

# Market Power and Political Power

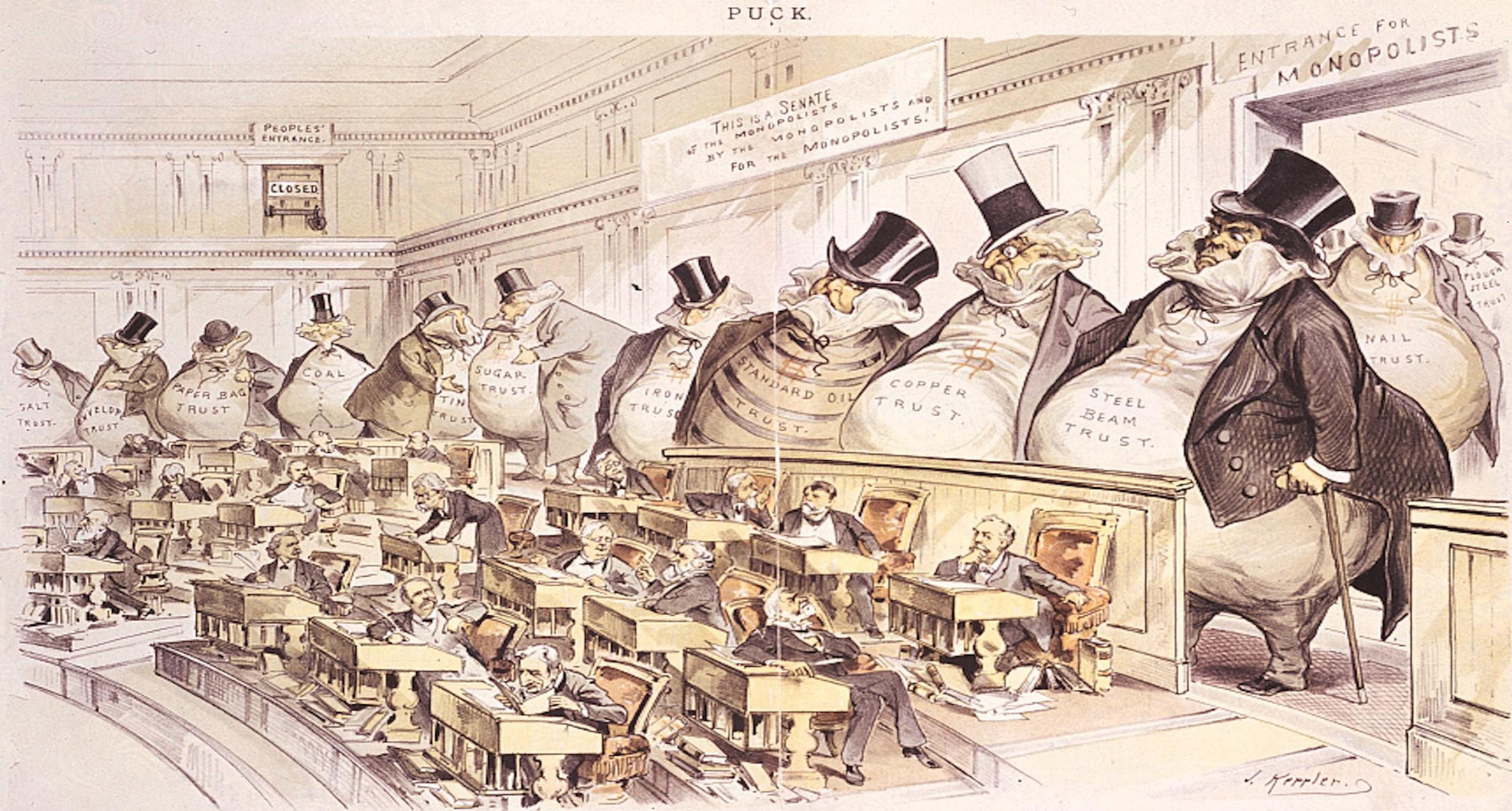
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25 Years of IPD, September 2025

# The Curse of Bigness

- We worry about large firms because they may have market power toward consumers (and workers)
- Antitrust policy
- Another reason to worry about large firms – Brandeis, *The Curse of Bigness*, 1914
- Large firms may want to convert their market power into **political power**





THE BOSSES OF THE SENATE.



