



# Corporate Profits & Monopoly Power

## *The critical role of tax policy*

Minnesota House Tax Committee  
March 5, 2024

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# Problems in the economy are varied...and connected?

Rising prices

Wage stagnation

Shrinkflation

Declining state and Federal revenues

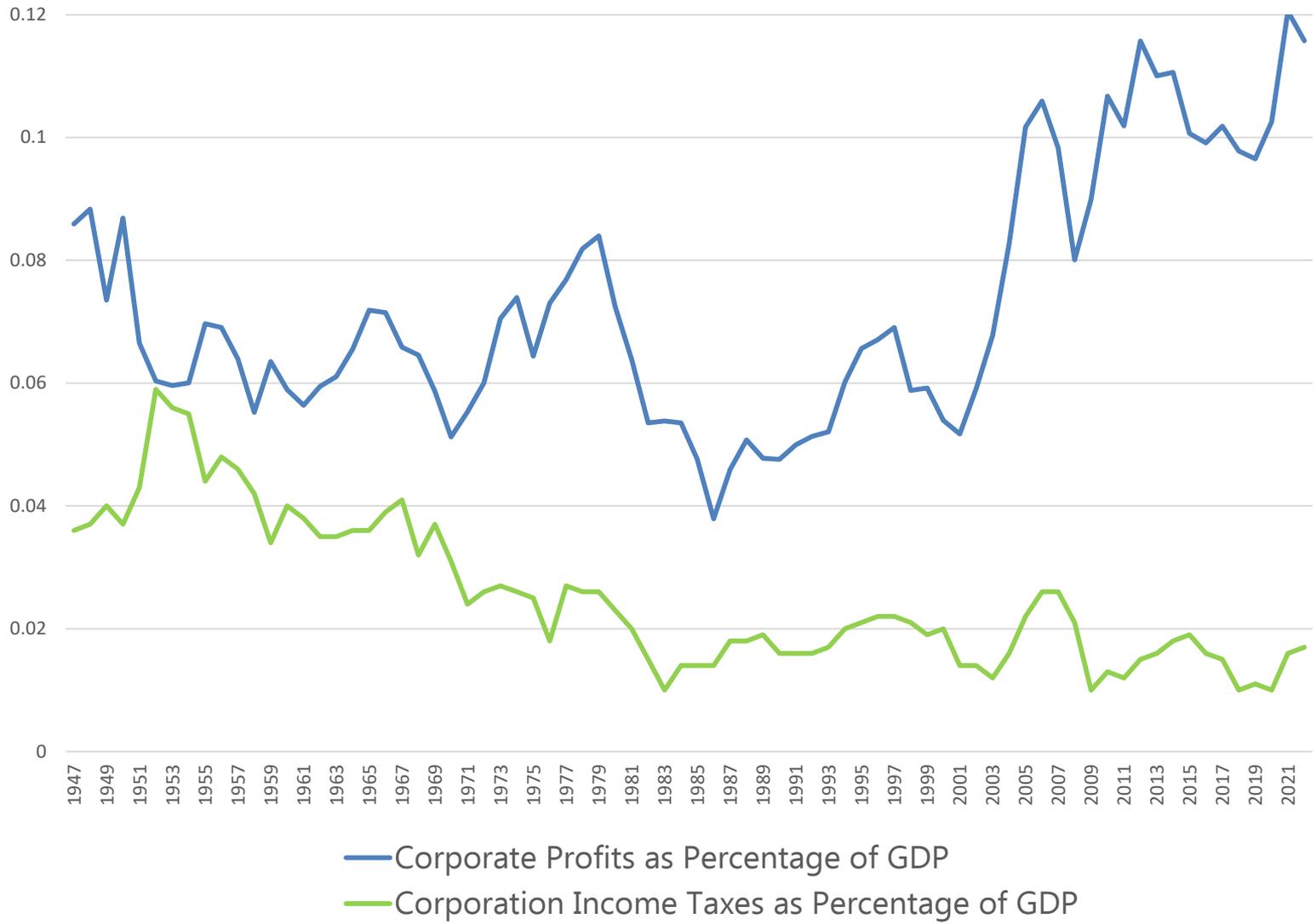
Dearth of productive investments

Inequality

Brittle supply chains

Decline of new business entrants





Source: U.S. Bureau of Economic Analysis; Office of Budget and Management

