup> For instance, it would be absurd to argue that a firm that makes chairs and falls under the Furniture and Home Furnishing Retailers code (NAICS: 4491) competes with a firm that sells televisions in the Electronic and Appliance Retailers (NAICS: 4492) industry sector. This is why ITIF has previously explained that “to be meaningful, concentration must refer to a specific market ... markets should be defined as specifically as possible.”<sup>38</sup>

Moreover, a study by Brauning, Fillat, and Joaquim concluding that the economy is 50 percent more concentrated in 2018 than in 2005 was also cited as supporting evidence.<sup>39</sup> However, the problem with this study is that it cannot accurately measure concentration due to three methodological flaws. First, similar to the Grullon et al. paper, the Brauning study also measures concentration at the 3-digit subsector rather than the 6-digit industry level.<sup>40</sup> Second, the study uses Compustat data rather than official Census data to measure concentration, but this dataset only covers the sales of publicly traded firms while excluding private firms.<sup>41</sup> As such, the Board of Governors of the Federal Reserve System has concluded that Compustat data is simply not representative of concentration for the whole economy.<sup>42</sup> Indeed, the Fed study finds that the correlation of concentration ratios of the top four firms between Compustat and Census data was only 0.1 to 0.2.<sup>43</sup> Finally, the Brauning, Fillat, and Joaquim study also fails to capture the economy’s concentration levels due to the exclusion of multiple industries from its measurements. Specifically, the following industries were excluded: retail (NAICS: 44-45), postal service (NAICS: 491), utilities (NAICS: 22), financial and insurance (NAICS: 52), public administration (NAICS 91/92), and perhaps most problematically, those with fewer than two firms.<sup>44</sup> As such, given the issues, the assertion that concentration has risen while firms have accumulated significant market power is questionable.

---

**Only 35 of 851 industries were considered “highly concentrated,” meaning only in rare cases does a rise in concentration result in an increase in market power.**

---

Indeed, contrary to what some studies have claimed, concentration has not risen significantly when analyzed at the 6-digit NAICS industry level. For example, an ITIF analysis of concentration ratios for the four largest firms, or C4 ratios, of 6-digit NAICS industries shows that concentration only rose 1 percentage point from 34.3 to 35.3 percent.<sup>45</sup> Meanwhile, the C8 ratio’s increase was only 0.6 percentage points, rising from 44.1 to 44.7 percent.<sup>46</sup> Most importantly, the analysis concludes that only 35 of 851 industries were considered “highly concentrated,” meaning only in rare cases does a rise in concentration result in an increase in market power.<sup>47</sup> Moreover, the most concentrated industries in 2002 were also found to have become less concentrated by 2017.<sup>48</sup> All in all, the assertion that large, older firms have accumulated significant market power is thus very likely an inaccurate depiction of the economy.

#### **Claim 4: Large Companies Are Using Their Market Power to Harm Small Businesses**

The Velazquez report posits that increasing concentration, or market power from large firms, is leading to fewer start-ups, asserting that “areas with higher rates of concentration in an industry

have lower rates of startup activity.”<sup>49</sup> However, this assertion is an inaccurate depiction of the economy because 1) concentration has not increased significantly enough to affect start-up rates in the last two decades, 2) start-ups increased to an all-time high last year, 3) the relationship between concentration and start-up entry is unknown, and 4) it’s not at all clear that more business start-ups in local-serving sectors (restaurants, retail, etc.) is good for the economy.

First, ITIF has previously made clear that “increasing concentration does not seem sizeable enough to affect the rate of start-ups.”<sup>50</sup> Indeed, from 2002 to 2017, while the market share of the four largest firms only increased about 1 percentage point, start-ups increased about 16 percent from 1997 to 2016.<sup>51</sup> Given these changes, it would be difficult to conclude that a strong causal relationship exists when concentration has not experienced large changes, yet start-up entries have seen large declines during this period. Second, even if it is assumed that concentration did rise from 2017 to 2023 (the years without concentration data), the assertion that concentration hurts start-up entries would still falter because business formation has risen to an all-time high in recent years. Specifically, from December 2017 to 2023, the seasonally adjusted business applications for an Employer Identification Number, a proxy for business formation, rose from 3.2 million to 5.5 million.<sup>52</sup> In other words, even if concentration did rise significantly, so did the number of start-ups. As such, these findings can only imply that any alleged increase in concentration from 2017 to 2023 could encourage more start-up entries rather than discourage them.

---

**From December 2017 to 2023, the seasonally adjusted business applications for an Employer Identification Number, a proxy for business formation, rose from 3.2 million to 5.5 million. In other words, even if concentration did rise significantly, so did the number of start-ups.**

---

Third, and relatedly, there is no strong body of empirical evidence on the relationship between concentration and start-up rates. To be sure, a Brookings study cited as supporting evidence claims that concentration and start-up entries are negatively correlated because areas with higher concentration tend to have lower start-up activity rates.<sup>53</sup> However, an ITIF report contradicts these results and instead concludes that there is no relationship between start-up rates, as measured using new establishments’ share of total establishments in a particular year at the 4-digit NAICS level, and the change in concentration in an industry.<sup>54</sup> The ITIF report further shows that the relationship between start-up rates and concentration is still unclear when it concludes that using a different measure for start-ups (the change in the number of start-ups as a share of total firms in an industry) results in a positive, albeit small, coefficient of 0.05.<sup>55</sup> In other words, the relationship between concentration and start-up entry could be positive, negative, or nonexistent. Nevertheless, regardless of the relationship, correlation does not equate to causation, meaning concentration, or market power, would still need to be shown to have directly caused low start-up entry. Accordingly, even the cited Brookings article asserts that “the reasons explaining this decline [in business dynamism] are still unknown.”<sup>56</sup>

Indeed, in certain industries, a rise in market power does not accompany a decline in start-up entries. According to a study by Albrecht, some industries with larger increases in markups, implying rising concentration and market power, experience a smaller decline in firm entry.<sup>57</sup> For example, the study highlights that the manufacturing industries account for one-third of the increase in aggregate markups, implying that a few firms have market power in these industries,

yet experience little decline in entry.<sup>58</sup> Meanwhile, in other industries, a decline in concentration does not accompany an increase in start-up entries. Indeed, an ITIF report finds that in the depository credit industry, the C4 ratio falls 5.7 percent but start-ups still falls 72 percent.<sup>59</sup> As such, this evidence shows that the assertion about concentration and large firms' market power causing low rates of start-up entry is, at best, questionable, but more likely to be inaccurate.

Lastly, even if concentration does indeed result in fewer start-up entries, it is not clear that more business start-ups in local-serving sectors, such as restaurants and retailers, are beneficial to the economy. This is because the start-ups in these sectors (e.g., pizza parlors) are subsistence rather than transformational businesses, meaning they choose to remain small rather than scale up. However, this is problematic for the economy because large firms are a driver of economic growth. As Atkinson and Lind wrote, the local-serving start-ups have “little effect on economic growth ... Economic prosperity will be determined principally by large firms, not by small firms, and least of all by the vast majority of small firms whose owners do not intend them to grow beyond a few employees.”<sup>60</sup> Moreover, they also argued that the decline in small businesses, such as pizza parlors, reflects the growth of more efficient and more innovative larger firms.<sup>61</sup> As such, a decline in start-up entries, even if caused by a rise in market power, for some sectors could be beneficial to the economy. Accordingly, Antoinette Schoar wrote that it is crucial to distinguish between subsistence and transformational entrepreneurship, as they vary in their economic objectives, skills, and economic roles.<sup>62</sup>

### **Claim 5: Large Firms Are Extracting More From Local Communities**

The Velazquez report alleges that large firms extract more from local communities than they contribute by using their market power to reduce the number of small firms in local communities.<sup>63</sup> Indeed, the report asserts that “dominant firms, in turn, have used their market power to crush smaller companies and discourage new entrants. As a result ... our communities [are] more dependent on large corporations that often serve to extract more than they contribute to local economies.” However, this allegation lacks supporting evidence. The article cited as supporting evidence does not conclude that large corporations are extracting more from local communities than they contribute. Instead, the article simply concludes that corporations invested a larger share of their profits in stock repurchases rather than in growth opportunities from 2003 to 2012.<sup>64</sup> Moreover, the report seems to assume that the United States is actually a collection of thousands of small communities all competing with each other, where one's loss is another's gain. In reality, the relevant focus should be on the United States as a whole.

---

### **How much large corporations add or extract from local communities is unknown without a study quantifying their contributions.**

---

Yet, nowhere in the article does it conclude that the 449 corporations examined, or larger firms, in general, were extracting more from local communities than they contributed due to stock buybacks. Larger firms could be spending a larger share of their profits on stock buybacks while at the same time, they can also be using their remaining profits to invest in growth opportunities that contribute significantly to local economies. In other words, regardless of buyback spending, how much these large corporations add or extract from local communities is unknown without a study quantifying their contributions. As such, this article is not relevant to the debate on whether large firms contribute more to the local economy than they extract. More importantly,

the validity of the assertion that large corporations extract more from local communities is unknown without concrete supporting evidence. It should also be noted that a local community lucky enough to be home to a large corporation benefits because the corporation brings income back to the community to support all sorts of headquarter jobs. Yet, the report fails to consider the benefits of large corporations, as it only looks for winners from local economy protectionism while ignoring the negative impact on other communities.

