

The Game of Concentration

***All the gold in California
is in a bank in the middle of Beverly Hills
in somebody else's name.***

~ Larry Gatlin and the Gatlin Brothers Band from the *Straight Ahead* album, 1979; nationally televised during the *50th Presidential Gala*, the day before the second inauguration of former president Ronald Reagan.

The United States plays the game of concentration.

The concentration of economic power frequently congregates among a select few prominent organizations and both private and public entities. At the macroeconomic level, this concentration is discernible in various indicators of wealth distribution, national income allocated to labor, production, consumption, and investment. In this note, I analyze trends in these indicators of concentration of economic power among the few relative to the many. Our TT Zoom group often talks about the signs and consequences of concentration in these and other macro-indicators.

I regret that, if I had more time, this note would have been more concise, presented a comprehensive synthesis of the broader body of research literature, and included tables and figures that I had personally created. Instead, I identified available information within my time constraints to support discussion of topics about wealth, equality, and power that bob up in our TT morning conversations.

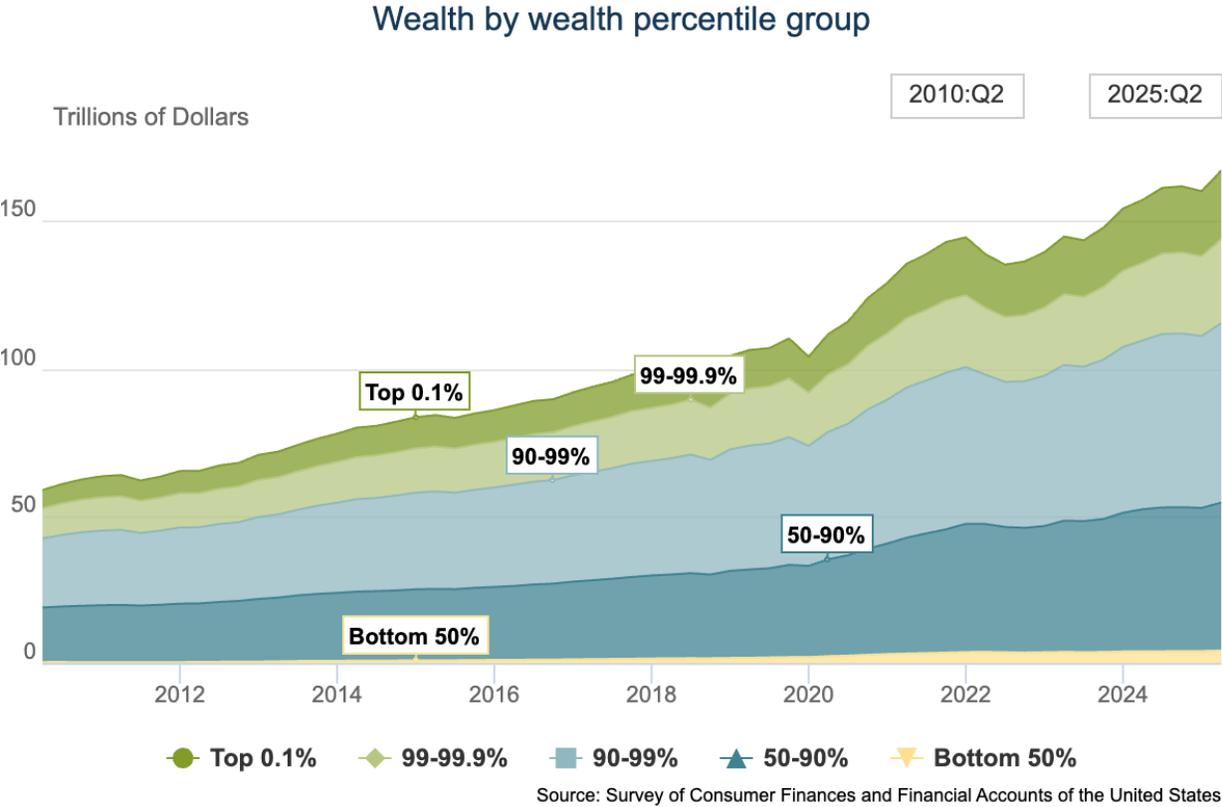
Distribution of Wealth

Wealth encompasses the monetary value of all assets, excluding any liabilities. It includes tangible physical assets, such as real estate, equipment, and buildings, as well as abstract intangible non-assets, such as investments, patents, and intellectual property. The liquidation of wealth can facilitate the acquisition of assets like homes, vehicles, or education. Additionally, wealth can serve as collateral for loans (e.g., use your skyscraper as collateral for a loan to build another skyscraper; call them all

Trump). Assigning a balance-sheet value to certain intangible assets, such as a brand, goodwill, reputation, broadcast rights, trademarks, and franchise agreements, is challenging. Intangibles, however, can significantly contribute to the accumulation of wealth.

