What Drives the Rise in Markups?

Rising stars, shooting stars and demand

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Federal Reserve Bank of New York, October 16, 2026

Based on joint work with Nicolas Vincent: "The Micro-Level Anatomy of the Labor Share Decline," *Quarterly Journal of Economics*, 136(2), 2021.

Markups and the labor share – two sides of the same coin

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- U.S. manufacturing: labor share fell from **61%** (1967) to **41%** (2012).

The micro-level anatomy of aggregate markups

$$\text{Aggr. } \mu = \sum_i \mu_i \omega_i$$

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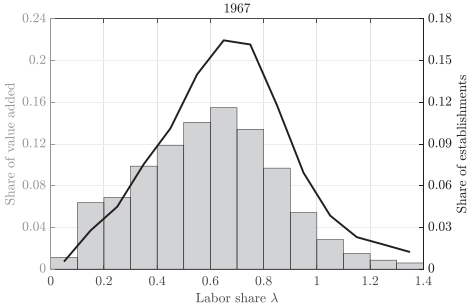
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- Aggregate markup increases may come from
  1. pervasive markup increases and/or
  2. reallocation of economic activity to firms with high or increasing markups.

Reallocation to "superstars" *within* industries drives aggr. markups

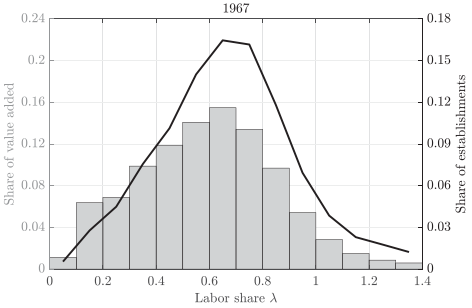


← higher markup

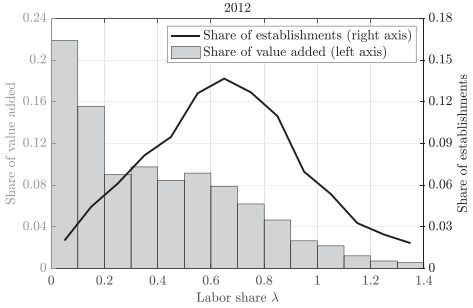
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Census of Manufactures. Bars: share of value added; line: share of plants; computed within 3-digit NAICS industries. Kehrig and Vincent (2021), Fig. I.

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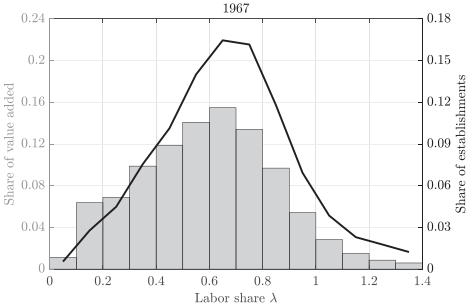
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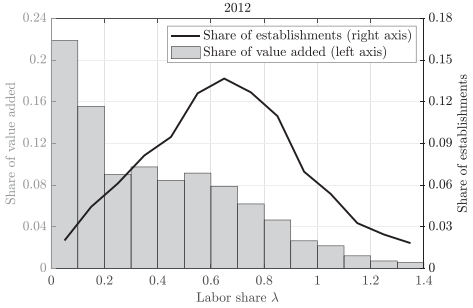


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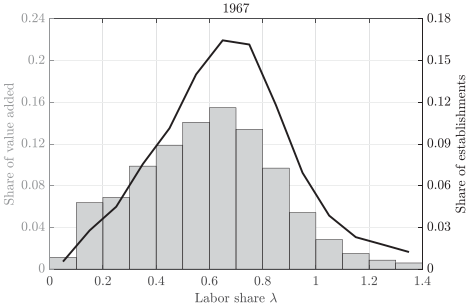


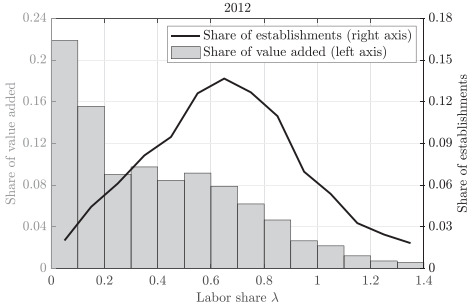


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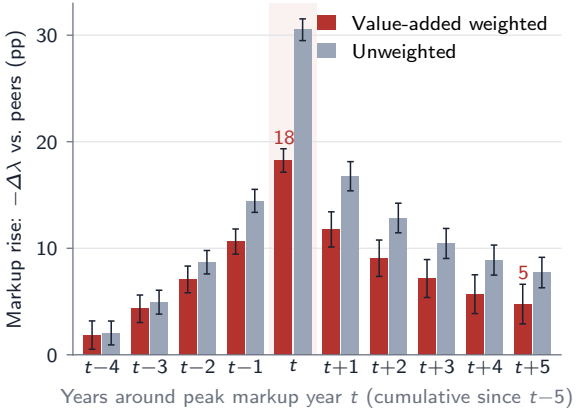