### **Claim 6: Large Firms Are Using Their Market Power to Increase Inequality**

The Velazquez report contends that large corporations are using their market power to increase income and wealth inequality. Indeed, the report asserts that “a significant factor in this growth of inequality is the expanding market power of large corporations.”<sup>65</sup> However, this contention is likely inaccurate due to a series of flaws in the three studies cited as supporting evidence.

---

#### **The returns from market power are likely also shared among others who are less wealthy.**

---

First, a paper by Baker and Salop was cited to support the assertion that market power is driving the rise of inequality.<sup>66</sup> Indeed, the authors did suggest that market power plays a role in growing inequality with their finding that a greater share of the returns from market power goes to shareholders and top executives who are generally wealthier than the average individual.<sup>67</sup> However, according to Crane, middle-class Americans also benefit from large corporations’ market power because:

Tens of millions of middle class Americans indirectly own productive capital through defined contributions, defined benefits, or state and local pension plans ... When one adds the large additional shares of U.S. equities owned by retail investors and intermediaries such as state and local governments, charitable trusts and endowments, and depository institutions, it is apparent that gains to shareholders from anticompetitive conduct are not enjoyed exclusively by the wealthy.<sup>68</sup>

But more importantly, Crane asserted that it may not matter who captures the returns from market power because economic evidence suggests that firms in concentrated industries do not earn a higher average profit than other firms do, meaning there are no monopoly rents to share in the first place.<sup>69</sup> Indeed, this is consistent with long-established literature suggesting that the average rate of return of monopolistic industries is similar to that of competitive industries—market structure is a poor predictor of economic performance.<sup>70</sup>

Despite the finding that a greater share of returns from market power goes to top executives, market power could also have a countervailing effect on rising inequality. This is because large firms (those that tend to have market power) have less pay dispersion between workers at the top and bottom levels. Indeed, Atkinson and Lind write that “large companies appear to pay their clerical and production workers more than small business, but their higher-paid professional workers tend to be paid the same.”<sup>71</sup> Corroborating this, 1995 Bureau of Labor Statistics data reveals that establishments with 2,500 or more workers paid their professional and administrative workers 2 to 3 percent more than smaller establishments with 50 to 499 workers.<sup>72</sup> However, in stark contrast, the clerical workers were paid 6 percent less, their maintenance workers 27 percent less, and their material movement workers 42 percent less than

those in larger firms.<sup>73</sup> In other words, the dispersion between the higher- and lower-paid workers for larger firms is narrower than those in smaller firms, meaning larger firms are more likely to reduce inequality. Further showing that market power could reduce inequality, a study of 53 nations by Davis and Cobb finds that “societies in which more of the workforce is employed in the largest firms [which are more likely to have market power] are more equal overall.”<sup>74</sup>

Nevertheless, the Velazquez report also asserts that labor market concentration and average posted wages are inversely correlated, citing a study by Azar, Marinescu, and Steinbaum.<sup>75</sup> The study concludes that moving from a market in the 25th percentile of concentration to one in the 75th percentile is associated with a 17 percent decline in posted wages.<sup>76</sup>

But this study has methodological issues. For example, an ITIF report highlights that the study only examined 26 narrowly defined occupations from CareerBuilder.com vacancies to measure labor market concentration; but this dataset only accounted for less than 14 percent of U.S. employment in 2020.<sup>77</sup> The ITIF report also notes that the authors should have used a broader sample of the 867 occupations from the Bureau of Labor Statistics to make the results generalizable to the overall economy.<sup>78</sup> Similarly, a Cato Institute report also concludes that the study’s estimation strategy is problematic because of assumptions that would not translate into economic reality.<sup>79</sup> For instance, the Cato report highlights how the study assumes that “factors that both change concentration in a local market and affect concentration in other markets do *not* affect wages elsewhere directly, but only through local concentration.”<sup>80</sup> In other words, the study only considers how an economic factor can influence wages through changes in local concentration but not through changes in other areas, such as higher productivity.<sup>81</sup> Moreover, when the study corrects for some of these assumptions, the upper bounds of their estimate show that going from the 25th to the 75th percentile in concentration is associated with a 4 percent *increase* in wages.<sup>82</sup> Supporting this, the Census Bureau also indicates that larger firms pay 38 percent more than smaller firms.<sup>83</sup> As such, the methodological issues with this study raise further questions about the validity of the assertion that large corporations cause increases in inequality.

---

**An increase in wages from less concentration, in theory, could increase the standard of living for those who have lower incomes, but it does not necessarily mean that inequality will decline.**

---

A third paper by Naidu, Posner, and Weyl that claims that labor market monopsony suppresses wages is also cited to support the assertion about market power and inequality.<sup>84</sup> The Velazquez report notes that “the [Naidu, Posner, and Weyl article] found that median compensation for workers – now only \$33,000 per year – would be more than \$10,000 higher if employers were less concentrated” to prove that labor market monopsony suppresses wages.<sup>85</sup> Although the paper appears to have no glaring methodological issues, the problem with citing it as supporting evidence is that it is simply a model, not an empirical study, that does not reveal whether firms in the economy have labor market power.<sup>86</sup> As such, the estimated \$10,000 in foregone wages assumes that the economy has existing labor market monopsonies with a residual labor elasticity (how likely workers would leave a firm if wages changed) of 3 and wages that are 25 percent lower than in a market without concentration.

However, this assumption about the level of labor market power has no concrete empirical basis. As an ITIF article asserts, labor market monopsony is likely a manufactured economic concern because “the reality is that most of the labor markets with high levels of employer concentration are rural and small-town areas” rather than an economy-wide problem.<sup>87</sup> Corroborating this, market power implies that profits should be high, but they are not. As ITIF found, nonfinancial domestic profits only increased by 0.9 percentage points from 4.5 percent to 5.3 percent of gross domestic product (GDP) from 1990 to 2019 while a longer trend shows a decline since the 1950s.<sup>88</sup> In other words, the precondition for labor market power to suppress wages (and increase inequality) is actual market power in the labor market, but evidence suggests that firms in the economy do not have any labor market power. Yet, even if the economy did have labor market power (it does not), the minimal change in profit rates in the last decades would suggest that most of the labor saving is going to reducing prices for consumers, meaning the real wage effect would be close to zero.<sup>89</sup>

Lastly, even if an increase in wages from less concentration, in theory, could increase the standard of living for those who have lower incomes, it does not necessarily mean that inequality will decline. Indeed, a paper by Crane asserts that increases in a market’s competitiveness might improve the position of the poor by 10 percent and the rich by 20 percent, but this would only lessen poverty while inequality grew.<sup>90</sup> This is why he also wrote, “Increases in a market’s competitiveness because of antitrust enforcement might improve the position of the poor without reducing wealth disparity if the rising tide lifted all boats.”<sup>91</sup> With this final study providing no support, the assertion that large corporations cause increases in inequality is, at best, questionable and more likely inaccurate.

### **Claim 7: Large Companies Pad Their Profits by Increasing Prices With Higher Markups**

The Velazquez report repeats the long-standing, but false, nostrum that large firms are using their market power to pad their profit margins while increasing prices through higher markups.<sup>92</sup> According to the Velazquez report, “When the market is starved for competition, dominant firms enjoy an unbridled power to dictate prices without fear of losing customers to competitors.”<sup>93</sup> However, the accuracy of this assertion is questionable because of a series of flaws in the four studies cited as supporting evidence.

The first cited study by De Loecker and Eeckhout shows that market power and markups rose concurrently from 1980 to 2017, with markups increasing from 18 percent to 67 percent.<sup>94</sup> However, this study has several methodological issues. First, the study uses Compustat data, which as noted does not represent the overall economy since it only includes publicly traded firms while excluding private firms.<sup>95</sup> As a result, the study also fails to represent the overall economy since large private firms could have lower markups while their small counterparts could have high markups, but these would not be taken into account.

Second, the study measures markups using revenue elasticity as a proxy for output elasticity. However, as an article by Albrecht argues, this is problematic because a firm’s revenue elasticity is only equivalent to output elasticity in competitive markets, but not when a firm exhibits market power.<sup>96</sup> He explained that when a firm with market power “increases its output by 1%, this will lead to a decrease in price. So, revenue will increase by less than 1%. The revenue elasticity will be less than the output elasticity.”<sup>97</sup> In other words, measuring markups with this method only works for competitive markets. Corroborating this is a study by Bond et al. that revenue and

output price data are needed to accurately estimate output elasticity when firms have market power.<sup>98</sup> Thus, the methodological issues of the study bring into question whether its results are an accurate representation of how markups have changed in the economy.

