Rejoinder to "The Rise of Market Power and the Macroeconomic Implications: Reply to Benkard, Miller, and Yurukoglu (2025)"

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In our comment, Benkard et al. (2025) ("BMY"), we showed that the central results of De Loecker, Eeckhout and Unger (2020) ("DEU") are sensitive to unreported sample restrictions that dropped 27% of the available observations. We interpreted our findings as indicating that the DEU methodology and data, as they are described in the article, do not provide robust empirical support for the conclusion that broad-based increases in market power have occurred in recent decades.

The authors' reply, De Loecker et al. (2025) ("DEU-R"), does not contest that these observations were dropped, nor does it contest the results obtained once these observations are included in the sample. Instead, the reply raises a concern that the results from the full sample are unreliable due to the presence of some pharmaceutical firms in sector 3254 — possibly bio-tech startups — that are included in the full sample but not included in their restricted sample. The reply focuses specifically on firms in this sector with low sales and, therefore, low markups.[1] It characterizes these firms as outliers:

> "[W]e show that the findings in BMY are entirely driven by outliers in one four-digit NAICS industry 3254 (Pharmaceutical and Medicine Manufacturing)."

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[1]De Loecker, Eeckhout and Unger (2025) have not made replication code available, so we do not have a precise definition of these firms beyond the language used in the reply.

DEU-R reports that sales-weighted markups increase if these observations are dropped. Note that, contrary to DEU-R's assertion, even after dropping these observations, the estimated increase in markups is only half of the original DEU increase.

More generally, we find this defense unconvincing. If broad-based, economy-wide increases in markups are present, they should still show up if a single four-digit sector is excluded from the analysis. Yet, when the four-digit sector 3254 is excluded from the full sample as a whole (see Figure A.1), it makes little difference: the markups obtained track the results in our comment closely. We conclude that the markup estimates from the full sample are not driven by outliers in sector 3254.

The reason that dropping the whole 3254 four-digit sector makes no difference to the results is that the Compustat data for sector 3254 contain outliers in both directions: some have low Sales/COGS, and hence low markups, and others have high Sales/COGS, and hence high markups. Unsurprisingly, if one selectively drops observations with low markups, estimates of the average markup increase. As the overall exercise is about estimating markups, it seems dangerous to arbitrarily exclude certain observations based on their markups. Such a process might allow one to generate almost any result.

The original DEU paper instead used a generic screen for outliers in both directions. It states, "we eliminate firms with reported cost-of-goods to sales and SG&A to sales ratios in the top and bottom 1%." We also used this screen when developing our full sample results. Similar in spirit, dropping the entire sector – as we do here – avoids subjective determinations about what constitutes an "outlier." These approaches yield modest markup increases when the DEU methodology is applied to the full sample.

Further attempts of DEU-R to support the selective exclusion of low-markup observations in sector 3254 also do not withstand scrutiny. For example, DEU-R argues that the full-sample Compustat markup estimates of BMY deviate from those obtained from the Census for sector 32, which contains pharmaceuticals. It provides a figure (Figure A.5 in DEU-R) that we reproduce in panel (a) of Figure A.2. Markups from the full Compustat sample (BMY) decline after 1980, whereas markups from the Census are closer to flat. DEU-R did not present the markup estimates from their own DEU restricted Compustat sample. DEU-R state that these plots "confirm the [DEU] series." Panel (b) of Figure A.2 adds the DEU line, and reveals a different story: while all three lines deviate from each other at the end of the sample period, the markups from the full Compustat sample are closer to those from the Census than are the markups from the DEU restricted Compustat sample. In our comment, we also show that, for manufacturing as a whole (sectors 31, 32, and 33), the full sample Compustat markups are close to those from the Census, whereas the markups from the DEU restricted sample are not.

References

Benkard, C. Lanier, Nathan Miller, and Ali Yurukoglu, "The Rise of Market Power and the Macroeconomic Implications: Comment," 2025. October 22, 2025.

Loecker, Jan De, Jan Eeckhout, and Gabriel Unger, "The Rise of Market Power and the Macroeconomic Implications," *The Quarterly Journal of Economics*, 2020, *135* (2), 561–644.