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- **All within industries**: shifts across industries or regions play no role ⇒ not a high-tech story.

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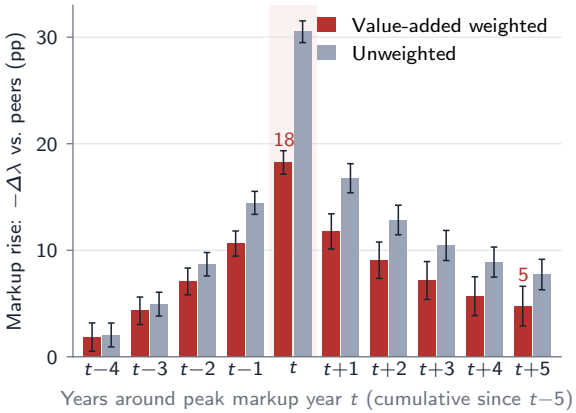
Superstars or shooting stars? The transient nature of markups



- How do high-markup firms get there?

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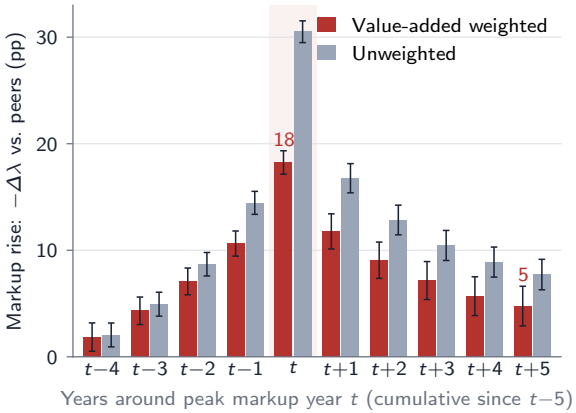
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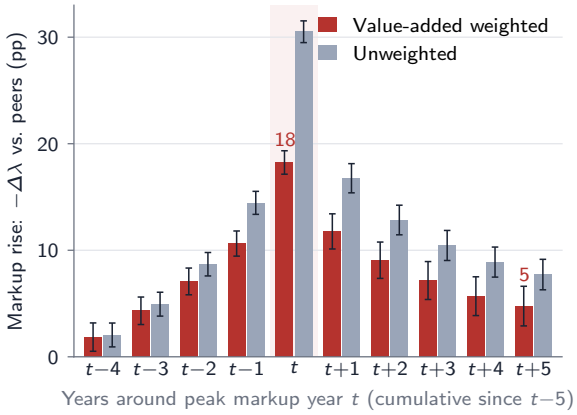
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- Rise and fall in shooting star markups reflected in rise and fall of prices (not a drop and rebound in costs).

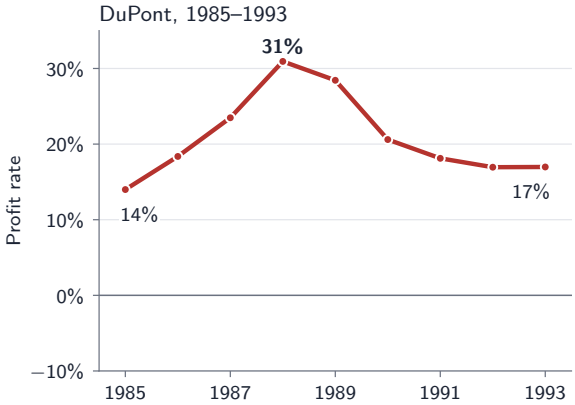
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Shooting stars: the 1980s