But most importantly, even without methodological issues, this study shows that market power cannot be the reason for rising markups. As an ITIF report concludes, the study finds that smaller companies have larger increases in markups than their larger counterparts, refuting the claim that market power is causing higher markups for the economy.<sup>99</sup> As such, this study does not support the assertion that markups have increased due to market power even if it did not have methodological issues. Indeed, supporting this, according to ITIF, rising markups could be the result of increased fixed costs (such as from intangible capital), higher scale economies, changes in market structure, or changes in other economic factors rather than market power.

Since the De Loecker and Eeckhout study has methodological issues, the second cited study by Konczal and Lusiani, showing that markups have increased at a higher rate post-pandemic than in previous decades due to market power, is also problematic.<sup>100</sup> This is because the Konczal and Lusiani study replicates the methodology of the De Loecker and Eeckhout study, meaning it has the same methodological issues.<sup>101</sup> As a result, the assertion that market power results in higher markups continues to lack supporting evidence and is likely inaccurate. Supporting this, ITIF has previously noted that “studies have found that the existence of higher markups is due to decreases in marginal costs flowing from technological progress” rather than market power.<sup>102</sup>

---

**Smaller companies have larger increases in markups than their larger counterparts, refuting the claim that market power is causing higher markups for the economy.**

---

A third study by Brauning, Filat, and Joaquim is cited to show that industries with increases in concentration also have higher price increases. Indeed, the study asserts that the “increase on the pass-through of cost shocks into prices ... is about 25 percentage points greater when there is an increase in concentration similar to the one observed since the beginning of this century.”<sup>103</sup> However, as explained in Claim 3, this study has a series of methodological issues that disqualify it from concluding with certainty that concentration has risen. For example, it uses Compustat data that does not represent the overall economy to measure concentration.<sup>104</sup> As a result, its conclusion about the relationship between concentration, or market power, and price increases is not generalizable to the overall economy. Corroborating this, an article by Albrecht shows that the correlation between post-pandemic inflation and concentration ratios using Compustat data is negative, but positive when using Census data (which represents the whole economy).<sup>105</sup> Thus, the methodological issues along with findings using the Census data undermine the assertion that large firms are using market power to raise prices.

A fourth study by the Economic Policy Institute cited as supporting evidence shows that corporate profits accounted for 11.4 percent of price increases from 1979 to 2019 but 53.9 percent from the second quarter of 2020 to the fourth quarter of 2021.<sup>106</sup> As a result, the EPI study argues that over half of the increase in prices is “attributed to fatter profit margins.”<sup>107</sup> However, economic evidence suggests that post-pandemic profit margins are not significantly higher compared with pre-pandemic ones. Indeed, a study by Palazzo finds that nonfinancial corporate profit margins increased to about 19 percent in the second quarter of 2021 but

returned to 15 percent by the fourth quarter of 2022, a figure not too much higher than the 13 percent in the fourth quarter of pre-pandemic 2019.<sup>108</sup>

Moreover, the Palazzo study also concludes that these changes in corporate profits (resulting in higher prices) and profit margins are likely the result of firms responding to changes in the economy from the pandemic rather than exercising market power to pad their profit margins.<sup>109</sup> Indeed, Palazzo asserted that “the increase in aggregate profit margins ... can be attributed to (i) the unprecedented large and direct government intervention to support U.S. small and medium sized businesses and (ii) a large reduction in net interest expenses due to accommodative monetary policy.”<sup>110</sup> In other words, the increase in profits and prices is not solely due to large firms and market power—if at all—but also smaller firms who benefit from government assistance. Corroborating this, the study also finds that the 2022 profit margins for the largest firms in the sample were about the same as their pre-pandemic levels.<sup>111</sup> As such, the economic evidence suggesting that corporate profit margins are not significantly higher and that the cause is not likely market power discredits the assertion that large firms are using their market power to pad profit margins.

---

**The increase in profits and prices is not solely due to large firms and market power—if at all—but also smaller firms that benefit from government assistance. The 2022 profit margins for the largest firms were about the same as their pre-pandemic levels.**

---

Finally, a fifth study by Kwoka showing that prices increase about 7 percent when companies in concentrated markets merge is also cited as supporting evidence.<sup>112</sup> However, this study has several methodological issues that undermine the validity of its results. Indeed, a study by Vita and Osinski highlights a series of shortcomings in Kwoka’s meta-analysis of mergers and prices, including the failure to use standard meta-analytic methods to measure average price effects and standard errors.<sup>113</sup> For example, the study further explains that Kwoka’s study “does not weight his observations by their estimated variances ... mean[ing] that imprecise estimates of price effects receive the same weight as precisely estimated effects in the computation of [Kwoka’s] averages.”<sup>114</sup> Moreover, the Kwoka study also fails to represent the impact of recent mergers on prices. As Vita and Osinski asserted, only seven of the mergers in his sample occurred in 2000 or later and the sample period ended in 2006.<sup>115</sup> As such, the methodological issues with this study further raise doubts about whether large firms are using their market power to raise prices.

### **Claim 8: Consolidation Results in Poor Supply Chain Resilience**

The Velazquez report declares that consolidation, or an increase in large firms and a decrease in small ones, has resulted in poor supply chain resilience, asserting that “for decades, industry concentration reduced manufacturing plants for key goods, causing the U.S. economy to lean heavily on fewer production sites.”<sup>116</sup> However, this assertion has no supporting evidence, while the logic that fewer production sites means poorer resilience is flawed. First, there is no reason why a supply chain with small firms is inherently more resilient than one with a few large firms. As Joseph Schumpeter recognized long ago, not only can large firms drive the innovation and development of new technologies, which can improve a supply chain’s resiliency, but their scale can help them deal with exogenous shocks that cripple small firms.<sup>117</sup>

Corroborating this, a study by Pettit et al. concludes that a firm's efficiency, partly from scale, is a capability that helps hedge against supply chain vulnerability. In other words, a supply chain with many small firms may actually be less resilient than one with few large ones since the small firms have neither the innovative capacity nor scale efficiencies to improve resiliency and protect against risks.

Second, the number of firms in a market is not necessarily correlated with supply chain resilience when geography is taken into account. For example, a market with 10 firms all located in 1 country may be less resilient than a market with 5 firms in 5 different countries. Despite being less consolidated, a sudden war is likely to have a more significant impact on the supply chain with 10 firms in 1 country than the 1 with 5 firms in multiple countries. Reaffirming this, a *Harvard Business Review* article asserts that "the obvious way to address heavy dependence on one medium- or high-risk source is to add more sources in locations not vulnerable to the same risks."<sup>118</sup> As such, even where supply chains may be concentrated in a few firms, the solution is not to break up these large companies and create more small ones but instead to encourage the existing large firms to strengthen their capabilities. Indeed, a Brookings Institute report encourages firms to increase inventory levels of raw materials or add manufacturing capacity to increase resilience.<sup>119</sup> Meanwhile, a paper by Tukamuhabwa et al. highlights a series of supply chain resilience strategies, such as flexible labor arrangements and the ability to detect signals of impending disruptions in the supply chain.<sup>120</sup> In contrast, few, if any, studies have encouraged the dismantling of large firms in favor of small ones to strengthen supply chain resilience. Given this evidence, the assertion that consolidation has worsened supply chain resilience is unreasonable.

---

**A market with 10 firms all located in 1 country may be less resilient than a market with 5 firms in 5 different countries. Despite being less consolidated, a sudden war is likely to have a more significant impact on the supply chain with 10 firms in 1 country.**

---

## CONSEQUENCES OF ANTI-BIG-BUSINESS POLICY RECOMMENDATIONS

The Velazquez report finishes with a series of pro-small-business policy recommendations. However, these proposed policy modifications have serious negative economic consequences, such as raising prices for consumers, disincentivizing innovation, and harming small businesses.

### Questionable Recommendation 1: Challenge Mergers and Acquisitions

The Velazquez report advocates for increasing challenges to large companies' mergers and acquisitions (M&A) to protect small businesses. However, this policy recommendation would hurt the economy's productivity because M&A is a means to redistribute resources from low-productivity to high-productivity firms. As an ITIF report explains, M&A is beneficial because they "[redistribute] resources between firms so that the more efficient, acquiring firm will be able to reduce costs, charge lower prices, and create competitive pressure in the market that drive out less efficient firms."<sup>121</sup> Corroborating this process, a study by David finds that M&A increases economic output by about 14 percent, 9 percentage points of which result from improved productivity distribution of firms. Furthermore, the Horizontal Merger Guidelines elaborate on the benefits, writing that "a primary benefit of mergers to the economy is their potential to generate significant efficiencies and thus enhance the merged firm's ability and

incentive to compete, which may result in lower prices, improved quality, enhanced service, or new products.”<sup>122</sup> Thus, challenging large firms’ M&A can be detrimental to the economy and consumers because they maximize efficiency gains from resource redistribution and synergies from combining two firms, resulting in lower prices and more innovation.