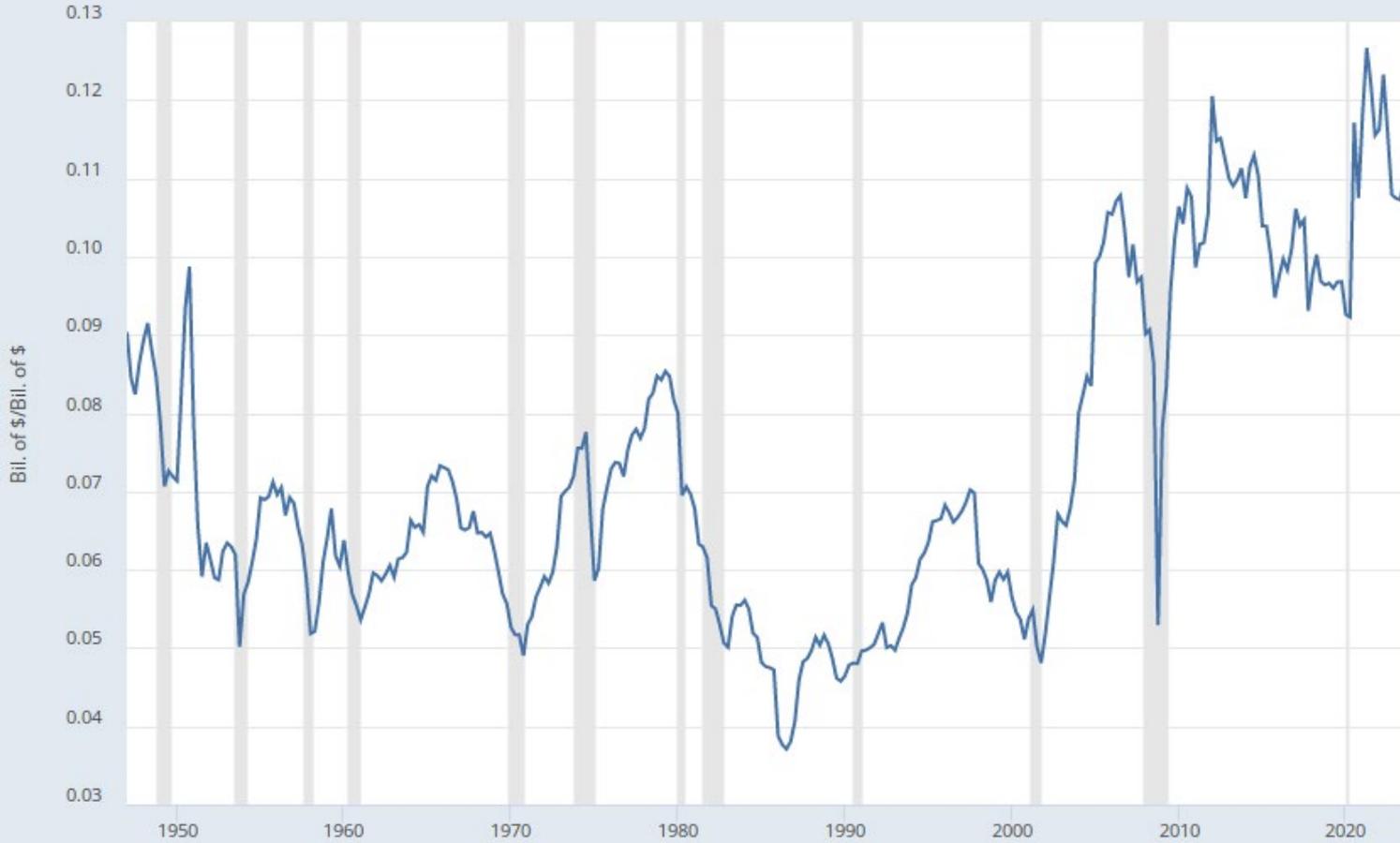


# I. Concentrated Profits





— Corporate Profits After Tax (without IVA and CCAAdj)/Gross Domestic Product

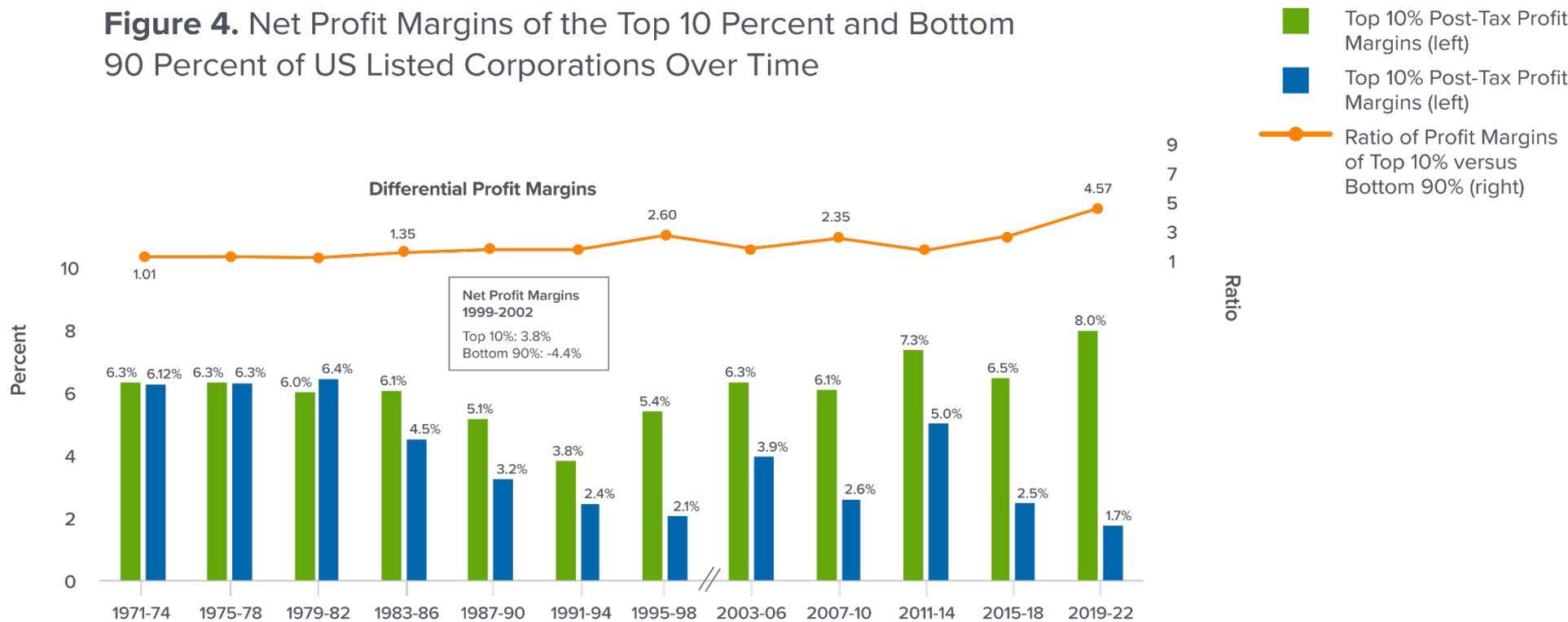


Source: U.S. Bureau of Economic Analysis

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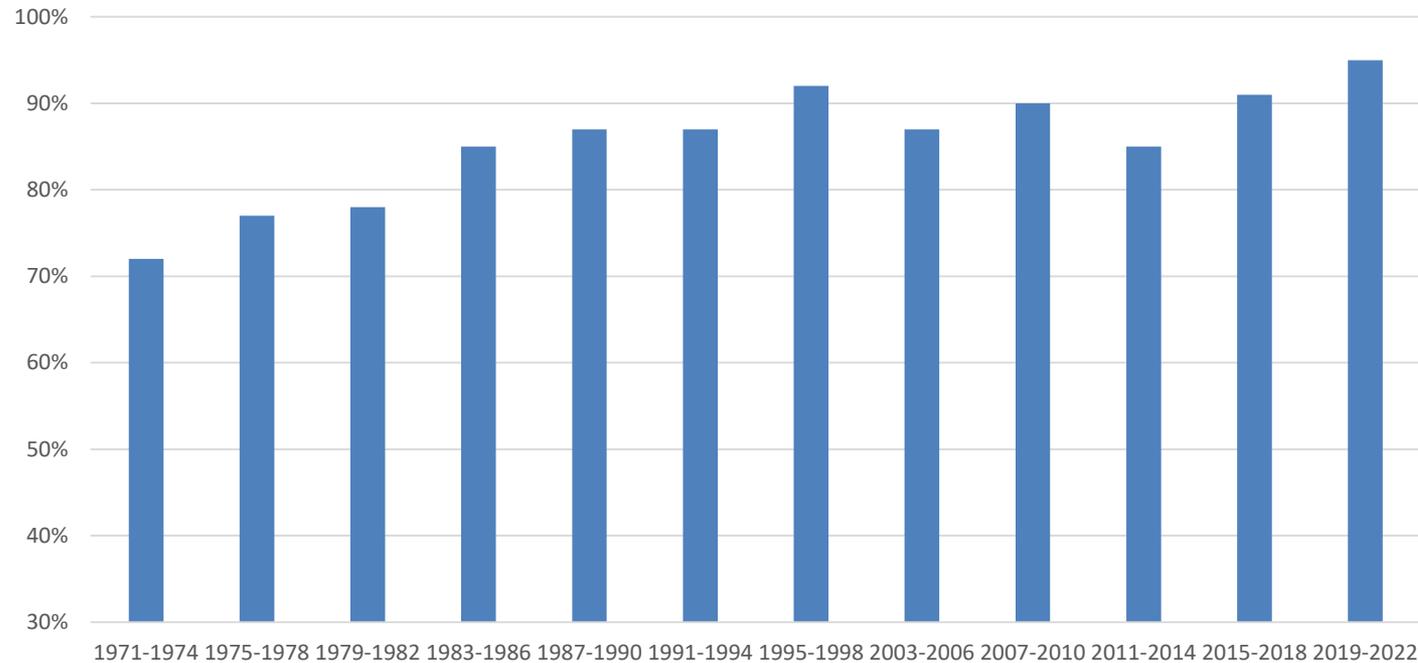
**Figure 4.** Net Profit Margins of the Top 10 Percent and Bottom 90 Percent of US Listed Corporations Over Time



Source: Compustat, developed by authors Hager and Baines, 2023.