DuPont in the 1980s – a popular **consumer product**

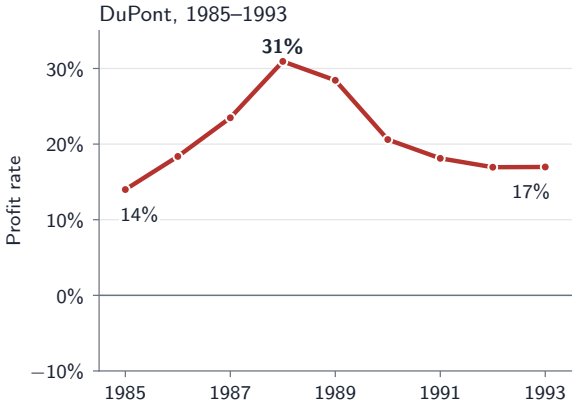
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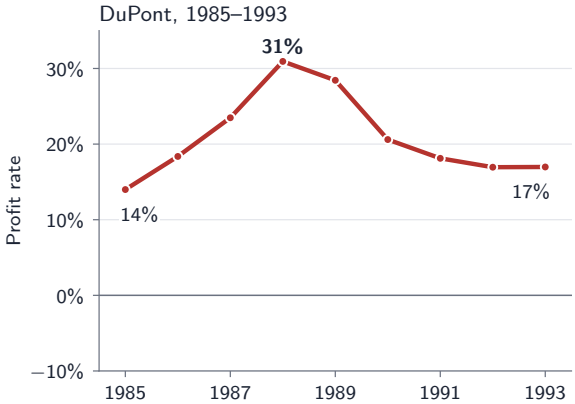
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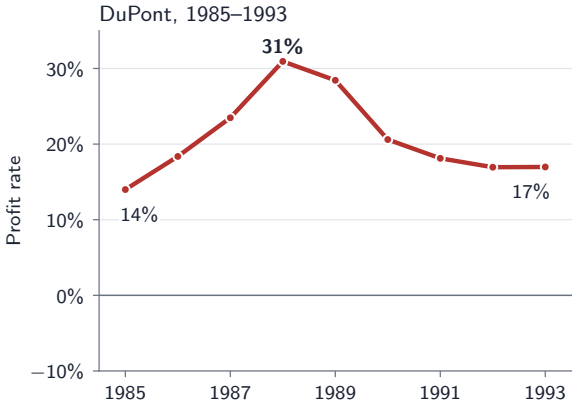
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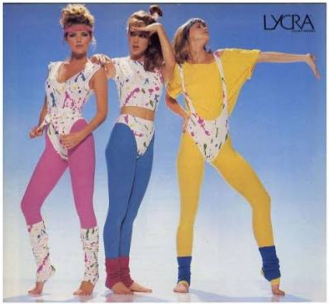
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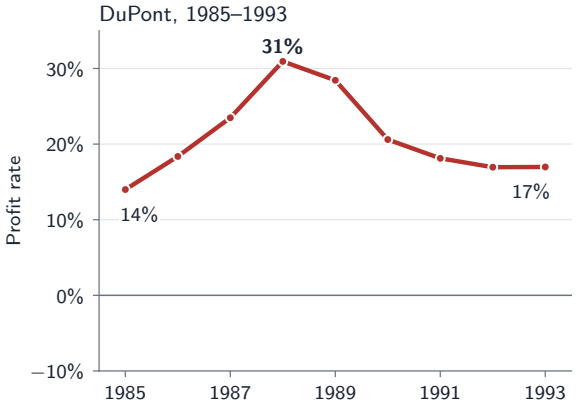
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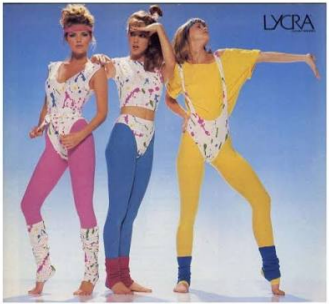
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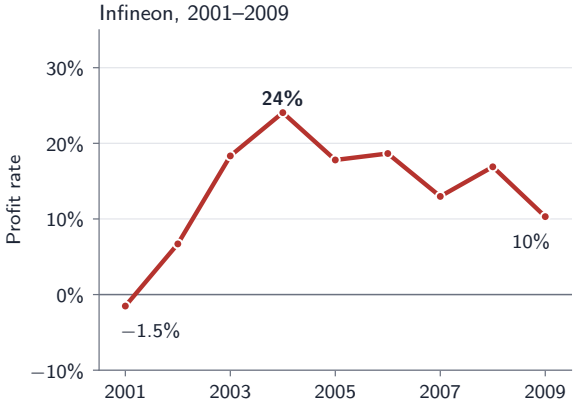
- By the early 1990s, the world is cured of that fashion virus – and DuPonts profits from it are were over.