Moreover, this policy recommendation will also hurt small businesses. This is because many start-ups view acquisition by a large company as an exit strategy. Indeed, this is why Bettina Hein, a serial entrepreneur, testified at a Senate Judiciary Committee hearing that acquisitions “enable start-up investors to reclaim their invested capital, realize any gains, and recycle their capital into the next generation of start-ups, fielding the ongoing process of innovation-led economic growth and job creation.”<sup>123</sup> Corroborating her statement, a recent study by the National Venture Capital Association finds that 92 percent of all U.S. nonshutdown venture-backed exits from 2004 to 2020 were mergers and acquisitions.<sup>124</sup> Thus, if large firms cannot easily acquire other firms, existing small start-ups will have a more challenging time exiting the market, while entrepreneurs have less incentive to enter the market with their innovation. This is why Reilly and colleagues noted that “present-day entrepreneurship is heavily dependent on the availability and ease of exit opportunities—both because exit opportunities incentivize VC investments given VC firms’ ultimate objective and because of the incentives for entrepreneurs themselves.”<sup>125</sup> As such, this further supports why policymakers should not challenge large companies’ M&A.

---

**Many start-ups view acquisition by a large company as an exit strategy.**

---

## **Questionable Recommendation 2: Increase Antitrust Enforcement Actions**

The Velazquez report argues that antitrust enforcement has declined over time, leading to an increase in concentration.<sup>126</sup> As such, they assert that the Department of Justice and the Federal Trade Commission should increase antitrust enforcement. However, this policy recommendation is problematic because it could reduce economic growth while increasing consumer prices. As an article by Hovenkamp explains, “A good antitrust rule should promote competitive output in the market to which it is applied. When diagrammed, antitrust policy’s success in achieving these results displays as an inverted U-shaped distribution ... The top of the [inverted U] is where output is largest and prices lowest.”<sup>127</sup> In other words, U.S. antitrust policies would ideally be located at the top of the inverted U but, at this current moment, there is no clear indication of its location. As such, this means a sudden increase in antitrust enforcement could lead to a decline in economic output and an increase in prices.

Indeed, this is a likely possibility, as a study by the Competitive Enterprise Institute shows that should the United States adopt more stringent Canadian competition policies, the country’s GDP would be \$134 billion lower while consumer prices would be 0.98 percent higher.<sup>128</sup> Similarly, the adoption of France’s more stringent antitrust policies would lower U.S. real GDP by 0.22 percent while raising prices by 0.43 percent.<sup>129</sup> In sum, an increase in antitrust enforcement to reduce concentration and protect small businesses could end up harming consumers and the economy.

The second problem with increasing antitrust enforcement is the negative impact aggressive antitrust policies will have on innovation. A prime example of this is Europe. Over the last 40

years, Europe’s competition policy has been much more aggressive than that of the United States, as it has focused primarily on minimizing concentration and opposing monopolies. Indeed, as ITIF wrote, “Whereas the U.S. moved away from a structure-focused antitrust regime that effectively equated conduct that increased concentration with harm to competition in favor of one that required proof of harm to consumers and reduced market performance, the Europeans continued much more along the former lines—competitive order meant some degree of effective competition order in a way that was inherently opposed to monopoly.”<sup>130</sup> As a result, while the United States developed tech giants that compete aggressively on innovation, Europe still does not have any large innovative digital giants of its own. Thus, the harm to innovation is yet another reason policymakers should refrain from increasing antitrust enforcement.

---

**Should the United States adopt more stringent Canadian competition policies, the country’s GDP would be \$134 billion lower while consumer prices would be 0.98 percent higher.**

---

### **Questionable Recommendation 3: Finalize the 2023 Merger Guidelines**

The Velazquez report advises policymakers to pass the draft merger guidelines that were released in July 2023. However, these draft merger guidelines focus so intently on the structure of the market that they fail to consider the negative impact on innovation. First and foremost, unlike the 2010 Horizontal Merger Guidelines, the 2023 draft merger guidelines do not recognize innovation as a justification for mergers. Comments by ITIF reaffirmed that “the 2010 Horizontal Merger Guidelines ... made clear that a merger may ‘enable innovation that would not otherwise take place’ ... By contrast, in the Draft Merger Guidelines, there is no express recognition of the role dynamic efficiencies can play in justifying a merger.”<sup>131</sup>

Second, specific guidelines further exacerbate the disregard for innovation. For example, guideline 8 states, “If a merger occurs during a trend toward concentration, the Agencies examine whether further consolidation may substantially lessen competition or tend to create a monopoly.”<sup>132</sup> But the draft guidelines do not distinguish between a trend toward concentration that justifies structural presumptions versus ones that do not, such as in the case where changes in concentration are due to Schumpeterian competition and technological changes. Similarly, guideline 1, which makes illegal all mergers that result in a change in Herfindahl–Hirschman Index (HHI) greater than 100 and a market-wide HHI greater than 1,800, also disregards the detrimental effects on innovation.<sup>133</sup> As ITIF pointed out, this guideline is harmful to innovation because it falls short of the three equal-sized firms that the business strategy literature suggests would result in reduced innovation.<sup>134</sup>

---

**Decreased market concentration does not always equate to increased innovation.**

---

Finally, when the draft guidelines do consider innovation, they misunderstand the relationship between market structure and innovation. The draft guidelines imply that deconcentrated markets lead to greater innovation with “competition between firms may lead them to make greater efforts to offer a variety of products and features.”<sup>135</sup> But this is simply inaccurate, as empirical literature has shown that decreased market concentration does not always equate to increased innovation. Indeed, one of these studies by the OECD concludes that a 10 percentage point increase in intangible investments, such as research and development (R&D), within an

industry is associated with 1.5 to 2.2 percentage points more concentration over four years.<sup>136</sup> Said differently, increased concentration could mean greater innovation. As the OECD report suggests, increased concentration could be “mostly of the ‘good’ variety in the sense that it was associated with investment in innovative assets and new intangible business modes rather than anticompetitive forces.”<sup>137</sup> As a result of the damage that these draft guidelines could cause on innovation, policymakers should be hesitant about enforcing all provisions of the current Merger Guidelines, given that they are based on these draft guidelines.

#### **Questionable Recommendation 4: Revive the Robinson-Patman Act**

The Velazquez Report asserts that the federal government should revive the Robinson-Patman Act (RPA) to prevent price discrimination and level the playing field for small businesses.<sup>138</sup> However, the revival of the RPA would raise prices for consumers because it would prevent suppliers from offering discounts to buyers of similar products. A supplier could provide discounts for any number of reasons including for large orders to achieve scale economies in manufacturing, for lower delivery costs of large orders compared with small ones, for new sellers to try its products, and for buyers who aggressively market the seller’s products.<sup>139</sup> Regardless of the reason for offering discounts, suppliers have an incentive to price their products differently based on the quantity buyers are purchasing or other factors that impact a supplier’s economic competitiveness. Yet, the RPA condemns this practice and prohibits sellers from pricing goods of similar grade and quality differently. As such, sellers are forced to offer the same prices to all sellers regardless of the benefits a buyer can provide to a seller. This means buyers who would have received a discount now face higher prices with the revival of the RPA and, as such, will likely pass on these price increases to consumers.

---

#### **The RPA’s prohibition also prevents associations of small businesses from receiving discounts when making large-volume purchases as a group.**

---

The RPA’s prohibition of suppliers offering discounts would also prevent small businesses from competing effectively against larger firms. This is because the RPA’s prohibition also prevents associations of small businesses from receiving discounts when making large volume purchases as a group. Indeed, in the 1961 case of *Mid-South Distributors v FTC*, the Federal Trade Commission filed suit against two cooperative buyer groups, Mid-South Distributors and Cotton States, Inc., and their 23 jobbers for buying automotive parts at a discount.<sup>140</sup> In ruling against the co-ops, the court found that the co-ops “must, as would any other organization of comparable size, respect the prohibitions against discriminatory price differentials.”<sup>141</sup> In other words, the RPA also raised prices for small businesses, hurting their ability to compete in the economy. More importantly, the RPA’s prohibitions caused more harm to small businesses than to larger ones. In a study by Scherer and Ross on the damage done during the period of RPA enforcement, the authors concluded that only 6.4 percent of the 564 companies that violated the RPA had annual sales of over \$100 million, while 60 percent had sales below \$5 million.<sup>142</sup> As such, policymakers should not revive the RPA because it would only raise prices for consumers, large businesses, and small businesses.

#### **Questionable Recommendation 5: Pass a Series of New Antitrust Laws**

The Velazquez report also advocates for Congress to pass several of the bills from prior Congresses that target technology companies and their practices.<sup>143</sup> Some of the bills include

ones that would prohibit self-preferencing on large technology platforms, break up large technology firms, and require big tech platforms to be interoperable.<sup>144</sup> However, these bills would harm consumers, innovation, and the economy, which is partly why they have not become law.