In contrast to accumulated wealth, “income” is a flow of money earned over a period of time, such as household income earned annually from wages and salaries or, as another example, hourly wages earned. Unlike wealth, which endures, income is a transient phenomenon. However, income earners who do not directly spend their income can save it to help accumulate wealth.

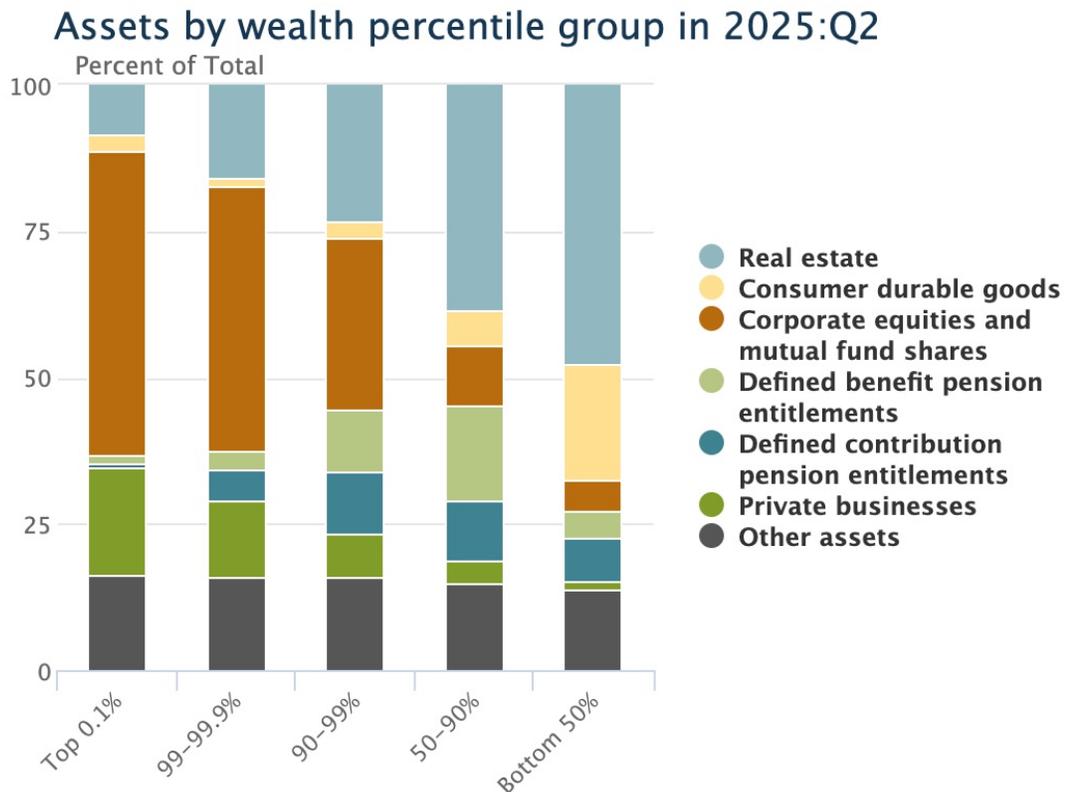
In the United States, wealth is highly concentrated among the wealthiest, whose patterns of assets and liabilities diverge significantly from those with lower levels of wealth. In 1926, F. Scott Fitzgerald published one of his finest short stories, “The Rich Boy,” in a collection, *All the Sad Young Men*. The narrator begins with the words, “Let me tell you about the rich. They are different from you and me.”



In the second quarter of 2025, the top 10% of United States households held two-thirds of the nation’s wealth. In contrast, the bottom 50% possessed only 2.5% of the total wealth.