## Post-Tax Profit Share of the Top 10 Percent of Publicly-Listed US Corporations

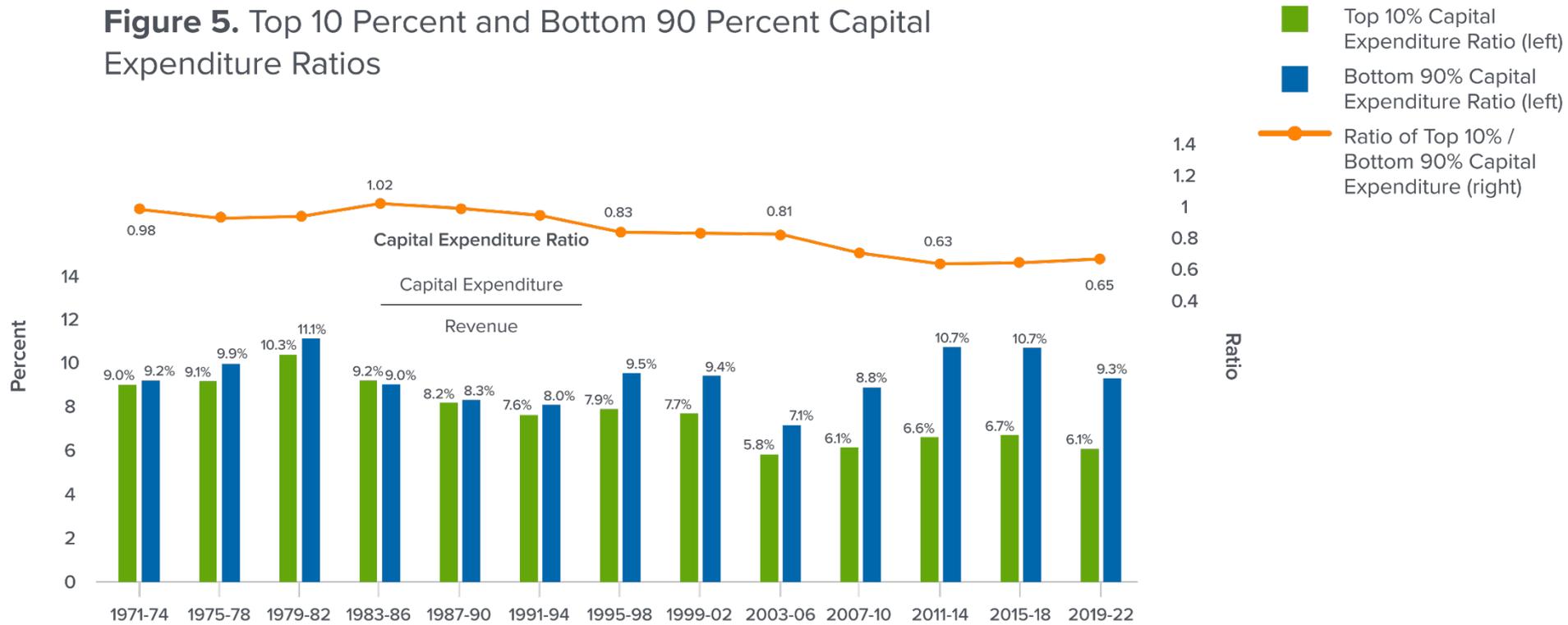


*Source:* Compustat, developed by authors Hager and Baines, 2023.

[Note: 1999-2002 were excluded as outlying years of an average of 135% of profit share controlled by top 10%.]



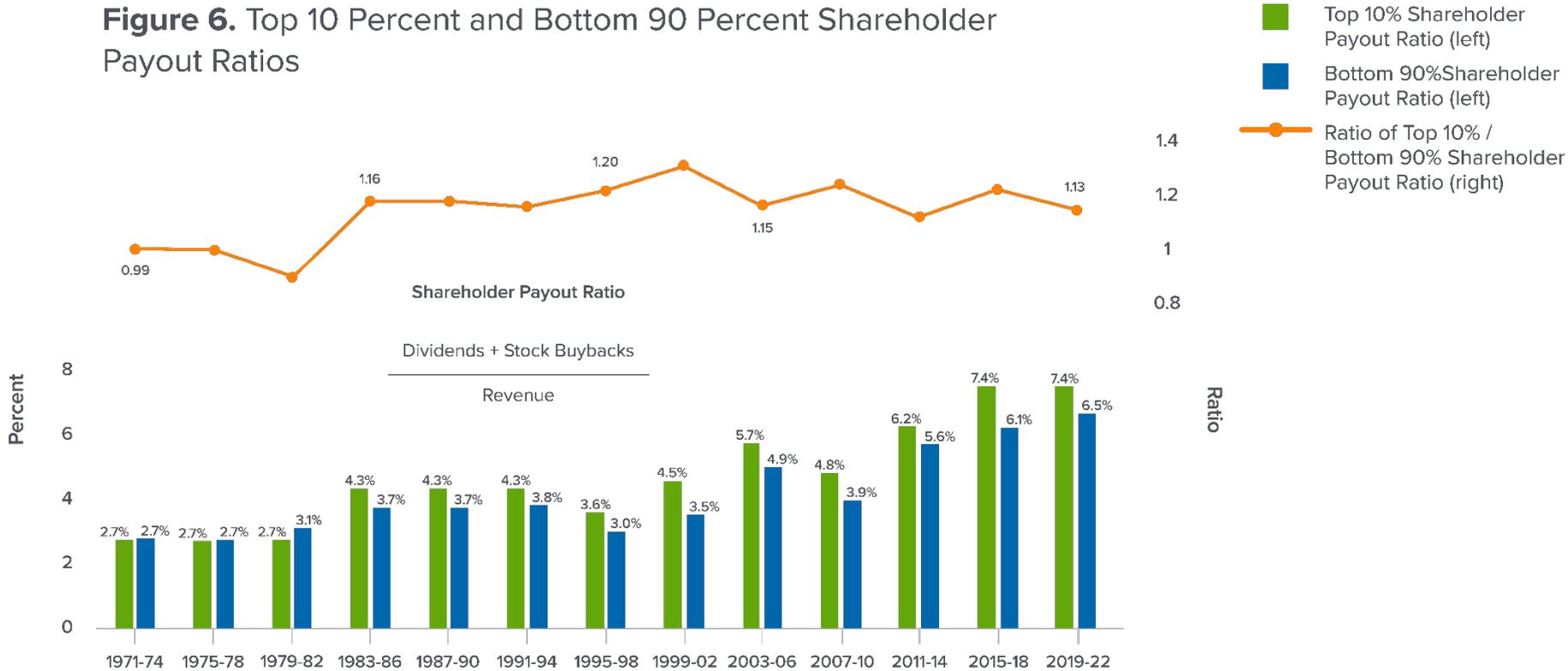
**Figure 5. Top 10 Percent and Bottom 90 Percent Capital Expenditure Ratios**



Source: Compustat, developed by authors Hager and Baines, 2023.