# US Lobbying

Business, Labor & Ideological Split, 2019



Business	\$2,968,251,096	86.54%
Other	\$260,281,617	7.59%
Ideological Groups	\$152,310,046	4.44%
Labor	\$48,964,316	1.42%

Source: Opensecrets

# Just an American Thing?

## The Companies Spending the Most on EU Lobbying

Self-reported annual lobbying expenditure in the European Union\*



\* most recent available estimate as of April 29, 2019; converted to U.S. dollars

\*\* Full-time equivalent



@StatistaCharts

Sources: EU Transparency Register, LobbyFacts.eu

statista

## AROUND SQUARE DE MEEÛS

### LOBBY CONSULTANCY OR LAW FIRM

1. Bursan-Montellier
2. Heishman-Hillard
3. Hogan Lovells
4. Reed Flag

### PUBLIC INSTITUTION

5. Directorate-General for Research and Innovation

### CORPORATION

6. Goldman Sachs
7. Bayer
8. Bank of America Merrill Lynch
9. GlaxoSmithKline
10. GlaxoNaturally
11. BlackRock
12. HSBC
13. Barclays
14. Apple
15. BASF

### TRADE ASSOCIATION

16. International Swap and Derivatives Association (ISDA)
17. Confederation of British Industry (CBI)
18. German Association of the Automotive Industry (VDA)

### THINK TANK

19. European Privacy Association (EPA)
20. Friends of Europe

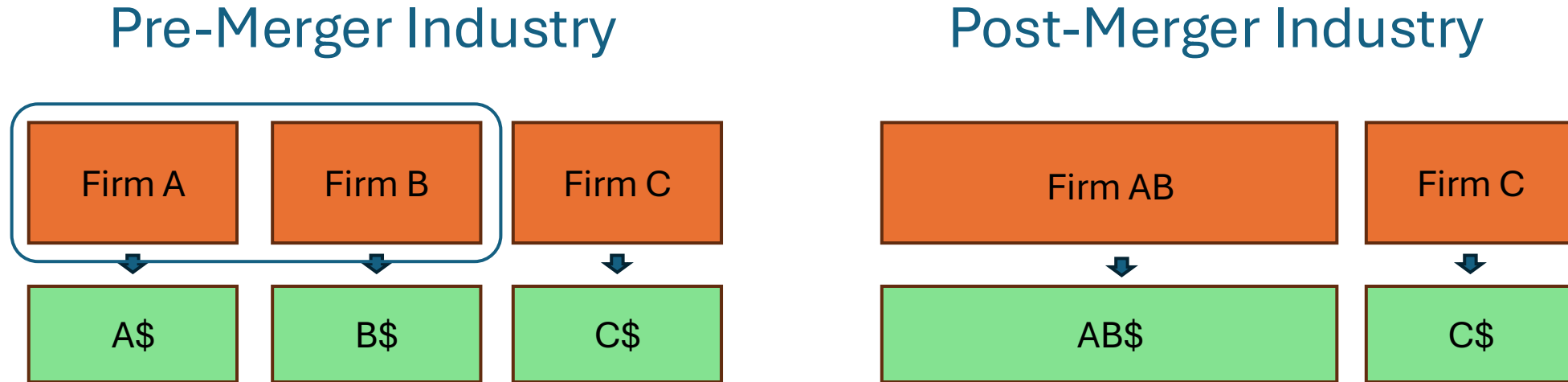


# Market Power → Political Power?

- Dormant for almost a century, as antitrust focused on the effect of market power on **consumer welfare**
- Rajan-Zingales (2003): **vicious circle**
  - A company becomes large (maybe because it has a great product)
  - To defend its position, invest in political influence
  - Keep away potential entrants, squeeze consumers and workers
- Wu (2010): **AT&T** kept monopoly power for decades through vertical integration and regulatory capture – delayed competition and innovation – high prices to consumers