Indeed, these bills all have troubling consequences. The following provides a nonexhaustive list of prior bills for the technology sector and the consequences of certain provisions:

1. S. 2992—American Innovation and Choice Online Act (AICOA)

- a. **Size threshold:** Under the size threshold of the AICOA, technology platforms over a certain size would be prohibited from performing common business practices. This threshold would harm the economy because it would result in unfair competition since smaller companies can practice these common business practices, putting larger firms at a disadvantage.<sup>145</sup> In other words, the size threshold would be just a way for the government to choose winners and losers. For example, the threshold would mean choosing winners and losers in the music streaming industry. Indeed, as ITIF explained, the threshold provision would essentially mean prohibiting Apple Music (16 percent of the global market for music streaming), Amazon Music (13 percent), and Google’s YouTube Music (8 percent) from using certain business strategies to compete for market share but allowing rivals, such as Spotify, with the largest share of the market, to continue to use those prohibited strategies due to its smaller company size.<sup>146</sup> Said differently, Spotify would have an advantage over its rivals, likely becoming the winner of this industry.
- b. **Interoperability:** Under the interoperability provision of the AICOA, covered platforms would be unable to restrict competitors from accessing key platform features to gain a competitive advantage, meaning that any business user could demand access to core functionalities of these covered platforms. However, this provision would harm the economy because it would reduce the incentive for these platforms to invest in innovation while also disincentivizing rivals from creating new platforms that compete with the covered platforms.<sup>147</sup>
- c. **Self-preferencing:** Under the self-preferencing provision of the AICOA, technology platforms would be unable to prioritize their own products or services over those of their offered by competing third-party businesses on their platform. However, this would harm consumers because this business practice often leads to a better user experience when various products and services are integrated. For example, ITIF notes that “Google utilizes things like search defaults on Android to improve user experience, enhance the quality of its search product through increased scale, as well as increase inter-brand competition with rivals like Apple’s iOS.”<sup>148</sup>

2. Platform Competition and Opportunity Act

- a. **Mergers:** The Platform Competition and Opportunity Act would prohibits a “covered platform” designated based on sales, capitalization, and user thresholds from acquiring another firm unless it can prove that the acquiree is not a direct, nascent, or potential competitor, enhancing a market position, or enhancing its

ability to maintain market position.<sup>149</sup> However, this provision would harm the economy because it would prevent large tech companies from acquiring start-ups, eliminating an exit strategy that encourages start-ups to innovate. As ITIF explained, for some innovators, “a start-up exit strategy that involves being acquired by an incumbent firm is often more profitable than head-to-head competition with the incumbent firm. This difference in the return to innovation is a key driver of innovation incentives for start-ups.”<sup>150</sup>

### 3. Open App Markets Act

- a. **Banning closed mobile ecosystems:** The Open App Markets Act would require mobile ecosystems to allow users to install apps from any app store. However, this provision could harm consumers because they would no longer have the option of choosing closed mobile ecosystems that standardize the user experience, establish the minimum hardware requirements, and enforce privacy and security features with default software settings.<sup>151</sup>

As a result of the consequences, policymakers should not revive these bills and should refrain from adding any of the provisions from these bills to future legislation. Moreover, these bills targeting large technology companies are also a national concern, as they would likely weaken U.S. competitiveness.<sup>152</sup>

### Questionable Recommendation 6: Reform the Tax Code

The Velazquez report asserts that the tax code favors large corporations, leading to an increase in concentration.<sup>153</sup> As such, the report proposes for the federal government to implement a progressive taxation system to level the playing field for small businesses while raising the top marginal rates for large corporations. However, the reality is small firms already face a lower tax burden than large businesses do, meaning the playing field is already tilted in favor of small businesses and a progressive taxation system is unnecessary.

Indeed, the U.S. tax code favors small businesses over large ones in at least four ways: 1) pass-through firms, which are mostly small, are taxed only once, 2) small firms are exempt from paying the corporate alternative minimum tax, 3) small firms are more likely to receive tax incentives due to the eligibility structure, and 4) small firms are less likely to be audited.

First, small firms, which tend to be pass-through firms, are only taxed once while larger companies, which tend to be publicly traded, are taxed twice at the corporate level and when shareholders accrue capital gains or dividends.<sup>154</sup> As a result, economist Eric Toder asserted that noncorporate enterprises (which tend to be smaller firms) are taxed more favorably than C corporations (which tend to be larger), which pay 27 percent more in taxes.<sup>155</sup> Second, small firms benefit from a lower tax burden because they are not subjected to the corporate alternative minimum tax, which only applies to large firms with \$1 billion or more in profits.<sup>156</sup> The corporate alternative minimum tax adjusts their financial statement income to an amount that is closer to taxable income when their taxable income is low relative to their investments and other expenses.<sup>157</sup>

Third, small firms are more likely to benefit from tax incentives than are their larger counterparts because these incentives are structured so that only small firms are eligible. For example, Robert

Atkinson and Michael Lind asserted that “it is routine for Congress when passing special bonus depreciation rules to limit them to small business ... In addition, many tax credits are limited in size ... Only small businesses receive tax credits for expenses related to removing barriers to access by disabled persons.”<sup>158</sup>

Fourth, small businesses also face a lower tax burden because the IRS is less likely to audit them, meaning underreporting income is more likely to occur.<sup>159</sup> Indeed, Toder wrote that “small businesses, especially those that are paid in cash instead of by check or credit card, have much greater opportunities to avoid tax by underreporting income than larger businesses.”<sup>160</sup> In other words, the tax code in many ways already favors small businesses more than their larger counterparts. Thus, policymakers do not need to implement any further changes to the tax code to level the playing field for small businesses.

---

**Policymakers should avoid taxing profits over an arbitrary threshold at a high rate, as companies have routes to reduce profits and avoid these high rates, albeit at the cost of the economy’s well-being.**

---

Despite the already existing favoritism toward small businesses, the Velazquez report still insists that Congress pass legislation that would tax corporate income over \$10 billion at a rate of 80 percent to further tilt the playing field in favor of small firms. However, taxing income over an arbitrary amount at such a high rate would harm the economy because U.S. companies would have a large incentive to offshore parts of their operational processes to countries with lower tax rates. As the Institute on Taxation and Economic Policy explained, corporations can create transactions that effectively move income to a country where it will be taxed lightly, and the United States does not currently have rules to prevent these types of transactions.<sup>161</sup> As a result, the U.S. economy will have less revenue, leading to large spending cuts, less direct spending on vital public services, and possibly much fewer investments than if companies did not shift their operations abroad.<sup>162</sup> Indeed, nearly \$390 billion in profits already leave the U.S. economy each year; a high tax rate would only incentivize more revenue to move abroad.<sup>163</sup> Thus, policymakers should avoid taxing profits over an arbitrary threshold at a high rate, as companies have routes to reduce profits and avoid these high rates, albeit at the cost of the economy’s well-being.

### **Questionable Recommendation 7: Expand the SBA Office of Advocacy’s Role**

The Velazquez report also contends that the Small Business Administration’s (SBA’s) Office of Advocacy should expand its role to include fair competition and antitrust issues.<sup>164</sup> Indeed, the report asserts that the Office of Advocacy “often disregards the red tape created by concentrated corporate power. As a result, [it] could expand its advocate role ... to include issues of fair competition and antitrust.”<sup>165</sup> However, giving antitrust powers to SBA not only is unnecessary and outside its competence, but championing an antitrust model expressly aimed at protecting competitors rather than competition would only open it to accusations of the government picking winners and losers. Moreover, by embracing an approach geared toward “fairness,” antitrust policy would become inherently more subjective relative to the consumer welfare standard, which by virtue of being rooted in economics helped to facilitate antitrust enforcement as an objective and bipartisan legal regime.

Moreover, if the guiding doctrine for antitrust shifted to small businesses, the benefits to the economy and consumers that have transpired over the past many decades would be called into

question—including the innovation and low prices that have helped keep America strong. For example, ITIF has explained that “neo-Brandeisians ... long to return to an economy dominated by the small proprietor. They forget that local businesses were often characterized by high prices, limited choices, and high credit costs. They were also far less efficient than their large successors.”<sup>166</sup> Not to mention, the Disruptive Competition Project argues that proponents of a new antitrust approach with multiple competing goals, including the protection of small businesses, have failed to show how the new approach would be more beneficial to the economy than the consumer welfare standard.<sup>167</sup> In other words, the SBA Office of Advocacy should not expand its advocacy role into antitrust regulations because doing so would only hinder the effectiveness of current antitrust laws, thereby harming consumers and the economy.