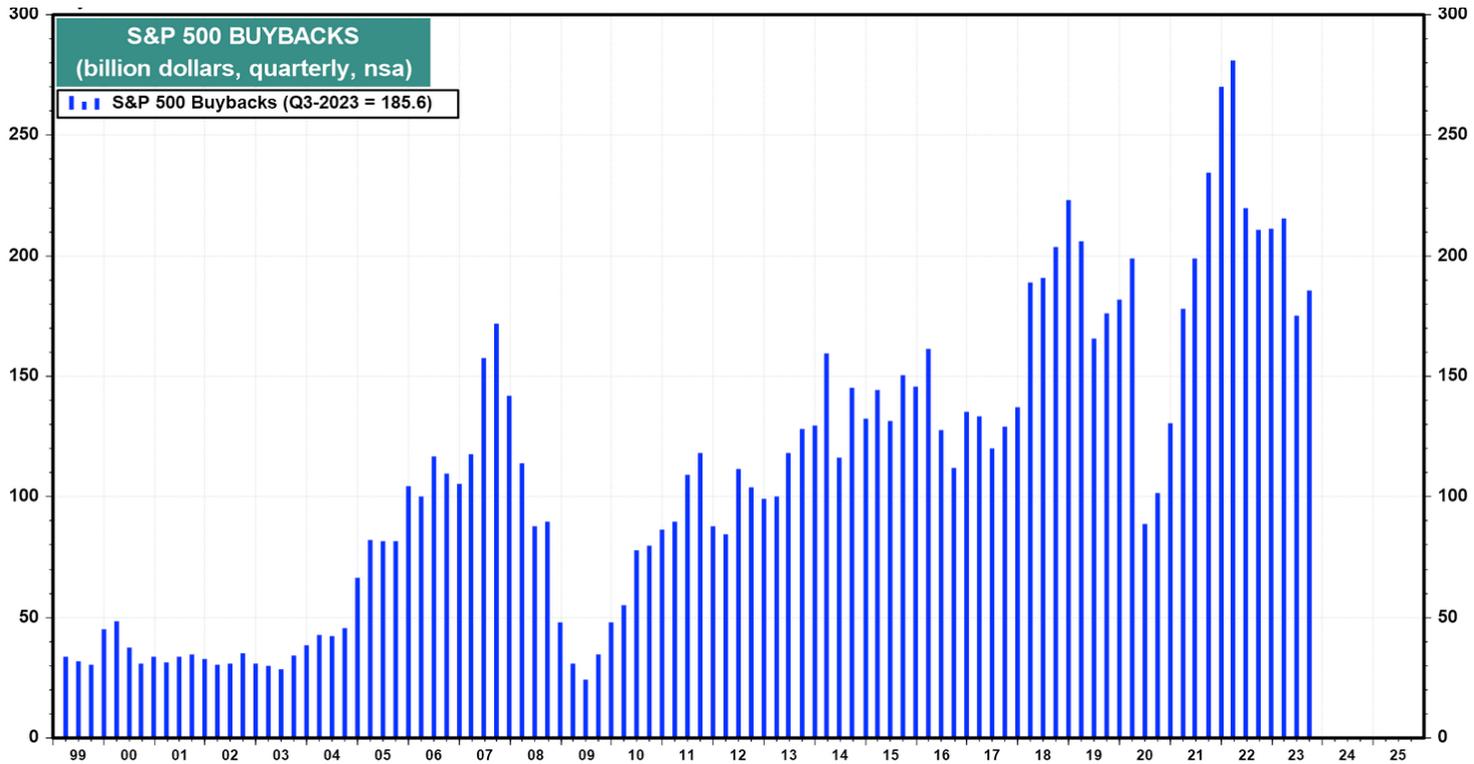
**Figure 6.** Top 10 Percent and Bottom 90 Percent Shareholder Payout Ratios



Source: Compustat, developed by authors Hager and Baines, 2023.



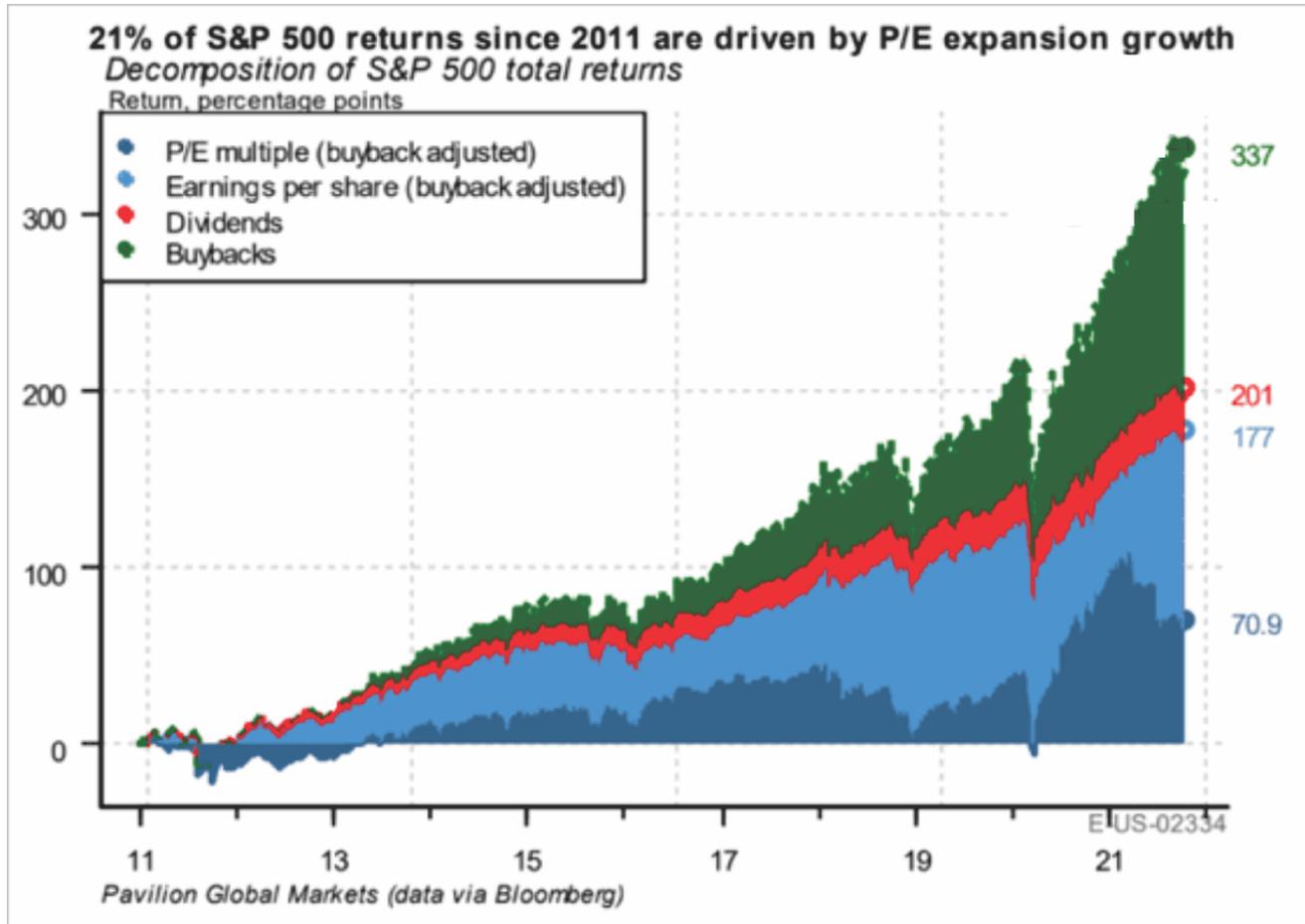
# S&P 500 Share Repurchases (\$ billions)