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Appendix Materials

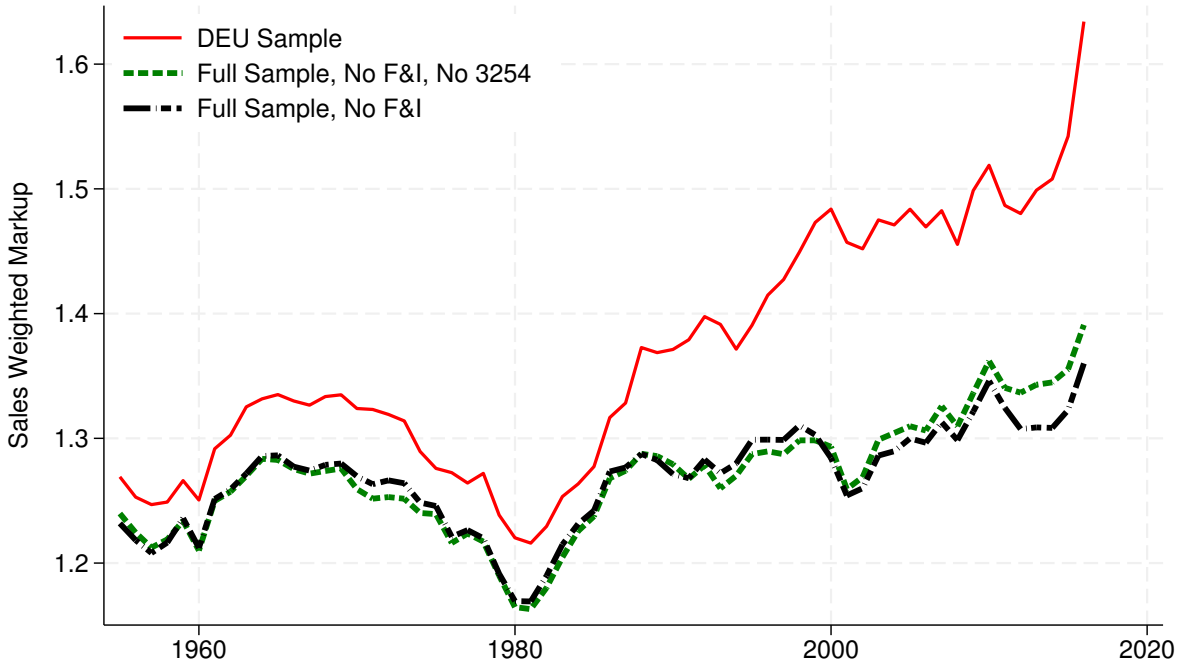
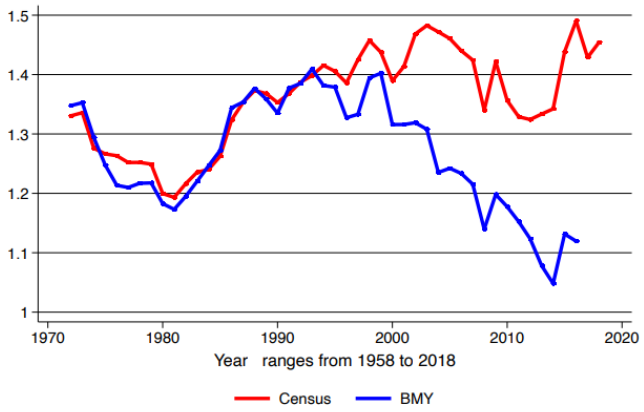
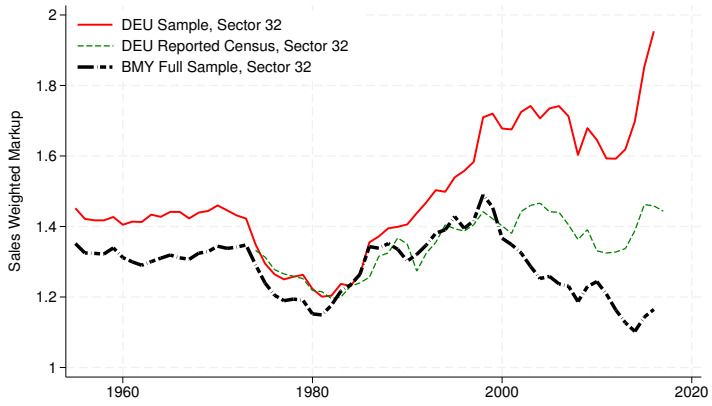


Figure A.1: Results without the NAICS Code 3254

Notes: The figure plots estimates of the sales-weighted average markup over time. The solid red line is a replication of Figure I of DEU, which uses a restricted sample. The dashed green line is the full sample excluding F&I and NAICS code 3254. The black dash - dot line is the full sample excluding F&I.



(a) De Loecker et al. (2025) Figure Reproduction



(b) De Loecker et al. (2025) Figure Replication with DEU Estimates.

Figure A.2: Comparison of DEU Census Results for Manufacturing Code 32.

Notes: Panel (a) is a screenshot of Figure A.5 from De Loecker et al. (2025). This figure presents markups over time for NAICS code 32 from the DEU census analysis (solid red) and the full Compustat sample (blue). Panel (b) adds the estimates for the DEU restricted sample Compustat (solid red) to the same lines from panel (a): DEU census estimates (dashed green) and BMY full sample Compustat (black dash-dot).