---

**If the guiding doctrine for antitrust shifted to small businesses, the benefits to the economy and consumers that have transpired over the past many decades would be called into question—including the innovation and low prices that have helped keep America strong.**

---

## CONCLUSION

In recent decades, the neo-Brandeisian anticorporate, pro-small-business movement has expanded significantly to the point that it risks becoming a new consensus. Congresswoman Velazquez’s report is one more in a line of flawed analyses and claims in this realm. When the arguments and supporting economic evidence are closely examined, the emperor is without clothes. Indeed, not only are the majority of the Velazquez report’s claims inaccurate, but their policy recommendations are harmful to consumers and the economy. In fact, in some cases, their policy recommendations, such as the revival of the Robinson-Patman Act, also hurt the small businesses they are supposedly trying to protect. Thus, policymakers should approach the Velazquez report with at the very least a very healthy skepticism while refraining from implementing its harmful policies.

This is not to say that the United States does not need new business creation. It does—but it also has them, with recent rates at a very high level. Moreover, the answer to encouraging new business creation and Schumpeterian competition is not to attack large, highly productive firms, and nor is it to promote pro-small-business policies that would level the competitive playing field against large firms. Instead, proponents of small firms should promote policies that help new businesses succeed as innovators, such as reforming the Small Business Innovation Research Program, expanding the refundable R&D tax credit for start-ups, and assisting universities with commercializing technology.<sup>168</sup> This is because new firms that succeed through innovation rather than through government handouts that level the playing field by picking winners and losers are more likely to grow large and benefit the economy with novel products, lower prices, and higher efficiency. That is the sort of competition that really benefits America and its consumers most.

## Acknowledgment

The author would like to thank Robert D. Atkinson for his guidance on this report. Any errors or omissions are the author's responsibility alone.

## About the Author

Trelisa Long is a policy analyst for antitrust policy with ITIF's Schumpeter Project on Competition Policy. She was previously an economic policy intern with the U.S. Chamber of Commerce. She earned her bachelor's degree in economics and political science from the University of California, Irvine.

## About ITIF

The Information Technology and Innovation Foundation (ITIF) is an independent 501(c)(3) nonprofit, nonpartisan research and educational institute that has been recognized repeatedly as the world's leading think tank for science and technology policy. Its mission is to formulate, evaluate, and promote policy solutions that accelerate innovation and boost productivity to spur growth, opportunity, and progress. For more information, visit [itif.org/about](https://itif.org/about).

## ENDNOTES

---

1. Nydia Velazquez, "A Report on Competition in the Small Business Economy" (Congressional report, 2023), [https://democrats-smallbusiness.house.gov/uploadedfiles/sbc\\_report\\_on\\_competition\\_in\\_the\\_u.s.\\_final.pdf](https://democrats-smallbusiness.house.gov/uploadedfiles/sbc_report_on_competition_in_the_u.s._final.pdf).
2. Nydia Velazquez, "Corporate concentration threatens America's small business boom," *The Hill*, March 12, 2024, <https://thehill.com/opinion/finance/4527961-corporate-concentration-threatens-americas-small-business-boom/>.
3. Ibid.
4. Ibid.
5. Ibid.
6. Molly Ball and Brody Mullins, "Biden's Trustbuster Draws Unlikely Fans: 'Khanservative' Republicans," *The Wall Street Journal*, March 25, 2024, <https://www.wsj.com/politics/policy/lina-khan-ftc-antitrust-khanservatives-a6852a8f>; Jody Godoy, "Trump VP pick supports Big Tech antitrust crackdown," *Reuters*, July 15, 2024, <https://www.reuters.com/technology/trump-vp-pick-supports-big-tech-antitrust-crackdown-2024-07-15/>.
7. Ibid; Nydia Velazquez, "Corporate concentration threatens America's small business boom," *The Hill*, March 12, 2024, <https://thehill.com/opinion/finance/4527961-corporate-concentration-threatens-americas-small-business-boom/>.
8. David Fleming and Stephan Goetz, "Does Local Firm Ownership Matter?" *Economic Development Quarterly* 25, no. 3 (2011), <https://pure.psu.edu/en/publications/does-local-firm-ownership-matter>.
9. Ibid.
10. Robert Atkinson et al., "Worse Than the Great Depression: What the Experts Are Missing About American Manufacturing Decline" (ITIF, March 2012), <https://itif.org/publications/2012/03/19/worse-great-depression-what-experts-are-missing-about-american-manufacturing/>.

11. Ibid.
12. Fleming and Goetz, “Does Local Firm Ownership Matter?”
13. Anil Rupasingha, “Locally Owned: Do Local Business Ownership and Size Matter for Local Economic Well-Being?” Community and Economic Development Discussion Paper No. 01-13, August 2013, <https://www.atlantafed.org/community-development/publications/discussion-papers/2013/01-do-local-business-ownership-size-matter-for-local-economic-well-being-2013-08-19>.
14. Robert Atkinson and Michael Lind, *Big is Beautiful: Debunking the Myth of Small Business* (Cambridge, Massachusetts: The MIT Press, 2018).
15. Fleming and Goetz, “Does Local Firm Ownership Matter?”
16. Rupasingha, “Locally Owned: Do Local Business Ownership and Size Matter for Local Economic Well-Being?”
17. Ibid.
18. Ibid.
19. Ibid.
20. Fleming and Goetz, “Does Local Firm Ownership Matter?”
21. Rupasingha, “Locally Owned: Do Local Business Ownership and Size Matter for Local Economic Well-Being?”
22. Ibid.
23. Ibid.
24. Robert Atkinson, “Reality Check: Facts About Big Versus Small Businesses” (ITIF, March 2021), <https://itif.org/publications/2021/03/12/reality-check-facts-about-big-versus-small-businesses/>.
25. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
26. Amar Patel and Garrett Martin, “Going Local: Quantifying the Economic Impacts of Buying from Locally Owned Businesses in Portland, Maine” (Maine Center for Economic Policy, December 2011), [https://www.mecep.org/wp-content/uploads/2011/12/MECEP\\_Report\\_-\\_Buying\\_Local-12-5-2011.pdf](https://www.mecep.org/wp-content/uploads/2011/12/MECEP_Report_-_Buying_Local-12-5-2011.pdf).
27. Ibid.
28. Ibid.
29. Atkinson and Lind, *Big is Beautiful: Debunking the Myth of Small Business*.
30. Trelisa Long, “Why the U.S. Economy Needs More Consolidation, Not Less” (ITIF, May 2024), <https://itif.org/publications/2024/05/06/why-us-economy-needs-more-consolidation-not-less/>.
31. Robert Atkinson, “Stronger Semiconductor Export Controls on China Will Likely Harm Allied Semiconductor Competitiveness,” ITIF, October 12, 2023, <https://itif.org/publications/2023/10/12/stronger-semiconductor-export-controls-on-china-will-likely-harm-allied-semiconductor-competitiveness/>.
32. Ibid.
33. Atkinson and Lind, *Big is Beautiful: Debunking the Myth of Small Business*.
34. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
35. Ibid.
36. Velazquez, “A Report on Competition in the Small Business Economy”; Gustavo Grullon, Yelena Larkin, and Roni Michaely, “Are US Industries Becoming More Concentrated?” *Review of Finance*, vol23(4) (2019), <https://doi.org/10.1093/rof/rfz007>.

37. Joe Kennedy, “Monopoly Myths: Are Markets Becoming More Concentrated?” (ITIF, June 2020), <https://itif.org/publications/2020/06/29/monopoly-myths-are-markets-becoming-more-concentrated/>.
38. Ibid.
39. Falk Brauning, Jose Fillat, and Gustavo Joaquim, “Cost-Price Relationships in a Concentrated Economy” (Current Policy Perspectives of the Federal Reserve Bank of Boston, May 23, 2022), <https://www.bostonfed.org/publications/current-policy-perspectives/2022/cost-price-relationships-in-a-concentrated-economy.aspx>.
40. Ibid.
41. Ibid.
42. Ryan Decker, “A note on industry concentration measurement,” Board of Governors of the Federal Reserve System, February 3, 2023, <https://www.federalreserve.gov/econres/notes/feds-notes/a-note-on-industry-concentration-measurement-20230203.html>.
43. Ibid.
44. Brauning, Fillat, and Joaquim, “Cost-Price Relationships in a Concentrated Economy.”
45. Robert Atkinson and Filipe Lage De Sousa, “No, Monopoly Has Not Grown” (ITIF, June 2021), <https://www2.itif.org/2021-no-monopoly-has-not-grown.pdf>.
46. Ibid.
47. Ibid.
48. Ibid.
49. Velazquez, “A Report on Competition in the Small Business Economy.”
50. Robert Atkinson and Caleb Foote, “Monopoly Myths: Is Concentration Leading to Fewer Start-Ups?” (ITIF, August 2020), <https://itif.org/publications/2020/08/03/monopoly-myths-concentration-leading-fewer-start-ups/>.
51. Atkinson and De Sousa, “No, Monopoly Has Not Grown”; Atkinson and Foote, “Monopoly Myths: Is Concentration Leading to Fewer Start-Ups?”
52. U.S. Census Bureau, Business Formation Survey (Total for All NAICS: U.S. Total — Seasonally Adjusted Business Applications [Units], accessed June 3, 2024), [https://www.census.gov/econ/currentdata/?programCode=BFS&startYear=2004&endYear=2024&categories\[\]=TOTAL&dataType=BA\\_BA&geoLevel=US&adjusted=1&notAdjusted=1&errorData=0#table-results](https://www.census.gov/econ/currentdata/?programCode=BFS&startYear=2004&endYear=2024&categories[]=TOTAL&dataType=BA_BA&geoLevel=US&adjusted=1&notAdjusted=1&errorData=0#table-results).
53. Velazquez, “A Report on Competition in the Small Business Economy.”
54. Atkinson and Foote, “Monopoly Myths: Is Concentration Leading to Fewer Start-Ups?”
55. Ibid.
56. Ian Hathaway, “Declining Business Dynamism in the United States: A Look at States and Metros” (Brookings Institute, May 2014), [https://www.brookings.edu/wp-content/uploads/2016/06/declining\\_business\\_dynamism\\_hathaway\\_litan.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/declining_business_dynamism_hathaway_litan.pdf).
57. Brian Albrecht and Ryan Decker, “Markups and Business Dynamism across Industries” (working paper, January 2024), [https://www.briancalbrecht.com/Albrecht\\_Decker\\_Markups.pdf](https://www.briancalbrecht.com/Albrecht_Decker_Markups.pdf).
58. Ibid.
59. Atkinson and Foote, “Monopoly Myths: Is Concentration Leading to Fewer Start-Ups?”
60. Atkinson and Lind, *Big is Beautiful: Debunking the Myth of Small Business*.
61. Ibid.