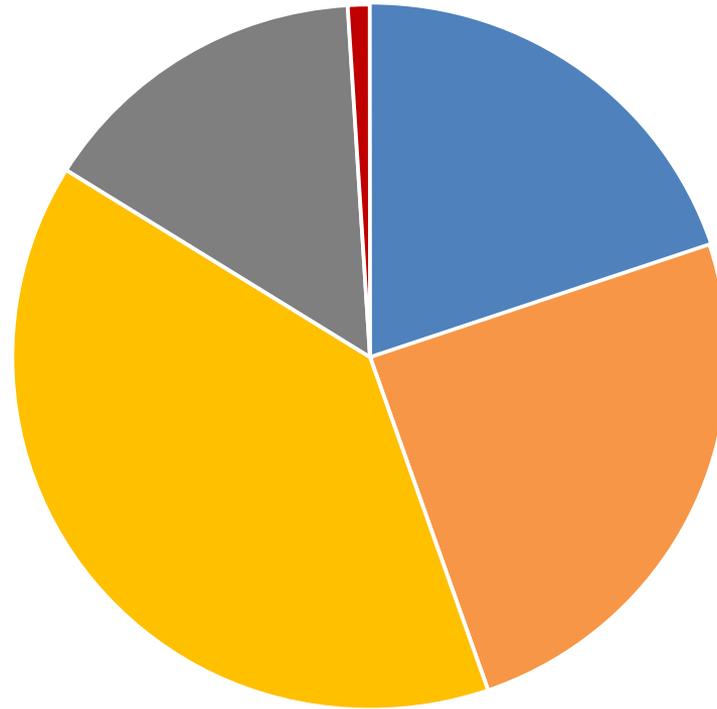
Source: LSEG Datastream and © Yardeni Research.



# Buybacks Drive S&P 500 Returns



# Corporate equities and mutual fund shares by wealth percentile group (Q3-2023)



■ Top 0.1%      ■ Remaining Top 1%      ■ Top 90-99%  
■ Middle 50-90%      ■ Bottom 50%

Source: Federal Reserve Distributional Financial Accounts



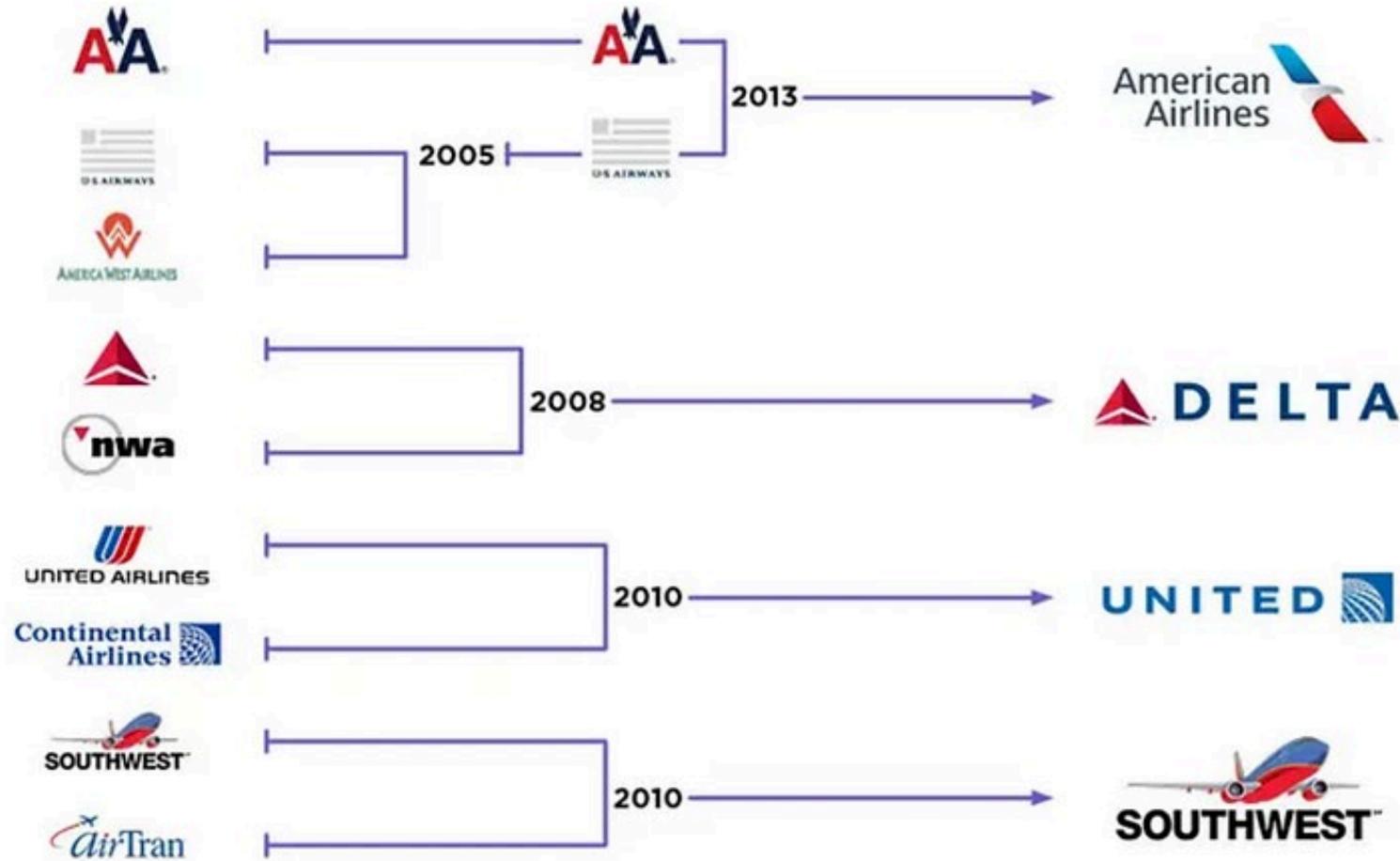
## II. Concentrated Markets





Source: Brewminate, 2018. "These 11 Companies Control Nearly Everything You Buy"





Source: BuzzFeed , 2017.