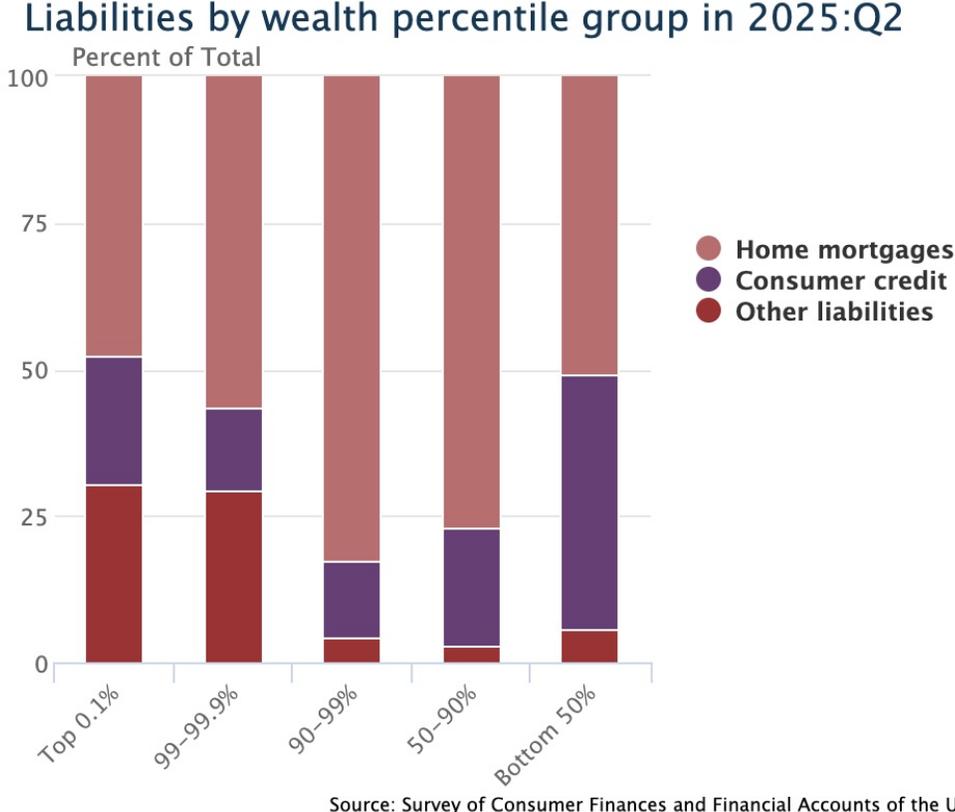


The wealthy acquire different types of assets than the bottom 50%. In the second quarter of 2025, the assets of the wealthiest 1% were predominantly concentrated in corporate equities, mutual fund shares, and private business ownership. But, the wealth of the bottom 50% was nearly all associated with real estate (primarily through home ownership) and in durable consumer goods purchased (such as refrigerators, dishwashers, and cars designed to have a minimum of three years of usable life).



Source: Survey of Consumer Finances and Financial Accounts of the United States

Liabilities diminish net wealth. The liabilities of the bottom 50% of the wealth distribution in the second quarter of 2025 were primarily attributed to home mortgages and consumer credit. In contrast, the top 10% had a significantly lower likelihood of being burdened by consumer credit than the lower 50%.



Declining Labor Share of National Income

Labor is receiving a declining share of national income.

National income refers to the total dollar income (again, a flow over time, as in a year) earned by a nation's residents and businesses, including wages, profits, rents, and taxes, minus subsidies. National income includes earnings within the United States and abroad and is a major indicator of the economic health and development of a nation.