62. Antoninette Schoar, “the Divide between Subsistence and Transformational Entrepreneurship,” in *Innovation Policy and the Economy*, ed. Hosh Lerner and Scott Stern (Chicago: University of Chicago Press, February 2010), 57–81, <https://www.nber.org/books-and-chapters/innovation-policy-and-economy-volume-10/divide-between-subsistence-and-transformational-entrepreneurship>.
63. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
64. William Lazonick, “Profits Without Prosperity,” *Harvard Business Review*, September 2014, <https://hbr.org/2014/09/profits-without-prosperity>.
65. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
66. Ibid.
67. Jonathan Baker and Steven Salop, “Antitrust, Competition Policy, and Inequality” (paper by Georgetown Law Faculty Publications and Other Works, 2015), <https://scholarship.law.georgetown.edu/cgi/viewcontent.cgi?article=2474&context=facpub>.
68. Daniel Crane, “Antitrust and Wealth Inequality,” *Cornell Law Review* 101, no. 5 (2016), <https://scholarship.law.cornell.edu/cgi/viewcontent.cgi?article=4703&context=clr>.
69. Ibid.
70. George Stigler, *Capital and Rates of Return in Manufacturing Industries* (Princeton: Princeton University Press, 1963).
71. Robert Atkinson and Michael Lind, *Big is Beautiful: Debunking the Myth of Small Business*.
72. Ibid.
73. Robert Van Giezan, “Occupational pay by Establishment Size,” *Compensation and Working Conditions*, Spring 1998, 28–36, <https://www.bls.gov/opub/mlr/cwc/occupational-pay-by-establishment-size.pdf>.
74. Gerald F. Davis and J. Adam Cobb, “Corporations and Economic Inequality Around the World: The Paradox of Hierarchy,” *Research in Organizational Behavior*, 30(1), May 2010, <http://dx.doi.org/10.1016/j.riob.2010.08.001>.
75. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
76. Jose Azar, Ioana Marinescu, and Marshall Steinbaum, “Labor Market Concentration” (paper from Social Science Research Network, December 10, 2018), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3088767](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3088767).
77. Julie Carlson, “Monopolies Are Not Taking a Fifth of Your Wages” (ITIF, May 2022), <https://itif.org/publications/2022/05/02/monopolies-are-not-taking-fifth-your-wages/>.
78. Ibid.
79. Pedro Aldighieri, Ryan Bourne, and Jeffrey Miron, “Is There Monopsony Power in U.S. Labor Markets?” (Cato Institute, Summer 2022), <https://www.cato.org/regulation/summer-2022/there-monopsony-power-us-labor-markets>.
80. Ibid.
81. Ibid.
82. Ibid.
83. Atkinson, “Reality Check: Facts About Big Versus Small Businesses.”
84. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”

85. Ibid.
86. Suresh Naidu, Eric Posner, and Glen Weyl, “Antitrust Remedies for Labor Market Power,” *Harvard Law Review* 132:536 (2018), [https://harvardlawreview.org/wp-content/uploads/2018/12/536-601\\_Online.pdf](https://harvardlawreview.org/wp-content/uploads/2018/12/536-601_Online.pdf).
87. Robert Atkinson, “The Myth of Local Labor Market Monopsony” (ITIF, May 7, 2021), <https://itif.org/publications/2021/05/07/myth-local-labor-market-monopsony/>.
88. Joe Kennedy, “Monopoly Myths: Is Concentration Leading to Higher Profits” (ITIF, May 2020), <https://itif.org/publications/2020/05/18/monopoly-myths-concentration-leading-higher-profits/>.
89. Carlson, “Monopolies Are Not Taking a Fifth of Your Wages.”
90. Crane, “Antitrust and Wealth Inequality.”
91. Ibid.
92. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
93. Ibid.
94. Ibid.
95. Ryan Decker, “A note on industry concentration measurement,” Board of Governors of the Federal Reserve System, February 3, 2023, <https://www.federalreserve.gov/econres/notes/feds-notes/a-note-on-industry-concentration-measurement-20230203.html>.
96. Brian Albrecht, “What We Know About the Rise in Markups,” Truth on the Market, April 30, 2024, <https://truthonthemarket.com/2024/04/30/what-we-know-about-the-rise-in-markups/>.
97. Ibid.
98. Steve Bond et al., “Some unpleasant markup arithmetic: Production function elasticities and their estimation from production data,” *Journal of Monetary Economics* 121 (2021), <https://arshiahashemi.com/publication/jme-2021-bhkz/JME-2021-BHKZ.pdf>.
99. Kennedy, “Monopoly Myths: Is Concentration Leading to Higher Profits?”
100. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
101. Mike Konczal and Niko Lusiani, “Prices, Profits, and Power: An Analysis of 2021 Firm-Level Markups” (paper by the Roosevelt Institute, June 2022), [https://rooseveltinstitute.org/wp-content/uploads/2022/06/RI\\_PricesProfitsPower\\_202206.pdf](https://rooseveltinstitute.org/wp-content/uploads/2022/06/RI_PricesProfitsPower_202206.pdf).
102. Robert Atkinson and Joseph Coniglio, “Comments to Australia’s Competition Review Taskforce Regarding Merger Reform” (ITIF, January 2024), <https://itif.org/publications/2024/01/18/comments-to-australia-competition-review-taskforce-regarding-merger-reform/>.
103. Brauning, Fillat, and Joaquim, “Cost-Price Relationships in a Concentrated Economy.”
104. Decker, “A note on industry concentration measurement.”
105. Brian Albrecht, “Is Concentration Driving Inflation,” Economic Forces, May 26, 2022, <https://www.economicforces.xyz/p/is-concentration-driving-inflation>.
106. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom”; Josh Bivens, “Corporate profits have contributed disproportionately to inflation. How should policymakers respond?” Economic Policy Institute, April 21, 2022, <https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/>.
107. Bivens, “Corporate profits have contributed disproportionately to inflation. How should policymakers respond?”