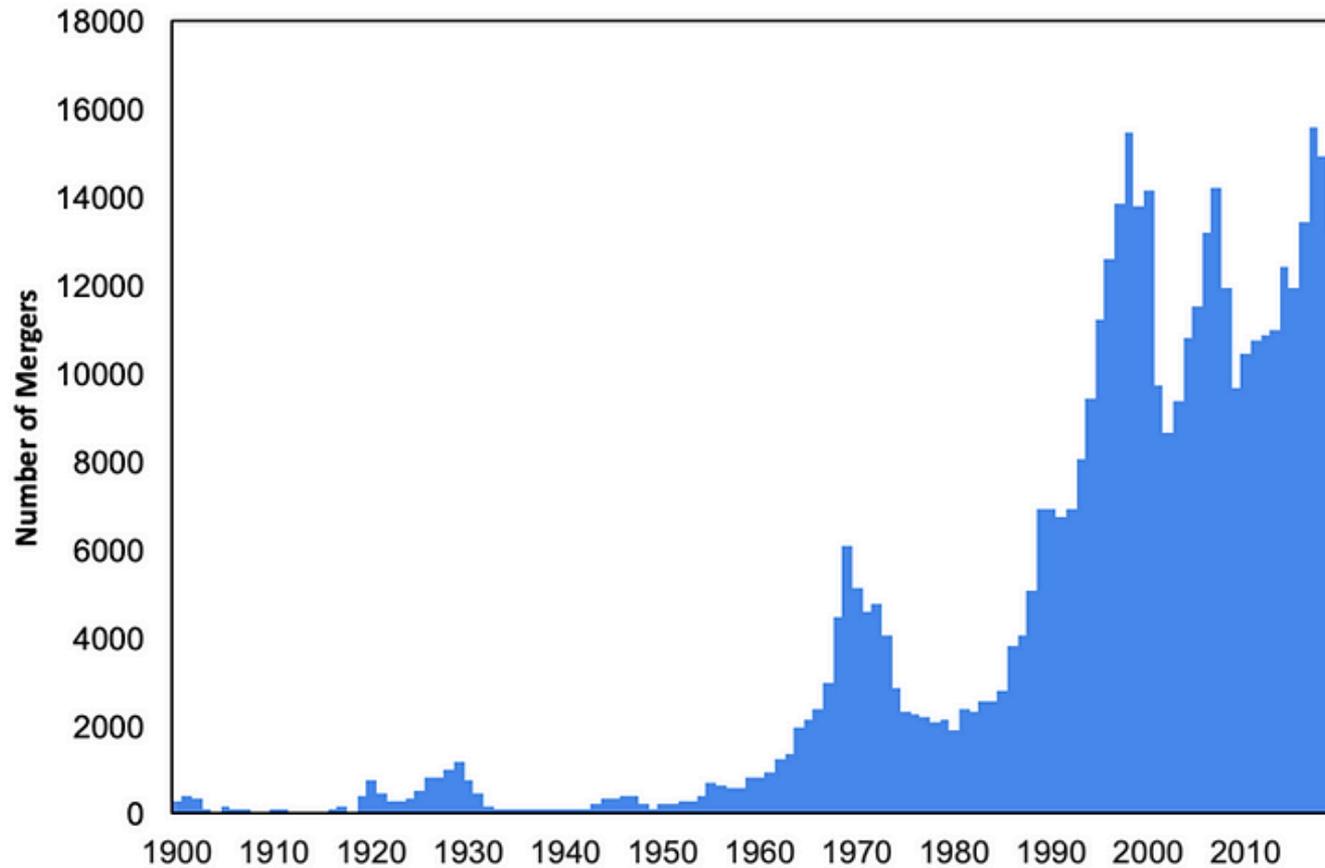
# Markets across the economy are increasingly consolidated.

Product	Market Share	Revenue (\$B)	Market Leaders
Washer & Dryer Manufacturing	100	4.8	Whirlpool, Haier, Samsung
Cell Phone Providers	98		Verizon, AT&T, T-Mobile, Sprint
Dry Cat Food	97		Nestlé, J.M. Smucker, Supermarket Brand, Mars
Dialysis Centers	92	24.4	Fresenius, Davita
Peanut Butter	92		Smuckers, Store Brand, Hormel, Conagra
Cigarette & Tobacco Manufacturing	91	46.3	Altria, Reynolds American, Imperial Brands
Pacemaker Manufacturing	89	1.8	Medtronic, Abbott Laboratories, Boston Scientific
Baby Formula	89	2.3	Abbott, Reckitt Benckiser, Perrigo, Nestlé
Orthopedic Products Manufacturing	88	10.6	Stryker, Zimmer Holdings, Johnson & Johnson
Home Improvement Stores	87	182.5	Home Depot, Lowe's, Menards
Mayonnaise	87	1.6	Unilever, Kraft
IV Solution	86	1.5	Baxter, ICU Medical, B. Braun Medical
Hearing Aid Manufacturing	84	1.5	William Demant, Starkey, Sonova, Sivantos
Ambulance Manufacturing	83	0.55	Rev Group Inc, Braun Industries
Coffin & Casket Manufacturing	82	0.55	Hillenbrand, Matthews
PET Scanner Manufacturing	82	2.1	Siemens, General Electric, Phillips Healthcare
Craft Stores	81	3.7	Michaels, Jo-Ann, Hobby Lobby
Corn Seed	78		Dow Dupont, Bayer
Contact Lens Manufacturing	77	3.5	J&J, Novartis, Cooper Companies, Bausch Health
Medical Device Manufacturing	77	39.2	Medtronic, General Electric, Abbott, Danaher
Domestic Airlines	76	142.3	Delta, American, United, Southwest
Beer	75		Anheuser-Busch Inbev, Miller Coors, Constellation
Pharmacy Benefit Management	75	453.4	CVS, Express Scripts, United Health, Humana
Mobile Home Manufacturing	71	10.5	Berkshire Hathaway, Champion, Cavco
Syringes & Needles Manufacturing	69	3.8	Becton Disckon and Company, Medtronic
Pharmacies and Drug Stores	67	270.6	Walgreens, CVS, Rite Aid
Mattress Manufacturing	66	8.8	Serta Simmons, Temper Sealy, Sleep Number
Diaper Manufacturing	64	12.6	Procter & Gamble, Kimberly-Clark
Eye Glasses & Contact Lens Stores	61	12.5	Luxottica, National Vision, Visionworks of America
Meat Processing	53	217.7	JBS SA, Tyson, Cargill, Smithfield
Car Rental	50	42	Enterprise, Hertz, Avis Budget
Pet and Pet Supply Stores	47	19.6	Pet Smart, Petco

Source: [Open Markets Institute](#), IBISWorld, Sparkline (as of 2018)