# Market Power → Political Power: Quantifiable?

- Mergers as discrete increases in market power



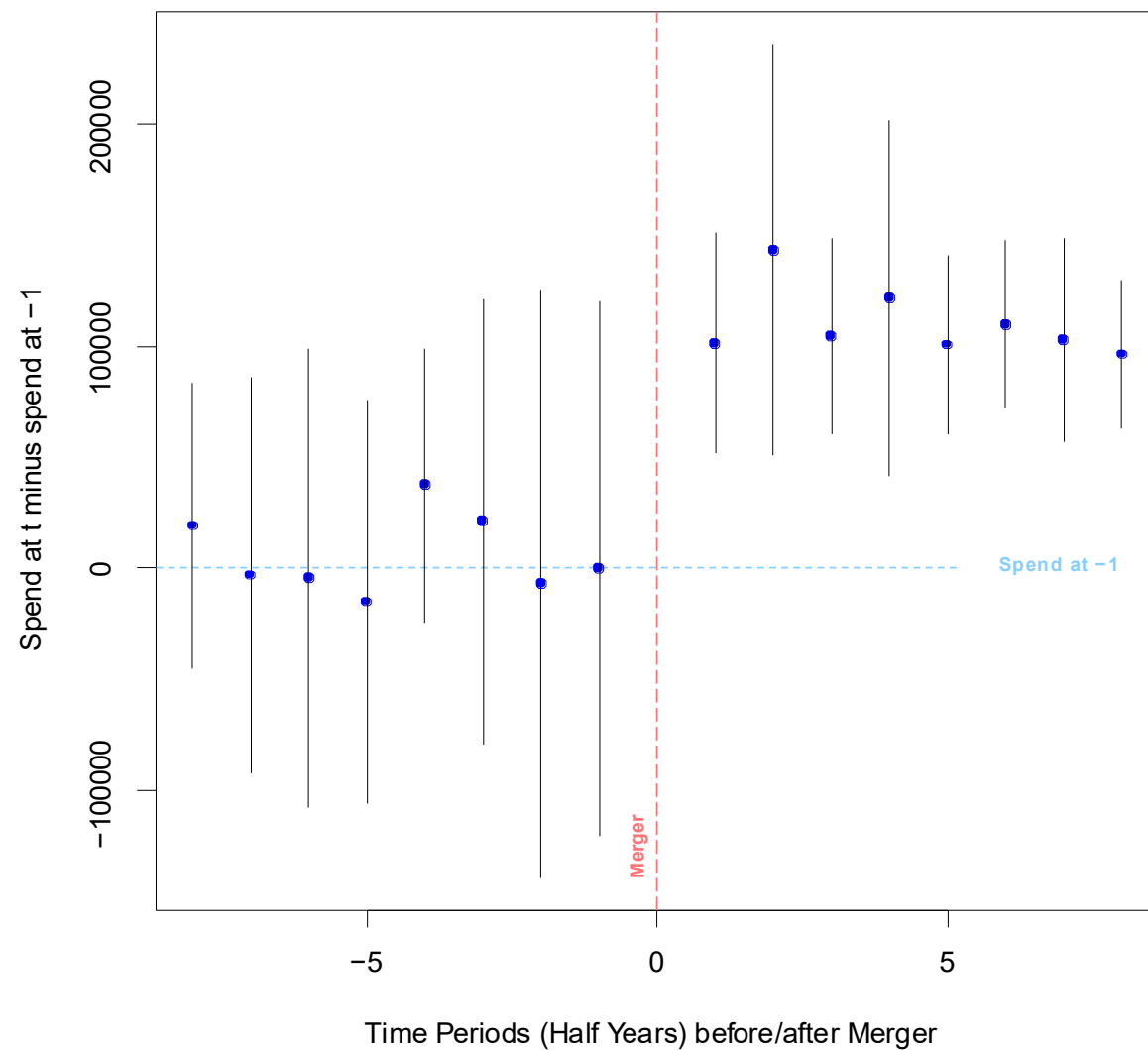
- $AB\$ > A\$ + B\$$ ?
- What about C\$? What about the whole industry?

