

Why Industry Consolidation Causes More Concern Than It Should

Michael D. Noel

Professor of Economics and Competitive Strategy
Texas Tech University

michael.noel@ttu.edu

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Abstract

Industry consolidation is the process whereby the number of firms in an industry decreases while the size of each firm increases, thereby increasing industry concentration. Competition authorities are particularly wary of potential anticompetitive outcomes when industries consolidate, and the majority of enforcement actions center on these. The concern is that large firms could exploit their market power, and with competition insufficient to provide a counterbalance, the result would be higher prices, lower innovation, and other adverse consumer effects. This is the position adopted by the U.S. competition agencies in a series of recent high-profile merger and antitrust cases – involving Google, Amazon, Microsoft, Facebook, and others. It is prudent of course to maintain a heightened level of scrutiny when assessing industries in highly concentrated industries - however, I will argue that the allegations made in these cases are not always well grounded in economics. The problem is that “big” is all too often misconstrued as “big and therefore necessarily anti-competitive” and this can lead agencies astray. Industry consolidation, in general, is not something to fear, and in this article, I will explain why.

Article

Industry consolidation refers to the process whereby the number of firms in an industry decreases while the size of each firm increases, thereby increasing industry concentration. Instead of numerous smaller competitors competing with one another to sell a product, a consolidated industry may have only a few larger competitors, potentially as few as two or three. Competition authorities tend to be particularly wary of potential anticompetitive outcomes in highly concentrated (i.e. consolidated) industries, and the majority of enforcement actions center on these. With fewer options available to consumers, the concern is that the few large firms

remaining could exploit their market power, and with competition insufficient to provide a counterbalance, the result would be higher prices, lower innovation, and other adverse consumer effects. This is the position adopted by the U.S. competition agencies in a series of recent high-profile merger and antitrust cases – involving Google, Amazon, Microsoft, Facebook, and others. It is prudent of course to maintain a heightened level of scrutiny when assessing industries in highly concentrated industries - however, I will argue that the allegations made in these cases are not always well grounded in economics. The problem is that “big” is all too often misconstrued as “big and therefore necessarily anti-competitive”, and this can lead agencies astray. The reality is that industry consolidation, in general, is not something to fear, and in this article, I will explain why. I take a step back from the latest headlines to take a broader perspective of industry consolidation as an economic phenomenon, discuss what it is, how it happens, and what the expected economic effects are. A brief historical retrospective provides some additional context. To close, I will take the lessons of this article back to the recent high-profile cases to show how industry consolidation – and being “big” in general – can lead observers to misinterpret behaviors that are reasonably pro-competitive as necessarily anti-competitive.

It is important to first recognize that the aforementioned high-profile antitrust cases – and indeed all merger and antitrust cases that the competition authorities ultimately pursue – constitute a very highly selected sample from the total population. They are selected from the extreme right tail of the authorities’ “competitive concern” distribution, which typically means that the firms involved are large and operate in industries that have consolidated to the point that concentration is arguably very high. By focusing solely on these cases, one might easily develop a skewed perception that industry consolidation is inherently or generally detrimental to competition and consumers, and this would be incorrect. In the normal course of business, increased industry consolidation is normal, expected, and generally beneficial to consumers. It is only in the highly selected cases the agencies pursue that the effects of consolidation can become more controversial.

Consolidation typically occurs in one of two ways – 1) via mergers and acquisitions, and 2) through the organic growth of more efficient and innovative firms after they outpace their less efficient or less innovative rivals. Authorities may raise concerns in either event – under Section 7 of the Clayton Act to challenge a merger that would create a firm deemed too large, or under

Section 2 of the Sherman Act to challenge the conduct of a firm deemed to have grown large, or remained large, through anti-competitive means. The Federal Trade Commission can also bring actions under (the indefensibly vaguely worded) Section 5 of the Federal Trade Commission Act, which prohibits “unfair methods of competition”. Mergers tend to garner more policy attention than organic growth, at least until concentration levels reach a significant threshold, in part because mergers eliminate competitors by the stroke of a pen instead of through extended competitive battle and tend to accelerate industry consolidation.