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Infineon in the early 2000s

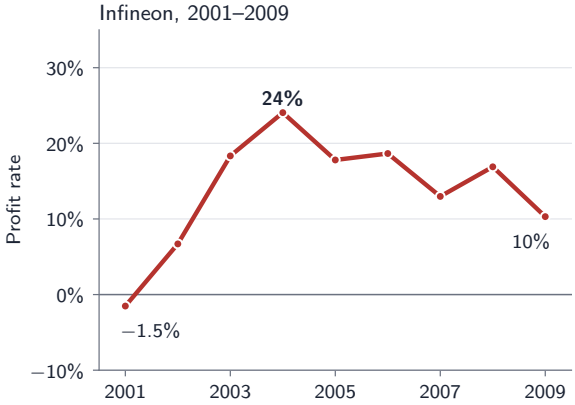
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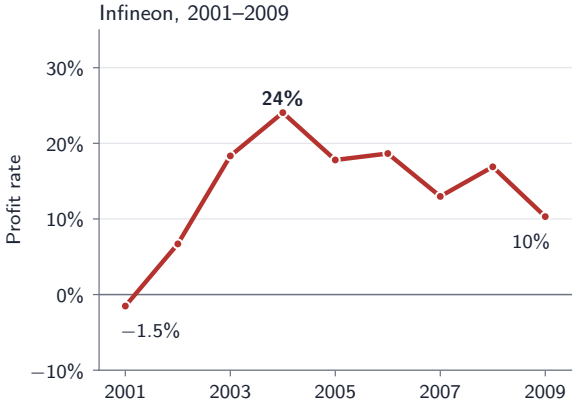
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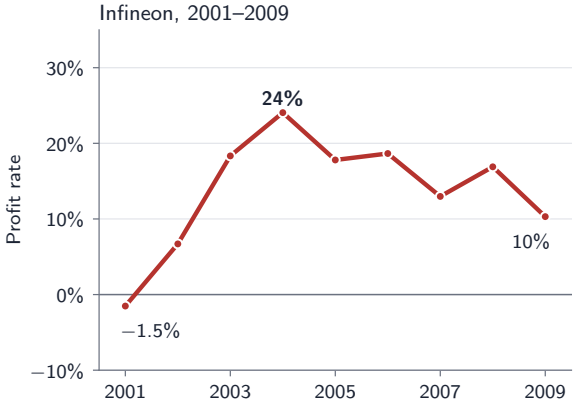
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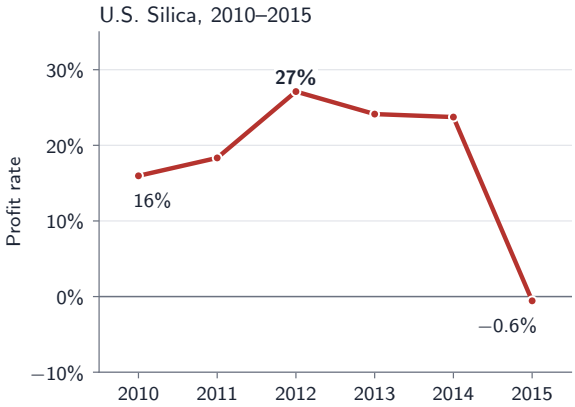
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- This declined in the mid-2000s due to competitive pressure and an unfavorable exchange rate.