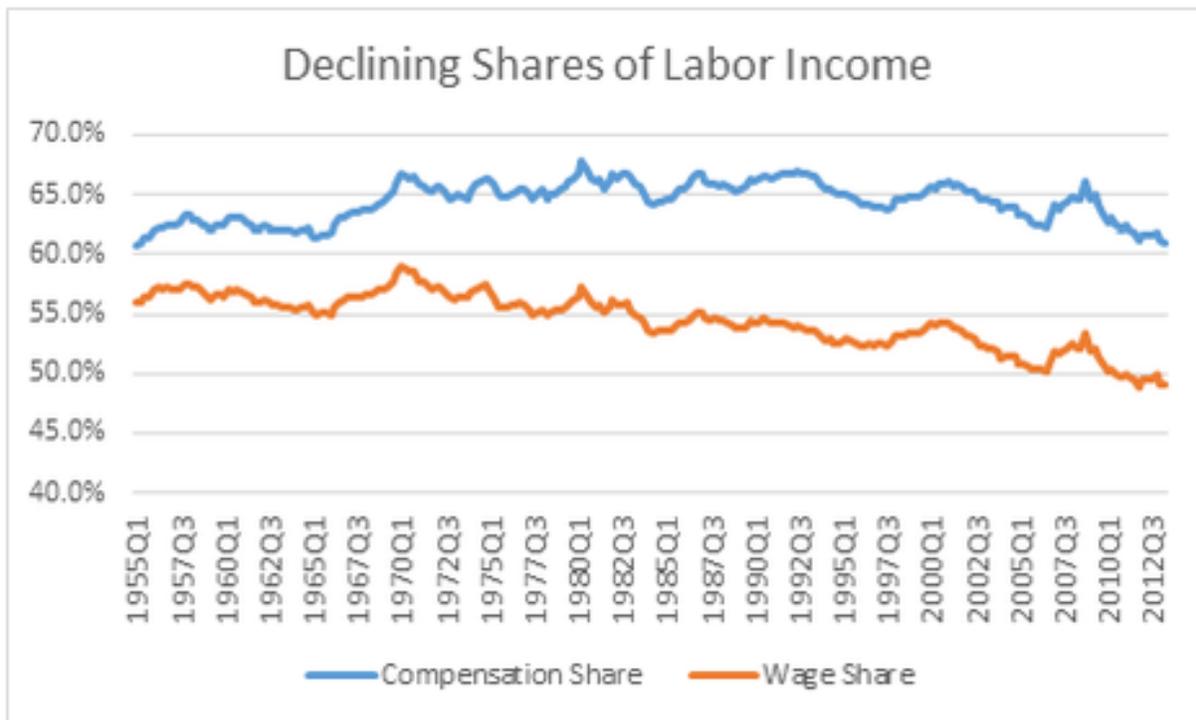
One approach to accounting for national income is to parse the shares of income earned into two factors of production: capital and labor. In national income accounting, capital is owned by both private actors, such as individuals and businesses, and public actors,

like local and central governments. These owners receive income generated by their capital and make decisions about its investment and use.

Labor income refers to the total compensation paid to workers, including wages, salaries, and benefits, in exchange for their use of time, skill, and effort. Historically, the labor share of national income was relatively stable, often around 75% in the early 20th century. John Maynard Keynes wrote in 1939 that

The stability of the proportion of the national dividend accruing to labor, irrespective apparently of the level of output as a whole and of the phase of the trade cycle...is one of the most surprising, yet best-established, facts in the whole range of economic statistics, both for Great Britain and the United States.—John Maynard Keynes, March 1939.

However, since the 1980s, many developed countries have seen a decline in the labor share of national income. In the United States, the decline in wage income, a portion of total compensation, is remarkable.



A 2019 McKinsey Global Institute report (<https://mck.co/477qszi>) demonstrated that 3/4 of the decline in labor share of national income since 1947 has occurred since 2000. Some reasons: substituting capital for labor, complementing existing labor with

automation, and decreasing labor bargaining power due to globalization. Increasing concentration of income attributable to capital relative to labor raises concerns about slowing household income growth, increasing inequality, and loss of consumer purchasing power — and, moreover, disquiet over the consequent rising power of the owners of capital.