The U.S. competition agencies – namely the Antitrust Division of the Department of Justice (“DOJ”) and the Federal Trade Commission (“FTC”) – actively review proposed mergers and challenge those they deem problematic in court. Notable examples of mergers that the agencies successfully blocked include MCI-Sprint (1999), Hughes-Echostar (1999), Aetna-Humana (2015), Halliburton-Baker Hughes (2016), Broadcom-Qualcomm (2018), Kroger-Albertsons (2022), and Cigna-Humana (2023). These cases, along with other controversial cases (such as the unsuccessful merger challenge to the AT&T-Time Warner (2018) merger, or the renewed investigation into the previously completed Live Nation – Ticketmaster (2010) merger) tend to dominate the headlines. However, these high-profile cases – and indeed all merger cases that raise agency concerns – constitute only a miniscule fraction of the total number of mergers occurring in the United States.

The precise number of completed mergers in the United States each year remains uncertain, as only transactions exceeding the legal reporting threshold (\$120 million for 2024) are reported under the Hart-Scott-Rodino Act (“HSR”) prenotification law. The Institute for Mergers Acquisitions and Alliances (“IMAA”) searches for public merger announcements and tallies approximately 15,000 to 20,000 publicly announced mergers in any given year.¹ The figure is likely a significant underestimate since mergers involving private firms that do not meet the HSR reporting threshold are typically omitted. In 2023, only 1805 mergers met the HSR reporting threshold (\$111 million) and were mandated to be reported.² Of these, the agencies issued a

¹ Institute for Mergers, Acquisitions, and Alliances (IMAA). “United States – M&A Statistics”. Available at <https://imaa-institute.org/mergers-and-acquisitions-statistics/united-states-ma-statistics/>. Last visited September 14, 2025.

² Federal Trade Commission Bureau of Competition and Department of Justice Antitrust Division (2023). “Hart-Scott-Rodino Annual Report”, Fiscal Year 2023 (Forty-Sixth Annual Report).

second request in only 37 instances and proceedings were initiated in only 27 instances – 16 by the FTC and 11 by the DOJ. Five cases went to court – three mergers were blocked, two were cleared. The 27 enforcement actions taken by the authorities represent a tiny proportion of all proposed mergers above the HSR reporting threshold – just 1.5%, and a miniscule 0.2% of all mergers identified by IMAA.³ In other words, more than 99.8% of all consummated mergers in the United States in 2023 proceeded without challenge or concern. For good reason – with few exceptions, consolidation is natural and pro-competitive. The less contentious 99.8% of cases are the norm, the more contentious 0.2% of cases are the exceptions.

There are two main and well-known economic effects when a merger occurs. First, there is a potential market power effect that arises simply because one competitor exits the industry which, all else equal, exerts upward pressure on prices and downward pressure on innovation. Second, there is an efficiencies effect, which can take the form of cost efficiencies, innovation efficiencies, or other types of efficiencies. All else equal, efficiencies exert downward pressure on prices and upward pressure of innovation. Except perhaps at the highest concentration levels, the market power effect is seldom a concern, and since efficiencies are virtually always present to some extent, the agencies are on solid footing in viewing the vast majority of mergers as presumptively pro-competitive. By leveraging economies of scale and scope and exploiting complementarities in the skill sets of the two merging firms, a merged entity typically possesses a greater ability to improve and innovate products, and produce them more efficiently, ultimately benefiting consumers.

The other mechanism that contributes to industry consolidation is organic growth. This process is almost invariably slower than acquiring a competitor, but the ultimate effect on industry consolidation remains the same. More efficient and innovative firms emerge to offer consumers better value and eventually prevail over their less inefficient and less innovative competitors. Consumers again benefit even as the industry consolidates.