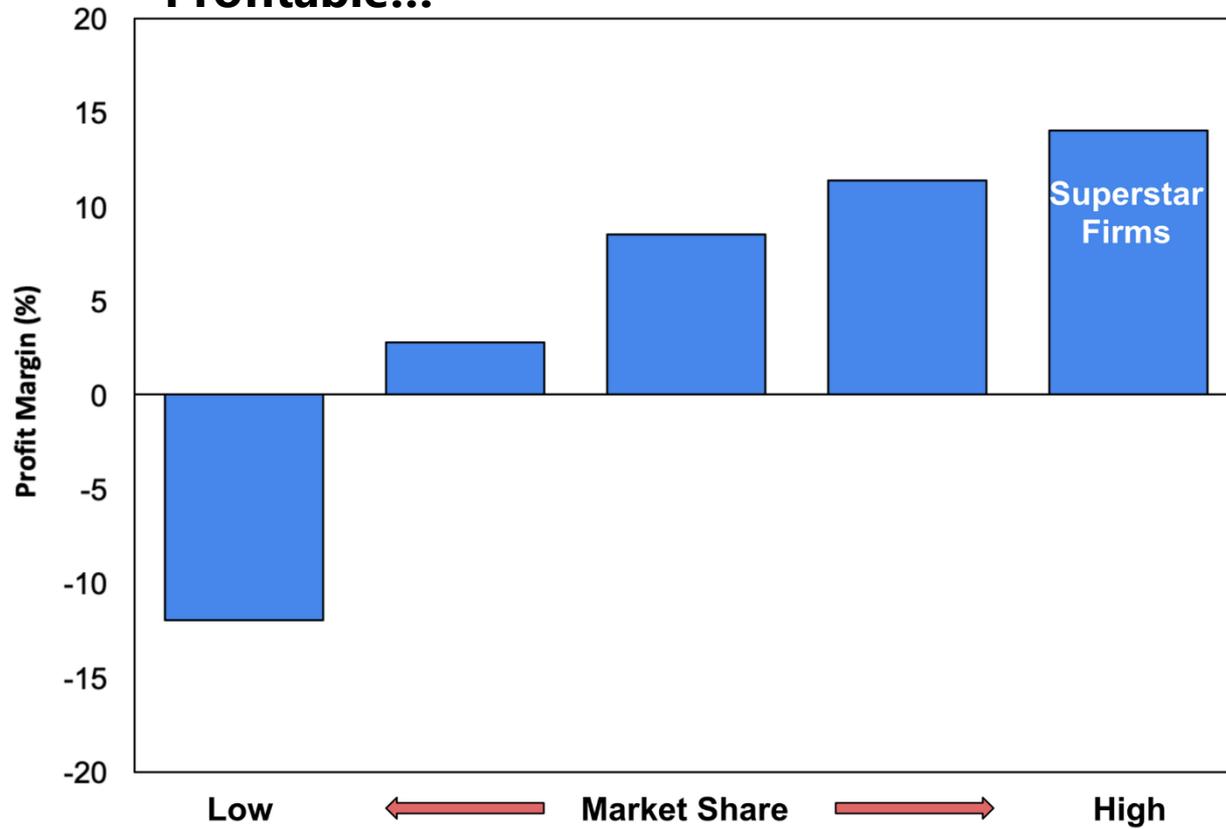
Mergers and acquisitions have exploded since the late 1990s.



Source: [IMAA Institute](#), Sparkline



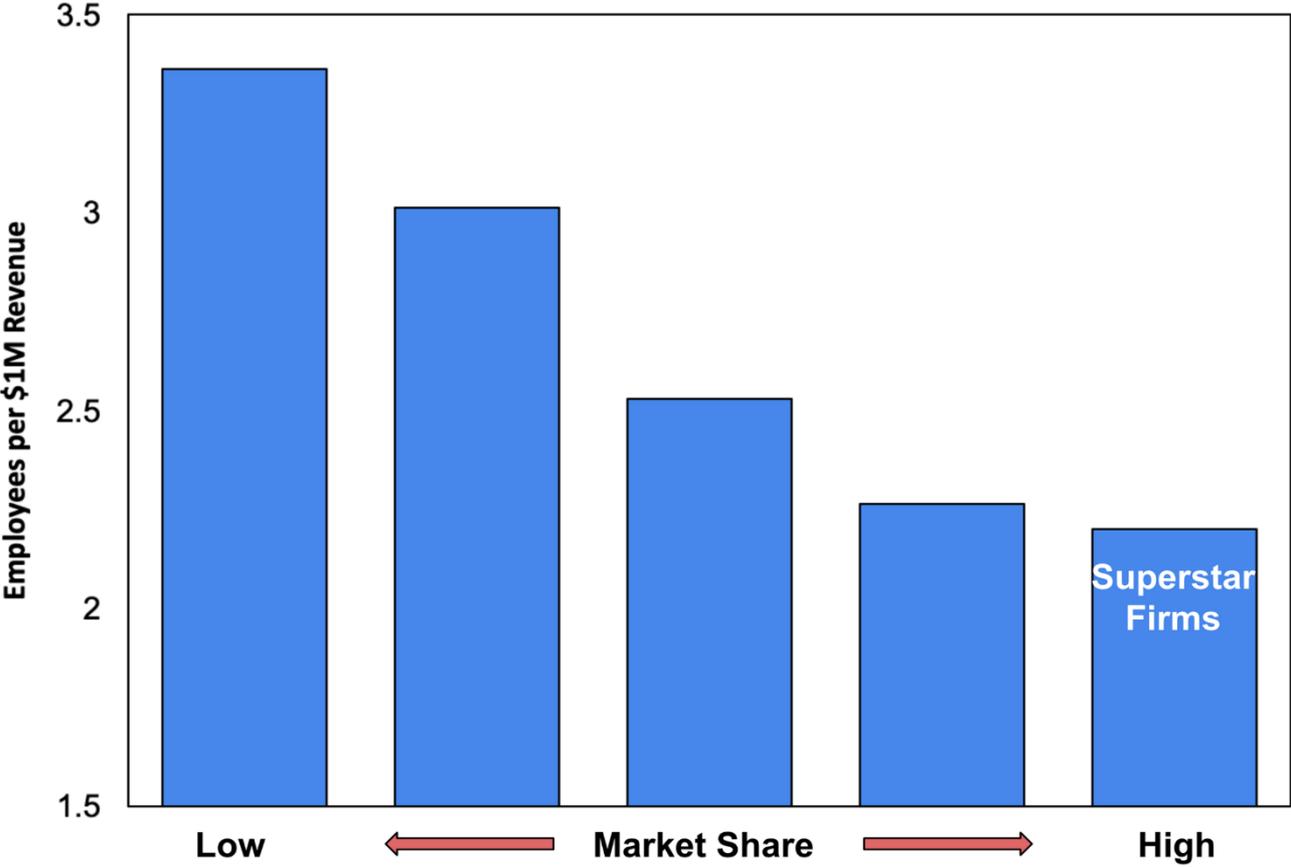
## Firms with Market Power Are More Profitable...