Shooting stars: the 2010s

Sand in the mid 2010s

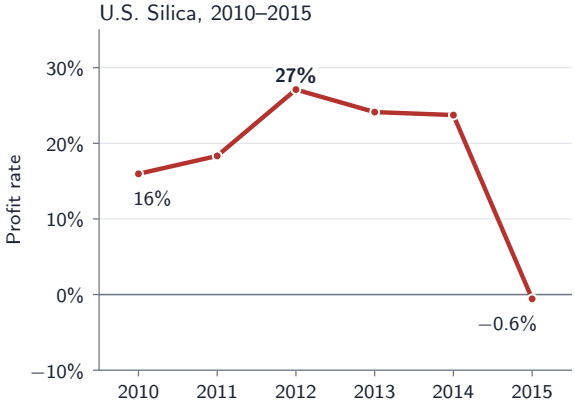
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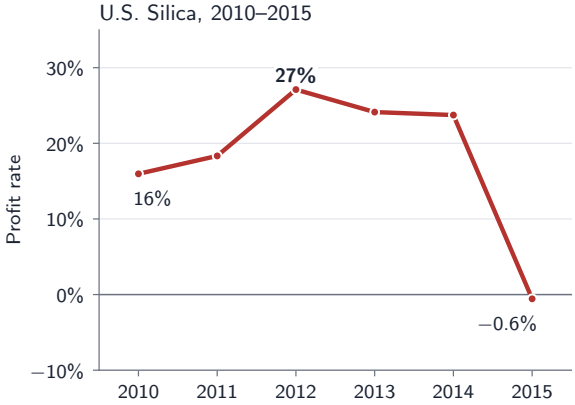
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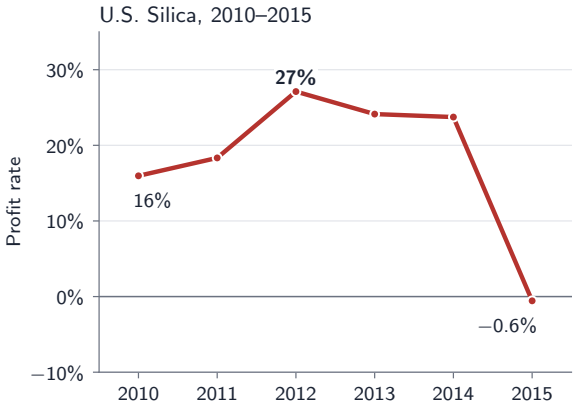
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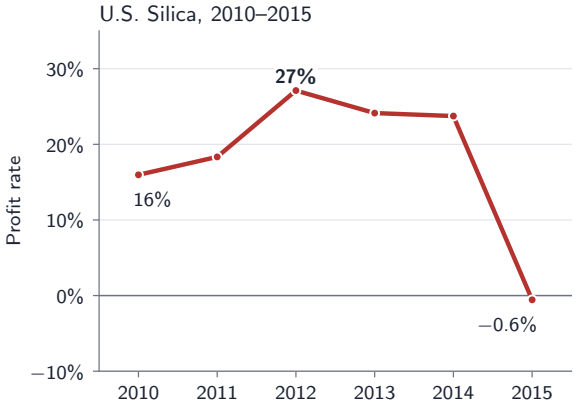
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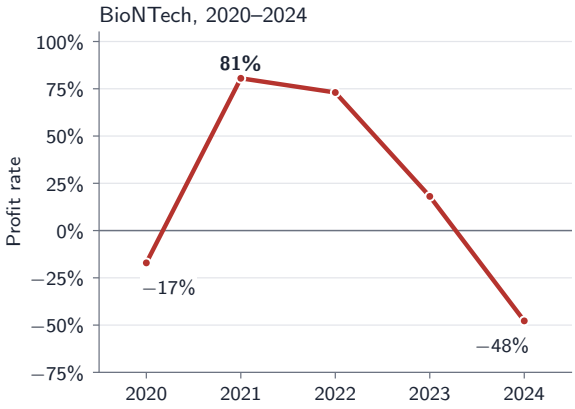
$\Rightarrow$ Demand for specifically sifted sand drops.