³ The year 2023 recorded the fewest enforcement actions since 2005, but the enforcement rate was comparable to recent years. The year 2022 experienced the highest number of enforcement actions (49) since 2005 but had 3152 HSR applications, resulting in a similar 1.5% enforcement rate on HSR applications, and 0.2% of IMAA-discovered mergers. ³ Federal Trade Commission Bureau of Competition and Department of Justice Antitrust Division (2022). “Hart-Scott-Rodino Annual Report”, Fiscal Year 2022 (Forty-Fifth Annual Report).

Only when consolidation reaches a level of very high concentration does the risk of anti-competitive behavior become more of a concern and, in some instances, warrant investigation. Yet even in the high-profile cases mentioned above, allegations of anticompetitive behavior by large firms are not always firmly rooted in economic principles. The agencies consistently assert that the defendants in these cases are not being charged with being “big”, though upon closer inspection, the allegations often read exactly that way – that these firms have outperformed their competitors, grown big, and now are not being as helpful to their smaller competitors as they could be. The approach is unfortunate but aligns with a long history of conflating the important antitrust goal of protecting “competition” with the misguided practice of protecting “competitors”.

In essence, and admittedly oversimplifying a bit, the allegations include not giving things away to one’s competitors (*e.g.* Amazon), offering a better deal than one’s competitors (*e.g.* Google), and not forgoing legitimate profit opportunities to make room for new competitors (*e.g.* Facebook). Part of the problem is that antitrust cases tend to originate from the grievances of competitors who are being hurt by these larger, more efficient and more innovative competitors, and are appealing to the government for relief. But since the very nature of competition – all competition – is that it hurts competitors, the outcomes of competitors (rather than consumers) would serve a very poor guide for merger and antitrust policy enforcement. In short, “competition” is the economic process by which firms work and innovate and improve to win the business of consumers, whether through lower prices, better products, greater selection, added convenience, or other similar pursuits. It is measured in consumer outcomes, not by the number of competitors or by market shares or concentration indexes.

Consolidation plays an important role in the natural life cycle of any industry. An infant industry may initially comprise of many firms, and often small firms, each striving to distinguish themselves and gain a following. This is where the Artificial Intelligence software industry has been for the past few years. As the industry matures, the most innovative and efficient firms rise to the top while the least innovative and least efficient firms fade away, and industry consolidation increases. Along the way, it is not unusual for larger firms to acquire promising start-ups, as they seek to integrate new products into a greater consumer offering. If an industry goes into decline (such as the airline industry following the 2001 terrorist attacks, the banking

industry after the Financial Crisis of 2008, or even the “community banking” industry of today), additional waves of consolidation often occur as firms strive to reduce costs and maintain viability.

What, then, determines the degree of industry consolidation in a mature industry? This is primarily influenced by two factors – 1) the “minimum efficient scale” of an individual firm – *i.e.*, the optimal size of a firm to operate efficiently – and 2) the level of industry demand. If firms are symmetric, theoretically, the second divided by the first would yield the equilibrium number of symmetric firms within an industry, and thus the degree of industry consolidation.

Let us focus on the minimum efficient scale. This is largely contingent upon the potential for cost and innovation efficiencies that come from greater size. When efficiencies are large, firms naturally want to become larger to take advantage of them. However, as firms expand, they become increasingly challenging to manage and organize, depending on the skills of management and the organizational tools at their disposal, which imposes a natural limit on how large a firm can grow before its costs begin to escalate.

The key factor that shapes this balance, and thus the degree of consolidation, is technology. New technologies typically do two things. First, they increase the potential for cost and innovation efficiencies, which leads to optimally larger firms. Second, new technologies on the organizational front improve managers’ ability to oversee a firm, which also leads to optimally larger firms. Examples include communication tools, networking tools, inventory management tools, and staffing tools. Collectively, new technologies, with few exceptions, tend to increase the minimum efficient scale, increase industry consolidation, and simultaneously benefit consumers with better products at lower prices.