Some Firms Dominate Production, Sales, & Distribution

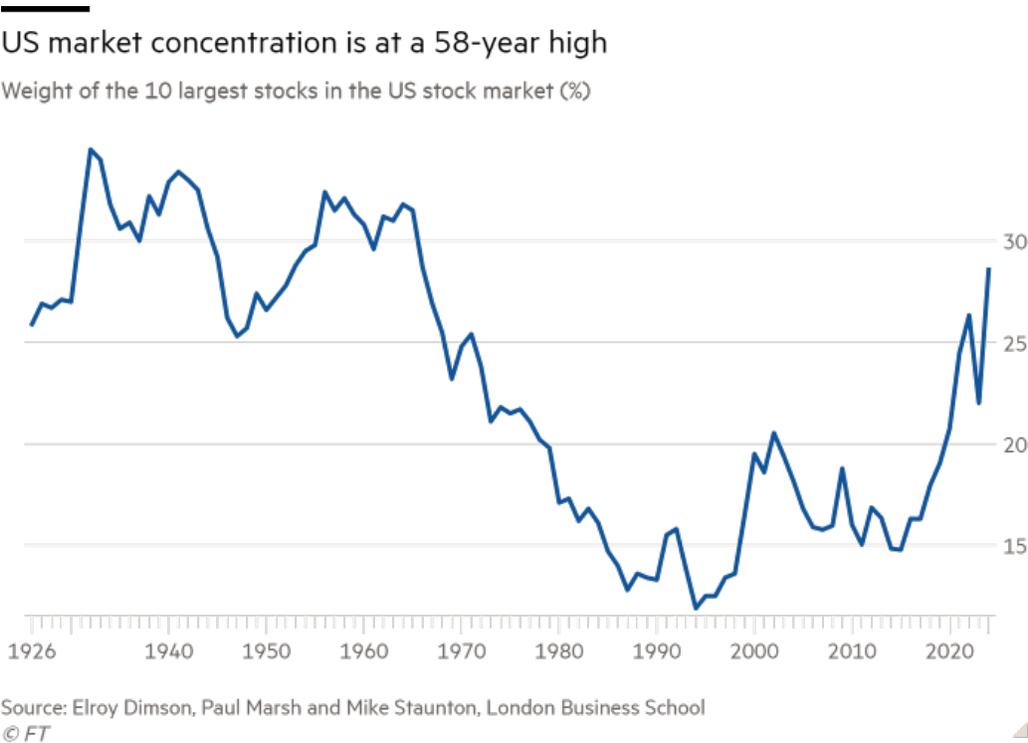
Production, sales, and markets are concentrated in a relatively small number of firms in many industries in the United States..

Industry	2025 Estimated Revenue (USD)	Market Structure / Concentration Features
Health & Medical Insurance	\$1.54 trillion	Dominated by a few large insurers controlling most of the market
Commercial Banking	\$1.42 trillion	Four major banks hold over half of U.S. banking assets
Hospitals	\$1.52 trillion	Consolidating through mergers; large systems dominate in many regions
Telecommunications (Broadband & Wireless)	N/A	Verizon, AT&T, and T-Mobile account for nearly all wireless subscribers
Internet Platforms & Search	N/A	Google, Meta, and Amazon dominate online advertising and e-commerce
Commercial Real Estate	\$1.48 trillion	Concentrated ownership among major property firms and REITs
Drug & Cosmetic Wholesaling	\$1.32 trillion	Three firms handle most pharmaceutical distribution nationally
Life Insurance & Annuities	\$1.02 trillion	A small number of major insurers dominate policy assets
Energy & Power Utilities	N/A	Regional monopolies with little direct competition
Technology (Big Tech)	N/A	The top tech firms account for a large share of total stock market value

