

Analyzing the Impact of Antitrust Laws and Enforcement on Small Business

Innovation & Information Consultants, Inc, Concord, MA 01742
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Purpose

The study investigates how antitrust laws and enforcement in the retail grocery and timber industries affect small firms.

Overall Findings

Looking at two industries (retail grocery and timber), the researchers find that, independent of the type of enforcement activity, the number of small grocery retailers declined over time. In the timber industry, the vertically integrated dominant firm hoarded the input of its small competitors downstream, forcing their exit.

Highlights

- In retail grocery markets where merger and acquisition activity prompted antitrust enforcement, the number of small firms declined regardless of the type of enforcement activity.
- Small retail grocery firms did not benefit in markets when the FTC required a divestiture of stores to offset large increases in post-merger concentration.
- Small firm success or lack thereof in the retail grocery industry was less a function of mergers and acquisitions and more the result of the entry and growth of mass merchandisers and the efficiency of large supermarket chains, even in markets where divestiture was targeted to benefit small firms.
- Anticompetitive behavior by a vertically integrated timber industry monopsonist contributed to a decline in small business sustainability in the Pacific Northwest sawmill industry; however, industry-wide trends support the conclusion that macroeconomic

factors were equally important in reducing the net number of small firms operating in the industry.

- The decline in the number of small timber industry firms was also attributable to efficiency gains and the vertical integration of the dominant firm.
- The uncertainty over ongoing anticompetitive behavior and antitrust litigation in the Pacific Northwest sawmill industry did not deter new entry, although the net number of small firms declined.

Scope and Methodology

The researchers used a case study approach to analyze the impact of antitrust activity on small business. They looked at businesses in NAICS 445110 (retail grocery), NAICS 113000 (forestry and logging), and NAICS 321000 (sawmills). They measure market concentration using firm market share, expressed by the Herfindhal-Hirshmann Index (HHI), in either a four-firm ratio or an eight-firm one. They compare concentration before and after the activity, allowing for some lag.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

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