Currently, we are in the midst of one of the largest technology shocks since the industrial revolution, and indeed one of the largest in history – specifically, the surge in efficiency-enhancing computer and networking technologies. This has prompted many industries to gravitate towards greater consolidation. While certain technologies may give rise to isolated competitive concerns (*e.g.* algorithmic pricing software), the overall emergence of large and technologically sophisticated firms has led to increasingly competitive markets and improved consumer outcomes across the economy.

It is worth examining a few historical examples to remind ourselves of the obvious – how technological developments can and do simultaneously result in 1) greater industry consolidation and 2) better consumer outcomes. These are simple examples with simple lessons that are all too quickly forgotten.

Take the retail industry, and the grocery retailing industry, as an illustration. In the early twentieth century, consumers typically had to visit multiple small stores to gather their groceries (often on foot), including the bakery, butcher, cheese shop, produce market, and others. Shops tended to be small and costly to operate, industry consolidation was low, and groceries were relatively expensive as a result.

The technological shock that consolidated the grocery industry, interestingly, had little to do with groceries. It was the automobile. As automobiles became more popular and affordable in the 1920s, the large suburban supermarket was born. Consumers were now able to drive to a single location, purchase everything in one place, and conveniently transport everything at once in their car's trunk. The convenience element attracted many consumers, which led to bigger supermarkets. The growth of these supermarkets facilitated greater economies of scale and scope, which in turn led to lower prices and even greater convenience. This attracted even more consumers, leading to more efficiencies, and so on.

Each supermarket unquestionably drove many smaller competitors out of business, and while those competitors did complain, it was an efficiency boon for both consumers and the economy. The time and money that consumers saved with this new, more efficient supermarket model could be spent on other products and services in other parts of the economy. The jobs lost at smaller grocery stores were quickly replaced with new jobs in other and new industries, and consumers were better off in the end by getting more for less. Supermarkets were controversial at the time, but looking back, you would be hard pressed to find many people today who would advocate for banning supermarkets, so that we as consumers would all have to drive around to multiple smaller food stores and spend twice as much time and maybe twice as much money to try to get most of what we used to get in one stop at a supermarket.

The brick-and-mortar general merchandise retailing industry also experienced waves of consolidation over the past hundred years. Beginning with relatively small stores in the early 1900s, the industry evolved into larger department stores in the 1920s, followed by very large

department stores (some exceeding one million square feet) in the 1970s, then transitioned to even larger suburban malls in the 1980s and 1990s, culminating in the emergence of today's big box stores. While there should always be smaller specialty shops catering to those who enjoy a smaller specialty shop experience, the industry has significantly consolidated, with companies such as Wal-Mart, Target, Home Depot and Costco each replacing countless numbers of small retailers and even once-successful department stores.

Wal-Mart, notably, was an early adopter of innovative computing technologies that allowed for real-time inventory management, enabling the implementation of their renowned just-in-time inventory system to lower costs and prices. Forward-looking firms copied them and subsequently expanded, and the big box store – and later the hypermarket (combining general merchandise and groceries) – was born. Consumer outcomes improved through each wave of consolidation as efficiency gains were passed through to consumers with increasingly fierce competition, even as the number of firms dwindled and consolidation increased.

Advances in computing and networking technologies triggered the next efficiency shock to retail markets, with e-commerce and the large online marketplace. Far and away the largest U.S.-based e-commerce-focused retailer is Amazon. Amazon sells 12 million products itself and operates a marketplace that sells approximately 600 million products, a scale that is hard to fathom.

Consumers can easily search for products, compare brands, read reviews, and place orders from any computer or smartphone. Most products, including the many millions of products that may be unavailable locally, can often be delivered within a day or two, at prices equal to or lower than most large brick-and-mortar retailers, and frequently much lower than those offered by smaller brick-and-mortar retailers. Even though Amazon displaced many smaller retailers (at the same time it gave new life to many more), and has been the subject of many complaints, it is undeniable that Amazon and e-commerce have been an efficiency boon for both consumers and the economy.