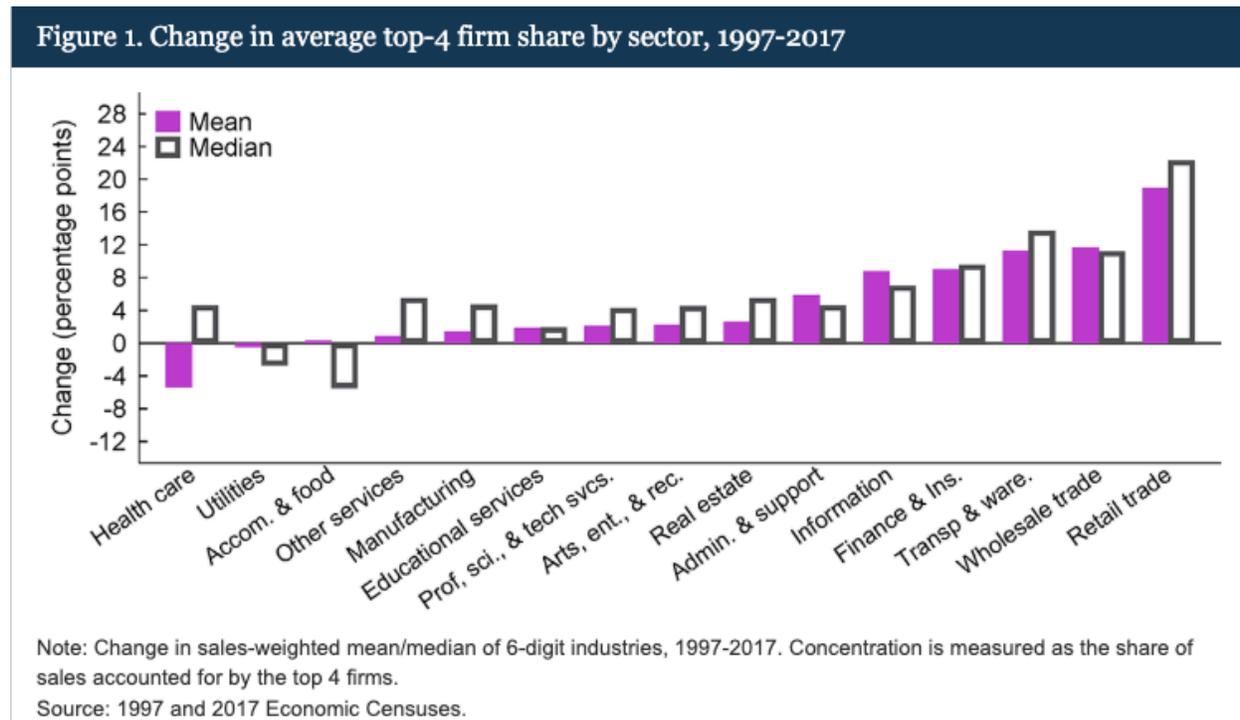
The financial, healthcare, and technology sectors exhibit the highest levels of structural concentration, each being dominated by a select few major firms that wield substantial influence over pricing and policy decisions. In the manufacturing and distribution sectors, industries such as pharmaceutical wholesaling and aerospace production continue to operate under oligopolistic conditions (i.e., a small number of producers/sellers), with only three firms controlling the majority of domestic capacity. Market concentration has experienced a notable increase since 2015, particularly in the high-tech, media, and finance sectors, which can be attributed to significant merger activity and cross-sector acquisitions.

In general, the concentration of industries in the United States is most pronounced in sectors where regulatory obstacles, economies of scale, or network effects confer enduring market power to established incumbents—particularly in healthcare (more recently), finance, telecommunications, and technology. Further dominance can arise when industries integrate backward to control supply chains or integrate forward to control the distribution and sales of a product.

The concentration in industries in the United States has increased over time.



The 20-year increase in concentration between 1997 and 2017 has been especially evident in some industries.



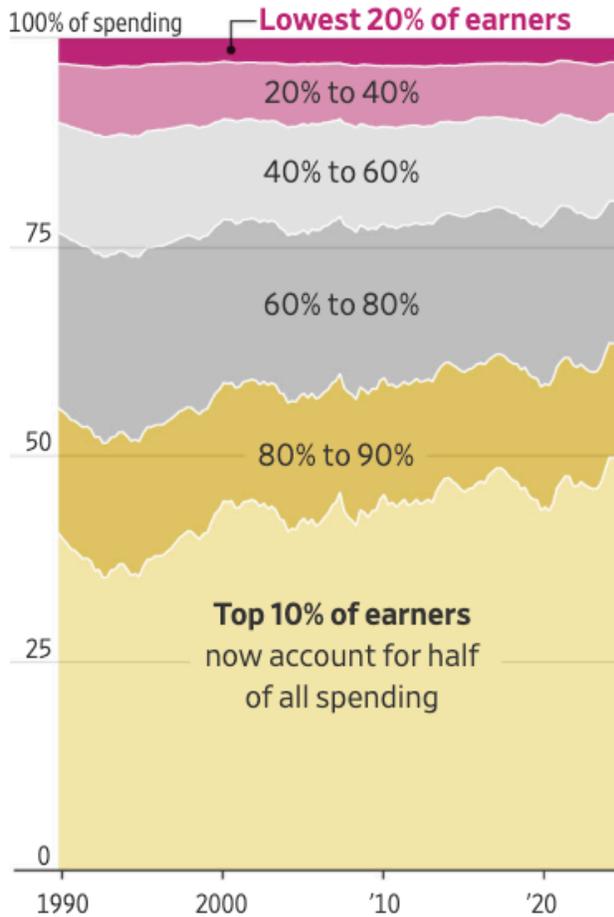
To be sure, measuring industry concentration is complex (based on sales, production, or revenue?) and lagged (resulting from lagged macro data). Moreover, concentration does not mean profitability or the power to dictate prices. However, increasing industry concentration means a greater share of market activity is controlled by fewer firms. This shift can have mixed effects on the economy, depending on whether it arises from efficiency gains or weakened competition.