108. Berardina Palazzo, “Corporate Profits in the aftermath of COVID-19,” Board of Governors of the Federal Reserve System, September 8, 2023, <https://www.federalreserve.gov/econres/notes/feds-notes/corporate-profits-in-the-aftermath-of-covid-19-20230908.html>.
109. Ibid.
110. Ibid.
111. Ibid.
112. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom”; John Kwoka, “The Structural Presumption and the Safe Harbor in Merger Review: False Positives or Unwarranted Concerns?” *Antitrust Law Journal* 81, no. 3 (2017), <https://www.jstor.org/stable/26425580>.
113. Michael Vita and F. David Osinski, “John Kwoka’s Mergers, Merger Control, and Remedies: A Critical Review,” *Antitrust Law Journal* 82, no.1 (2018), [https://www.ftc.gov/system/files/documents/biographies/michael-g-vita/10\\_vita\\_osinski\\_alj\\_82-1\\_final\\_pdf.pdf](https://www.ftc.gov/system/files/documents/biographies/michael-g-vita/10_vita_osinski_alj_82-1_final_pdf.pdf).
114. Ibid.
115. Ibid.
116. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
117. Joseph Schumpeter, *Capitalism, Socialism, and Democracy*, 1942.
118. Willy Shih, “Global Supply Chains in a Post-Pandemic World,” *Harvard Business Review*, September-October 2020, <https://hbr.org/2020/09/global-supply-chains-in-a-post-pandemic-world>.
119. Eleftherios Iakovou and Chelsea White III, “How to build more secure resilient, next-gen U.S. supply chains” (Brookings Institute, December 2020), <https://www.brookings.edu/articles/how-to-build-more-secure-resilient-next-gen-u-s-supply-chains/>.
120. Benjamin Tukamuhabwa, Mark Stevenson, and Marta Bell, “Supply chain resilience: Definition, review, and theoretical foundations for further study,” *International Journal of Production Research*, April 2015, [https://www.researchgate.net/publication/277361344\\_Supply\\_chain\\_resilience\\_Definition\\_review\\_and\\_theoretical\\_foundations\\_for\\_further\\_study](https://www.researchgate.net/publication/277361344_Supply_chain_resilience_Definition_review_and_theoretical_foundations_for_further_study).
121. Long, “Why the U.S. Economy Needs More Consolidation, Not Less.”
122. Maureen Ohlhausen and Taylor Owings, “Evidence of Efficiencies in Consummated Mergers” (white paper commissioned by the U.S. Chamber of Commerce, June 2023), <https://www.uschamber.com/assets/documents/20230601-Merger-Efficiencies-White-Paper.pdf>.
123. The Impact of Consolidation and Monopoly Power on American Innovation, Before the Subcommittee on Competition Policy, Antitrust, and Consumer Rights, 117th Congress (2021) (Statement of Bettina Hein, Founder and Chief Executive Officer, Juli), 2, <https://www.judiciary.senate.gov/imo/media/doc/Hein%20Testimony.pdf>.
124. National Venture Capital Association, “2021 Yearbook” (industry report by NCVA, 2021), <https://nvca.org/wp-content/uploads/2021/03/NVCA-2021-Yearbook.pdf>.
125. Devin Reilly, D. Daniel Sokol, and David Toniatti, “The Importance of Exit via Acquisition to Venture Capital, Entrepreneurship, and Innovation” (SSRN paper, December 2021), [https://www.analysisgroup.com/globalassets/insights/publishing/2022\\_exit\\_via\\_acquisition\\_reilly\\_sokol\\_toniatti.pdf](https://www.analysisgroup.com/globalassets/insights/publishing/2022_exit_via_acquisition_reilly_sokol_toniatti.pdf).
126. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”

127. Herbert Hovenkamp, “The Surprising Culprit Behind Declining US Antitrust Enforcement, ProMarket, February 5, 2024, <https://www.promarket.org/2024/02/05/the-surprising-culprit-behind-declining-us-antitrust-enforcement/>.
128. Joseph Sullivan, “A Global Antitrust Paradox?” Competitive Enterprise Institute, December 13, 2023, <https://cei.org/studies/a-global-antitrust-paradox/>.
129. Ibid.
130. Joseph Coniglio, “Comments for the California Law Review Commission Study of Antitrust Law Regarding Innovation and Mergers” (ITIF, June 2024), <https://itif.org/publications/2024/06/24/comments-california-law-review-antitrust-innovation-mergers/>.
131. Joseph Coniglio, “Comments to the Justice Department and FTC Regarding Draft Merger Guidelines” (ITIF, September 2023), <https://itif.org/publications/2023/09/18/comments-to-the-justice-department-and-ftc-regarding-draft-merger-guidelines/>.
132. Federal Trade Commission and Department of Justice, “FTC and DOJ Seek Comment on Draft Merger Guidelines,” press release, July 19, 2023, <https://www.ftc.gov/news-events/news/press-releases/2023/07/ftc-doj-seek-comment-draft-merger-guidelines>.
133. Ibid.
134. Coniglio, “Comments to the Justice Department and FTC Regarding Draft Merger Guidelines.”
135. Federal Trade Commission, “Draft FTC-DOJ Merger Guidelines for Public Comment,” July 19, 2023, <https://www.ftc.gov/legal-library/browse/ftc-doj-merger-guidelines-draft-public-comment>.
136. Matej Bajgar, Chiara Criscuolo, and Jonathan Timmis, “Supersize Me: Intangibles and Industry Concentration” (Organization for Economic Cooperation and Development, DSTI/CHE, September 13, 2019).
137. Ibid.
138. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
139. Trelysa Long, “Why the Robinson-Patman Act Revival May Backfire” (ITIF, February 28, 2024), <https://itif.org/publications/2024/02/28/why-the-robinson-patman-act-revival-may-backfire/>.
140. *Mid-South Distributors v. FTC*, United States Court of Appeals, Fifth Circuit, February 23, 1961, <https://casetext.com/case/mid-south-distributors-v-ftc>.
141. Ibid.
142. F.M. Scherer and David Ross, “Industrial Market Structure and Economic Performance” (SSRN paper, 1990), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1496716](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1496716).
143. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
144. Ibid.
145. Aurelien Portuese, “Open Letter to Sens. Durbin, Grassley, Klobuchar, and Lee Regarding the American Innovation and Choice Online Act (S.2992)” (ITIF, January 19, 2022), <https://itif.org/publications/2022/01/19/open-letter-sens-durbin-grassley-klobuchar-lee-regarding-s2992/>.
146. Ibid.
147. Joseph Coniglio and Lilla Kiss, “Comments to the Indian Ministry of Corporate Affairs Regarding Digital Competition Law” (ITIF, May 2024), <https://itif.org/publications/2024/05/15/comments-to-the-indian-ministry-of-corporate-affairs-regarding-digital-competition-law/>.

148. Ibid.
149. Julie Carlson, “The Platform Competition and Opportunity Act Is a Solution in Search of a Problem” (ITIF, January 2022), <https://itif.org/publications/2022/01/31/platform-competition-and-opportunity-act-solution-search-problem/>.
150. Ibid.
151. Daniel Castro, “Banning “Closed” Mobile Ecosystems Would Hurt Consumer Choice and Competition” (ITIF, January 23, 2022), <https://itif.org/publications/2022/01/23/banning-closed-mobile-ecosystems-would-hurt-consumer-choice-and/>.
152. Mark Jamison, “Congress Could Weaken U.S. Competitiveness with These Two Bills,” American Enterprise Institute, August 21, 2022, <https://www.aei.org/op-eds/congress-could-weaken-u-s-competitiveness-with-these-two-bills/>.
153. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
154. Atkinson and Lind, *Big is Beautiful: Debunking the Myth of Small Business*.
155. Eric Toder, “Does the Federal Income Tax Favor Small Business?” (Washington, DC: Urban Institute and Urban-Brookings Tax Policy Center, 2007).
156. Jane Gravelle, “The 15% Corporate Alternative Minimum Tax,” Congressional Research Service, January 19, 2023, <https://crsreports.congress.gov/product/pdf/R/R47328>.
157. Ibid.
158. Atkinson and Lind, *Big is Beautiful: Debunking the Myth of Small Business*.
159. Ibid.
160. Eric Toder, “Does the Federal Income Tax Favor Small Business?” (Washington, DC: Urban Institute and Urban-Brookings Tax Policy Center, 2007).
161. Steve Wamhoff, “Ongoing Use of Offshore Tax Havens Demonstrates the Need for the Global Minimum Tax” (Institute on Taxation and Economic Policy, January 2024), <https://itep.org/offshore-tax-havens-corporate-tax-avoidance-demonstrates-need-for-global-minimum-tax/>.
162. Zachary Green and Invette Feliciano, “Corporations go overseas to avoid U.S. taxes,” *PBS News*, April 29, 2017, <https://www.pbs.org/newshour/show/corporations-go-overseas-avoid-u-s-taxes>.
163. Steve Wamhoff, “Ongoing Use of Offshore Tax Havens Demonstrates the Need for the Global Minimum Tax” (Institute on Taxation and Economic Policy, January 2024), <https://itep.org/offshore-tax-havens-corporate-tax-avoidance-demonstrates-need-for-global-minimum-tax/>.
164. Velazquez, “A Report on Competition in the Small Business Economy”; Velazquez, “Corporate concentration threatens America’s small business boom.”
165. Ibid.
166. Joe Kennedy, “Why the Consumer Welfare Standard Remains the Best Guide for Promoting Competition,” Competition Policy International, January 27, 2019, <https://www.pymnts.com/cpi-posts/why-the-consumer-welfare-standard-remains-the-best-guide-for-promoting-competition/>.
167. Trevor Wagner, “The Curse of Tradeoffs: Neo-Brandeisians vs. Consumers,” The Disruptive Competition Project, May 21, 2021, <https://project-disco.org/competition/052121-the-curse-of-tradeoffs-neo-brandeisian-antitrust-versus-consumers/>.
168. Atkinson and Lind, *Big is Beautiful: Debunking the Myth of Small Business*; Joe Kennedy and Robert Atkinson, “Why Expanding the R&D Tax Credit is Key to Successful Corporate Tax Reform” (ITIF, July 2017), <https://www2.itif.org/2017-rd-tax-credit.pdf>; Robert Atkinson, Mark Muro, and Jacob Whiton, “The Case for Growth Centers: How to Spread Tech Innovation Across America” (ITIF and Brookings, December 2019), <https://www2.itif.org/2019-growth-centers.pdf>.