Wal-Mart, Costco, and Amazon are the largest three retailers in the United States today, with combined sales in excess of one trillion dollars.⁴ But they are large exactly because of their

⁴ National Retail Federation (2025). "Top 100 Retailers 2025 List". Available at <https://nrf.com/research-insights/top-retailers/top-100-retailers/top-100-retailers-2025-list>, last accessed September 14, 2025.

ability to attract consumers through superior retail offerings, which is reflective of a competitive market.

Competition authorities often become wary when an industry consolidates and firms grow large, even if the growth is driven by efficiency. In the 1930s, A&P's less efficient competitors in the grocery industry lobbied for government protection from A&P and this lobbying directly led Congress to pass the now much-maligned Robinson-Patman Act of 1936. Thirteen years later, the DOJ criminally prosecuted A&P for attempting to monopolize the grocery industry, citing it essentially for negotiating better deals with wholesalers and passing those savings on to consumers.⁵ Former FTC Chairman Timothy Muris stated it plainly: "the Justice Department criminally prosecuted A&P and its senior executives for offering consumers too good a deal."⁶ Economist Morris Adelman said it slightly more diplomatically: "the government lawyers, although competent in their profession, were so sadly illiterate in economic facts and economic analysis that they simply did not realize what they were saying."⁷

Protectionist arguments – framed as efforts to protect competition when in reality they aim to protect competitors at the expense of competition - are as old as time. Similar grievances were voiced by horse dealership owners and others in the equine industry (breeding, feeding, street cleaning, carriages, etc.) in the early 1900s when the automobile began to pose a threat to their industry.

The same arguments were made again during Wal-Mart's rapid pro-consumer expansion in the 1980s and 1990s. The reader may recall the (often successful) lobbying efforts in various cities, led by local smaller retailers, to persuade local officials to deny Wal-Mart building permits in order to "protect competition" and prevent a long list of purported societal harms. The reality is that smaller retailers were aware that a large swath of the population would freely choose Wal-Mart over them and they sought government help to restrict consumers from exercising their free choice.

⁵ *United States v. N.Y. Great Atl. & Pac. Tea Co.*, 67 F. Supp. 626 (E.D. Ill. 1946), *aff'd*, 173 F.2d 79 (7th Cir. 1949).

⁶ Muris, Timothy and Jonathan Neuchterlein (2019). "Antitrust in the Internet Era: The Legacy of *United States v. A&P*," *Review of Industrial Organization* 54 (4).

⁷ Adelman, M. (1959). *A&P: A STUDY IN PRICE-COST BEHAVIOR AND PUBLIC POLICY*, pp. 140-43 & app. IV.

Wal-Mart has since been sued numerous times for allegedly harming competition by, among other things, charging prices that were too low.⁸ Sam's Club has faced similar legal challenges.⁹ The statutes under which these cases were filed are based on a notion of predatory pricing, but there is no plausible scenario in which Wal-Mart successfully implements a "predatory pricing" strategy. That is, there is not a world in which Wal-Mart could reduce prices below cost in the short term to effectively eliminate all competitors that had been making superior offerings to consumers (including not only any such small retailers but also Costco and Amazon presumably), and once gone, raise their prices towards monopoly levels and reap supra-competitive profits indefinitely without any threat of re-entry by those superior retailers. The notion is absurd. Such lawsuits are common, however, and brought by less efficient competitors – under the pretense of protecting competition – to force Wal-Mart to raise prices, to the detriment of consumers but to the benefit of competitors. Wal-Mart, Costco, and other large brick-and-mortar retailers are successful today exactly because they offer greater consumer value than the stores they replaced. The retail industry is more consolidated today than ever, but it is also producing better consumer outcomes than ever before.