Shooting stars: the 2020s

BioNTech in the 2020s

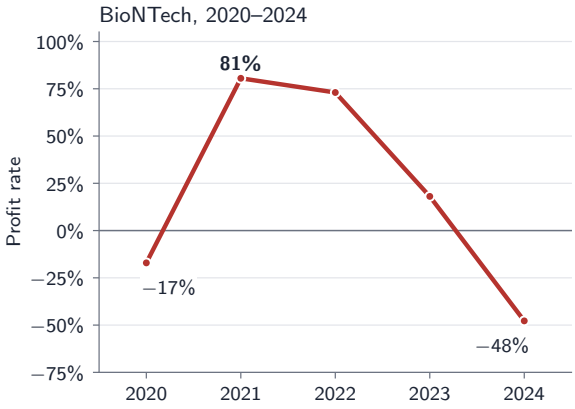
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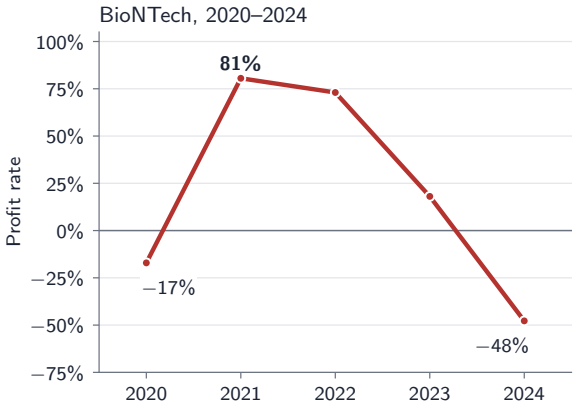
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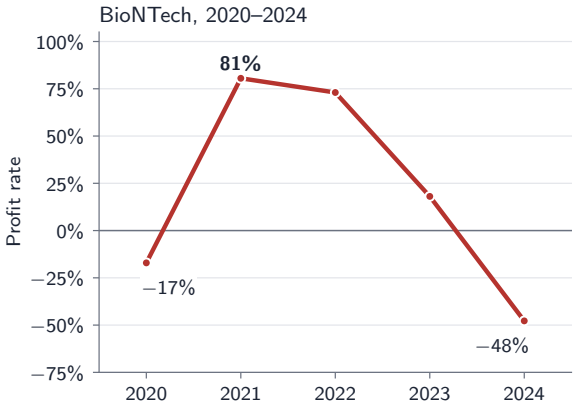
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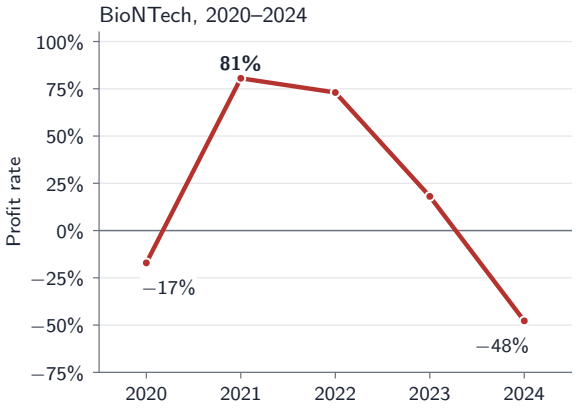
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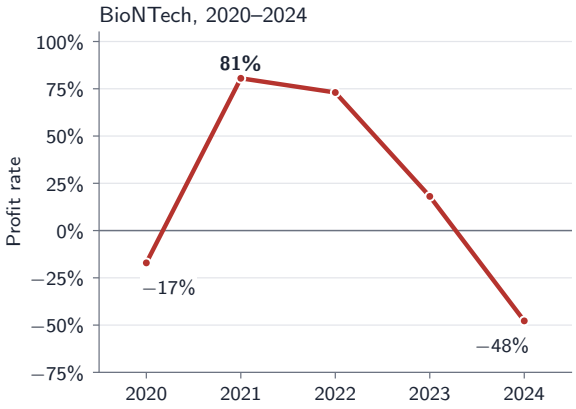
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- Such a cycle typical for pharmaceuticals: **blockbuster innovations → patent cliffs**.

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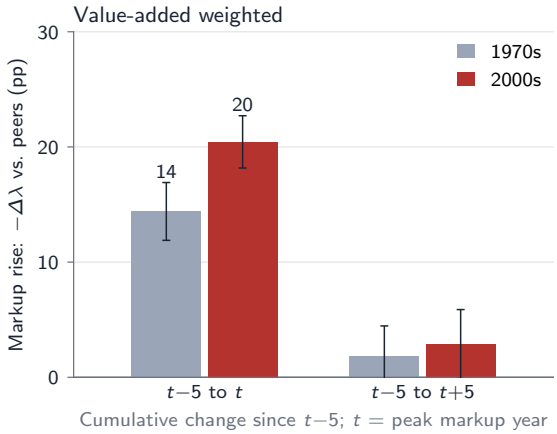
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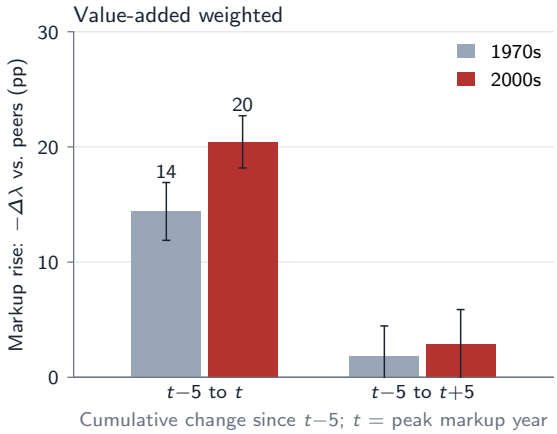
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- Market integration/globaliation ⇒ winner-take-all dynamics play out at larger scale.

