

Competition and Market Power Latin America and the Caribbean

A Research Network Project

RG-K1198

Summary

There is widespread empirical evidence of increasing market concentration and corporate market power across the globe, with sales-weighted markups rising from 1.1 to 1.8 since 1980. These upward trends have been accompanied by drops in investment rates and productivity growth, entry rates and business dynamism, and the labor share of income while inequality has increased.

These observations have sparked both concern and a renewed interest among academics and policymakers regarding market power, its causes, and consequences. Although most studies have primarily examined the U.S. economy, the substantial implications of market power for economic growth have raised growing concerns about the adverse effects of reduced competition in Latin America and the Caribbean (LAC).

The main objective of this research network project is to diagnose the competitive environment in the LAC region across output, input and labor markets, and across a broad range of economic sectors, including banking and credit.