Amazon is currently facing a lawsuit from the FTC concerning various alleged anti-competitive behaviors.¹⁰ The FTC states that Amazon is not being sued for being "big", but the complaint does read exactly that way. When the inflammatory language is removed, the core accusation against Amazon is that it is not being more helpful to its smaller and weaker third-party competitors. Allegations include charging competing third party retailers "too much" for sponsored advertisements at the top of the search results (ignoring that this is Amazon's website), prioritizing Amazon's own products in its search results (again, on Amazon's own website), charging third party sellers "too much" or making it too difficult to get access to Amazon's prime logo (which is Amazon's own valuable intellectual property), charging "too much" for use of its optional warehousing services (again, for use of Amazon's own warehouses and shipping service), and so on.

These allegations do not inherently constitute anti-competitive behavior. There is no obligation for a successful competitor like Amazon, who has grown large on that success, to give things of

⁸ For example, *Wal-Mart Stores, Inc. v. American Drugs, Inc.*, 319 Ark. 214 (1995).

⁹ For example, *Star Fuel Markets, LLC v. Sam's East, Inc.*, 362 F.3d 639 (10th Cir. 2004).

¹⁰ *Federal Trade Commission v. Amazon.com Inc.*, 2:23-cv-01495, (W.D. Wash.)

value away to its competitors to assist them. Such a requirement would exactly be an antitrust penalty for being “big”. Amazon continues to face significant competition, both from large competitors such as Wal-Mart, Target, and Costco (noting that Wal-Mart and Target also operate smaller third-party marketplaces), as well as other online marketplaces (*e.g.* AliExpress, Temu, and eBay), and from various large and small competitors, both online and brick-and-mortar, including its third-party retailers. Each third-party retailer has the option of joining a different marketplace, or even *starting* a new marketplace, or selling exclusively through its own website, if Amazon is not providing them with competitive value. If they are not leaving Amazon, it is exactly because Amazon is still offering them competitive value, a combination of exposure, wholesale services, and prices. The FTC is essentially arguing that Amazon is not acting enough in their competitors’ best interest by not giving them even more value, but that is a very different thing than acting anti-competitively.

It is a curious world indeed when the FTC sues Amazon for allegedly giving “preferential treatment” to Amazon’s own products in Amazon’s own search results on Amazon’s own website, if Amazon were indeed doing so. It *is* Amazon’s website. For contrast, note that with few exceptions, Costco does not allow any third-party retailers to advertise or sell products on its Costco website. Though this policy is obviously even less helpful to third party retailers compared with Amazon, few people would argue that Costco is behaving anti-competitively for not assisting its competitors more by not allowing them to advertise and sell products on Costco’s website, for not giving them equal or inexpensive access to the top of the search results on Costco’s website, and for not letting them use its proprietary Kirkland brand label on their own products or charging them too much for use of that label (similar to the accusations made against Amazon for charging too much or having too strict requirements for access to its “prime” logo), and so on.

Google has faced numerous lawsuits for various alleged infractions, most recently, by the DOJ for allegedly stifling competition in the distribution of its Chrome browser (and subsequently found guilty).¹¹ A central issue in the case was that Google paid Apple a hefty sum to make Google Chrome the default browser on Apple devices. But is this “stifling competition” or is this just “competition”? Since default status is valuable, firms that develop browsers are expected to

¹¹ United States v. Google LLC., 1:20-cv-03010, D.D.C. (2025).

vie for default status, and Google secured Apple's business with the most compelling offer, a combination of product quality and price. This is essence of competition. Kent Walker, Google's President of Global Affairs, summed it up succinctly: "The decision recognizes that Google offers the best search engine, but concludes that we shouldn't be allowed to make it easily available".¹² In other words, Google was accused of presenting a competitive offer and not making it easier for competitors to outbid it, *i.e.* to help out smaller competitors.

Meta (Facebook) is presently facing allegations of attempting to monopolize the "personal social networking" market following its acquisitions of Instagram and WhatsApp. Setting aside the questionable market definition exercise, surely Meta recognized that Facebook was losing its coolness factor with younger users, whose preferences were evolving, and that it needed to focus on the next generation of apps. The alleged monopolization by Meta would be better described as an effort to survive and thrive in a fiercely competitive, innovative, and rapidly evolving market.