# The Data

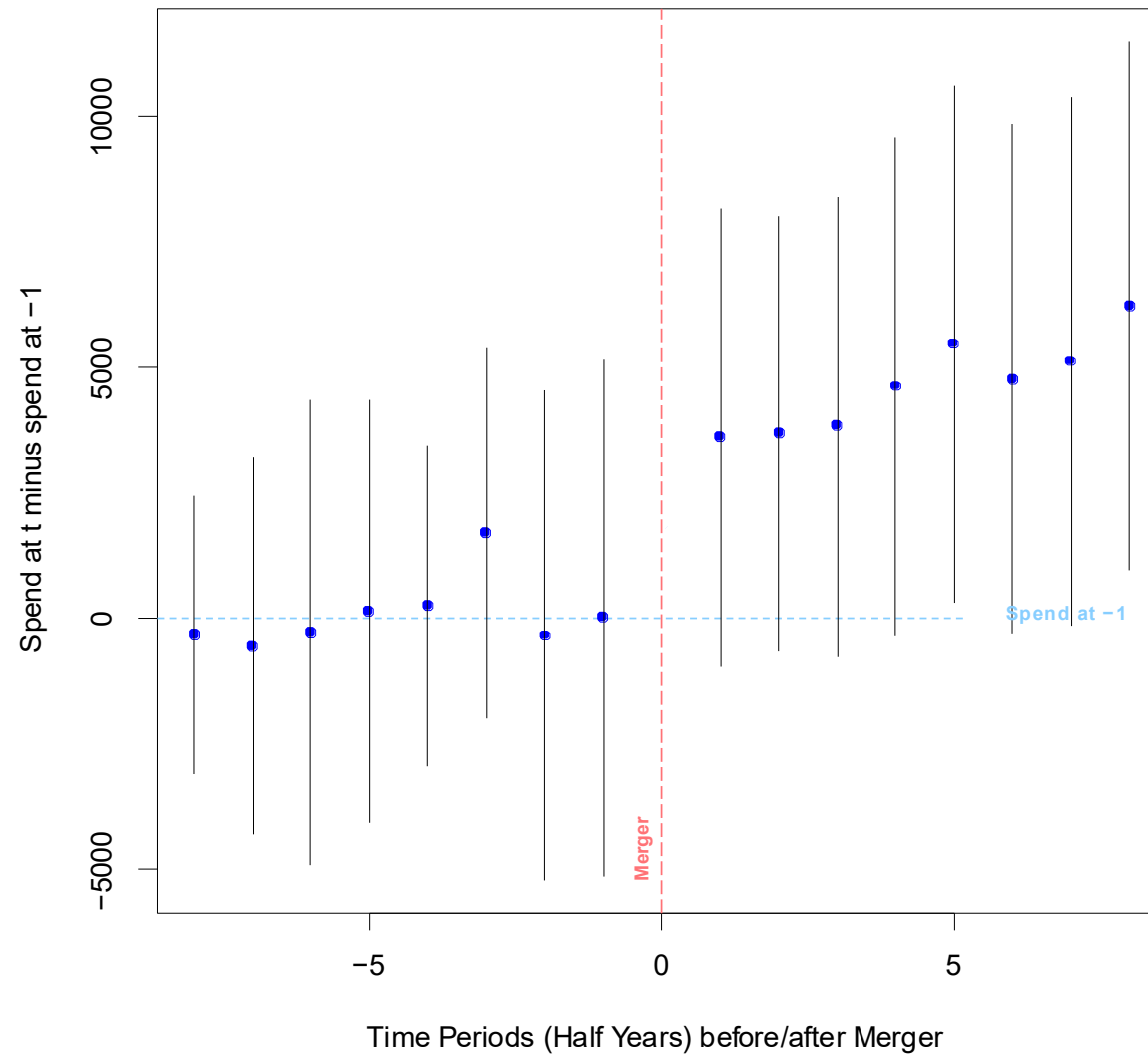
1. Mergers of all US public firms between 1999 and 2017
2. Lobbying spending per firm + contributions to PACs
3. Compustat data on firms and industries
4. Industry associations data



# Lobbying: Panel Event



# Campaign Contributions



# Main Results: Panel Event Study

	(1) Lobby Amount	(2) Lobby Amount	(3) PAC Contribs	(4) PAC Contribs
# Component Firms	-74,286** (33,691)	-68,934** (28,188)	-4,470* (2,382)	-3,898 (2,514)
Additional Controls		Y		Y
Observations	223,043	223,022	223,043	223,022
$R^2$	.79	.83	.32	.47

- # Component firms = Number of independent, as-yet-unmerged firms inside composite firm.  
↓ with each merger
- All regressions include composite firm fixed effects, time period fixed effects, and total size (revenue) controls. “Additional controls” include firm-specific political cycle controls and industry-specific trends at a narrow category (NAICS 5)

# More Results

- Results come from mergers involving **large** firms
- Results are stronger for mergers within the **same industry**
- Results both at the **intensive** and **extensive** margin  
(setting up a lobbying function or expanding it)
- Results hold for the industry overall (including **non-merging firms**) and for **industry associations**



# Summing Up

- Data consistent with **market power** → **political power** effect
- Lobbying spending increases more than linearly in firm size – the effect is large
- Large firms
- What do the
- What does this mean for the whole system? Evidence that **market concentration** is rising. Will that lead to more **political concentration**?
- What can we do about it?

Thank you!