High Earners Are High Consumers

Consumption of goods and services is becoming more concentrated in high-income households.

Personal consumption by households consistently accounts for about 2/3 of the United States gross domestic product. In 2024, households earning in the top 10% of income, approximately \$250k, accounted for nearly 1/2 of all consumer spending according to a report for the *Wall Street Journal* by Moody's Analytics. In fact, between 2023 and 2024, high earners increased their spending by 12% (> inflation), while spending in middle-class households dropped.

Share of spending, by income group



Source: Moody's Analytics

The dependence of the economy on high-income earners is risky. Forbes contributor Erik Sherman wrote earlier this year that

The arrangement shows one major risk of income inequality. The status of the economy largely rests on a small sliver of the population. The World Economic Forum has calculated U.S. income distribution and found that 10% of households have incomes of \$200,000 or more. In other words, 34.7% of GDP [*that is, 50% of the 68% that constitute personal consumption expenditures*] depends on less than 10% of households. If anything happens to that group's [*the 10%ers' spending power*], whether ill-fortune or whim, the entire economy could suffer a major blow.

Investment: Some Big Winners

The concentration of performance of stocks for a small number of firms is a characteristic feature of contemporary financial markets.

In financial markets, investors purchase shares of companies, which represent tradable claims to a fractional ownership stake in the companies. Stock sales facilitate capital raising for firms. As companies expand, stockholders are compensated with returns on their investments.

Over time, various sectors have emerged as dominant contributors to returns on investment:

- 1790-1840: *Banking*. During this period, the First and Second Banks of the United States emerged as the most prominent corporations in the nation.
- 1840-1875: *Railroads*. By the conclusion of the Civil War, all ten largest companies in the United States were engaged in the transportation industry. These ten companies collectively represented 20% of the stock market in 1853.
- 1875-1929: *Commerce*. By 1900, Standard Oil held a significant position, accounting for 9% of the United States stock market, with the top ten companies comprising 24%.
- 1929-1964: *Consolidation*. Following the Great Depression, the number of companies listed on the stock exchange experienced a decline of 40% by 1933. Between 1933 and 1964, the stock exchange listings stabilized at approximately 2,300 companies. Notably, AT&T, General Motors, IBM, Standard Oil, General Electric, DuPont, and U.S. Steel, collectively known as the “Magnificent Seven” of this era, maintained their status as among the largest corporations in the United States.
- 1964-1993: *Free Trade and Globalization*. The 1960s witnessed an era of innovation driven by science and technology, leading to the expansion of new products and services. The energy crisis of the 1970s, however, spurred the growth of energy companies. In 1972, only two oil companies held positions in the top ten by market capitalization; by 1980, six of the top ten were oil companies. Nevertheless, the breakup of AT&T in 1984 and the introduction of efficiencies from mobile phones and personal computers reduced the concentration in the American stock market to its lowest level in its history.
- 1993-2014: *Volatility*. Market concentration declined in 1993 when it fell below 16%, its lowest level in history. Concentration increased during the internet bubble of the 1990s, reaching 24% in 2001, before declining again to a new low of 16% in 2014.
- 2014-Present: *Technology Stocks; FAANG*. A number of prominent technology companies now dominate the stock market: Meta (formerly Facebook), **F**; Amazon, **A**;

Apple, **A**; Netflix, **N**; and Google, **G**. Nvidia would now need to be added to this group. All of these companies have greater than \$1 trillion in market capitalization. In 2014, only two technology stocks were in the top ten. During the COVID crisis, technology fueled a “work-at-home” boost to technology stocks, and the rise of AI is thought to be doing the same. In 2024, Berkshire Hathaway was in the top ten, but 40% of its portfolio was invested in Apple stock (Eli Lilly, a biotech company, is also in the top ten). Apple reached \$1 trillion in capitalization in August 2018, \$2 trillion in August 2020, and \$3 trillion in June 2023. It was one hundred years ago when the market capitalization of a company first reached \$1 billion.

Today’s U.S. markets exhibit a high degree of concentration, with approximately 70% of the economic profit generated by the top 10 companies within the S&P 500 Index. While the availability of capital for innovation can contribute to the economic prosperity of the United States, the economic influence of leading technology companies can be readily translated into political power.

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Notes assembled episodically David Passmore, distributed 20 October 2025