In general, when technological advances and network effects increase the minimum efficient scale to an extent that an industry becomes consolidated and exhibits high concentration, it does not imply that competition is weak. Firms are still vigorously competing even if it means they are competing *for* a market instead of competing *in* a market. Firms still face significant competition from would-be entrants, regardless of whether those would-be entrants are currently producing. In highly innovative industries, such as high-tech industries, the forces of competition and innovation are strong, and market shares are perpetually fragile.

A few famous examples illustrate. Blockbuster lost its near monopoly on video rentals when it was too slow to recognize the emerging world of streaming and was overtaken by the relative newcomer Netflix. Similarly, Microsoft, despite its near monopoly on PC operating systems from the 1990s, was too slow to recognize the future of the smartphone and became a non-factor in smartphone operating systems in the 2000s. Sears, the iconic retailer, collapsed amid management problems as more efficient and innovative competitors, including online retailers, took its place. Microsoft was ideally positioned to become the dominant videoconferencing

¹² National Public Radio (NPR) (2024). "Google is Defiant after Losing Antitrust Lawsuit and Being a 'Monopolist'". Available at <https://www.npr.org/2024/08/06/nx-s1-5064669/google-loses-antitrust-monopoly-justice-department-lawsuit#:~:text=Kent%20Walker%2C%20Google's%20president%20of%20global%20affairs%2C,continues%2C%20we%20will%20remain%20focused%20on%20making>, last accessed September 14, 2025.

provider during the 2020 pandemic, using Teams or Skype, but was swiftly eclipsed by relative newcomer Zoom Communications. Facebook, once the leading social media platform, collapsed in popularity as the younger crowd migrated to apps that offered a more exciting experience, such as TikTok.

Courts are not well positioned to predict the next big innovation that will turn an industry on its head and, for this reason, they often take the current competitive environment and current market share structure as fixed and permanent. This is unfortunate as it results in an incomplete understanding of competitive forces and, worse still, it can lead to efficiency-harming remedies (*e.g.* the breakup of an alleged monopolist) to address a competitive problem that may not actually exist.

The judge in the previously mentioned Google case wisely recognized that competition even in the seemingly “monopoly” market for search remained robust. During the remedies phase of the trial, he declined to break Google up, noting that new Artificial Intelligence (AI) tools – which had not been a significant factor when the case began – already and suddenly “pose a threat to primacy of traditional internet search.” The judge went on to say that: “unlike the typical case where the court’s job is to resolve a dispute based on historic facts, here the court is asked to gaze into a crystal ball and look to the future. Not exactly a judge’s forte.”¹³ The point is clear – even if an industry is consolidated, incumbent firms can be under continuous threat from new firms and technologies, and competition can still be fierce.

In conclusion, it is easy to get caught up in the latest allegations against this firm or that one and begin to fret about industry consolidation. So for this article, I thought it prudent to take a step back from the latest headlines and examine more carefully the common causes of industry consolidation and its general economic effects. Far and away the most common cause of industry consolidation, whether by merger or organic growth, is the pursuit of firms to scale up in size to leverage cost and innovation efficiencies. Consequently, consolidation is generally associated with larger, more efficient firms, offering greater quality and lower prices, meaning that consumers get more for less. And when consumers get more for less, that means more disposable income to spend on other things, and that leads to more jobs and more economic growth.

¹³ Google, *supra* note 11.

The discussion is timely because we are right now in the midst of one of the largest technological revolutions of the past hundred years, if not history. We have seen an increase in consolidation across many industries that has been driven by these new technologies. Of course, when consolidation becomes very high, it is always worth a closer look by authorities, but to be clear, they will be looking for the exceptions rather than the rule. In general, efficiency-driven consolidation is nothing to fear, but rather something to embrace.