Source: S&P, SEC, Sparkline



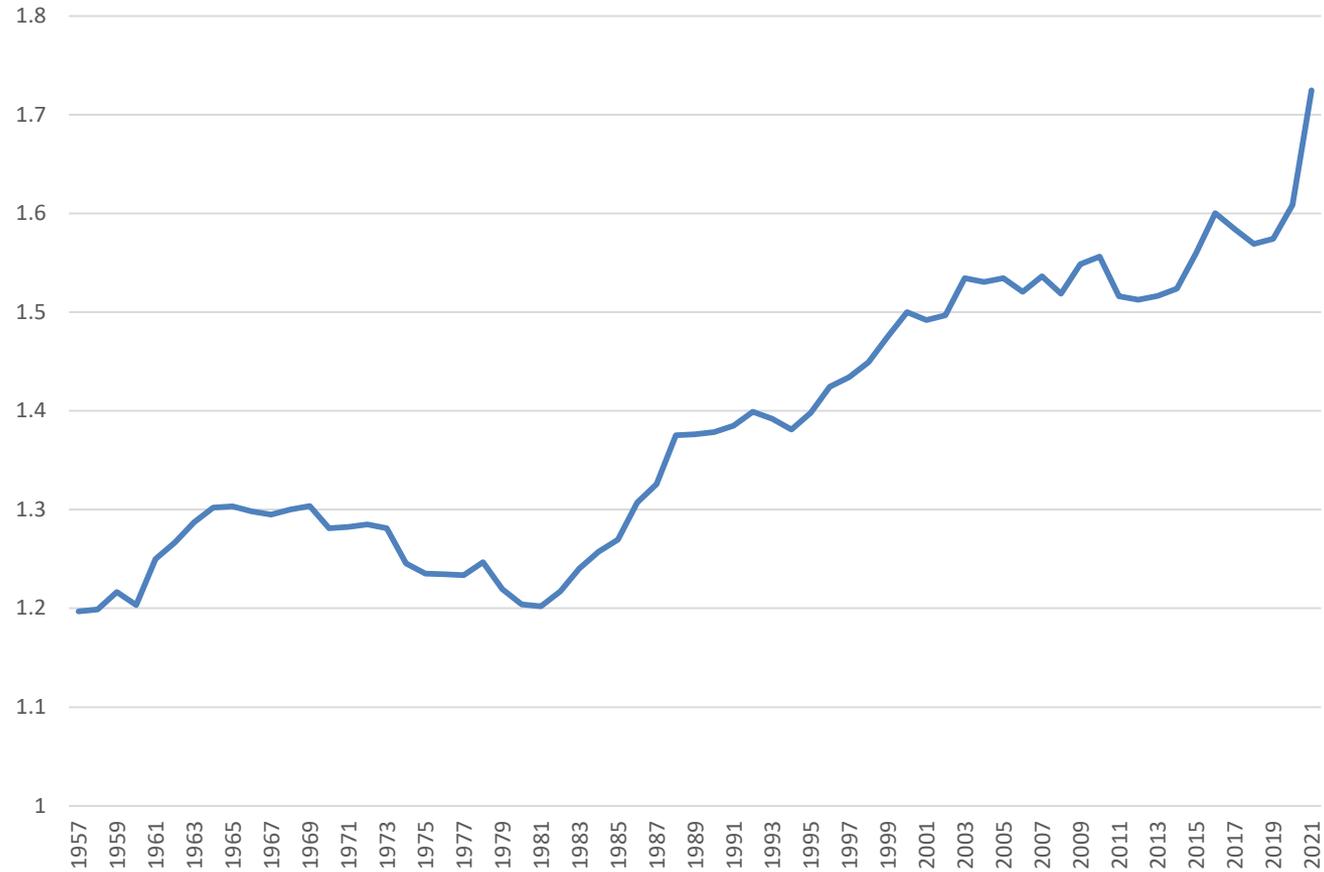
# ...Yet Rely Less on Labor.



Source: S&P, SEC, Sparkline



## As a Result, Corporate Markups Have Skyrocketed.

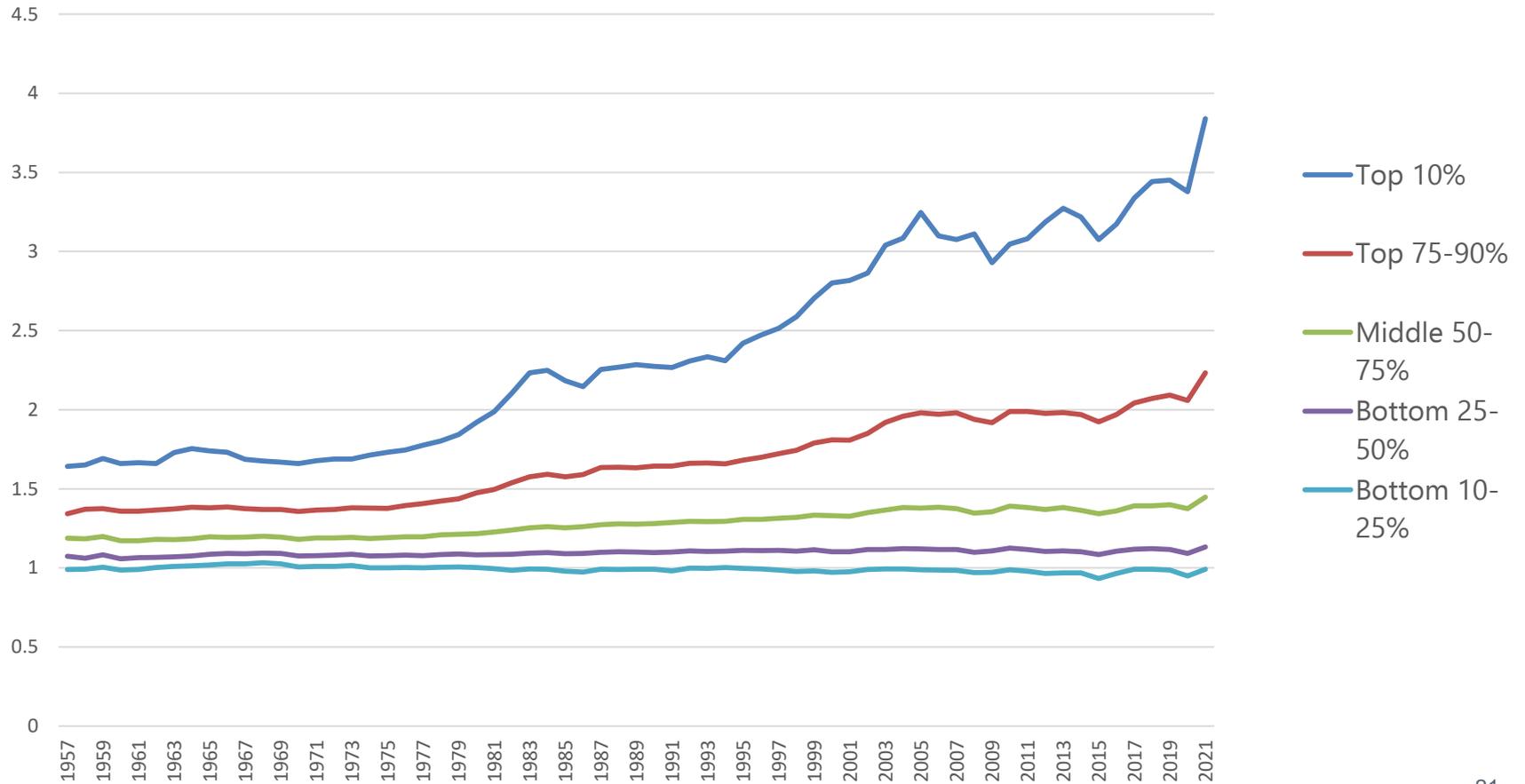


Source: Compustat, developed by authors Konczal and Lusiani, 2022.



# And the Top Corporates Are More Responsible for Markups.

Distribution of markups by firm size



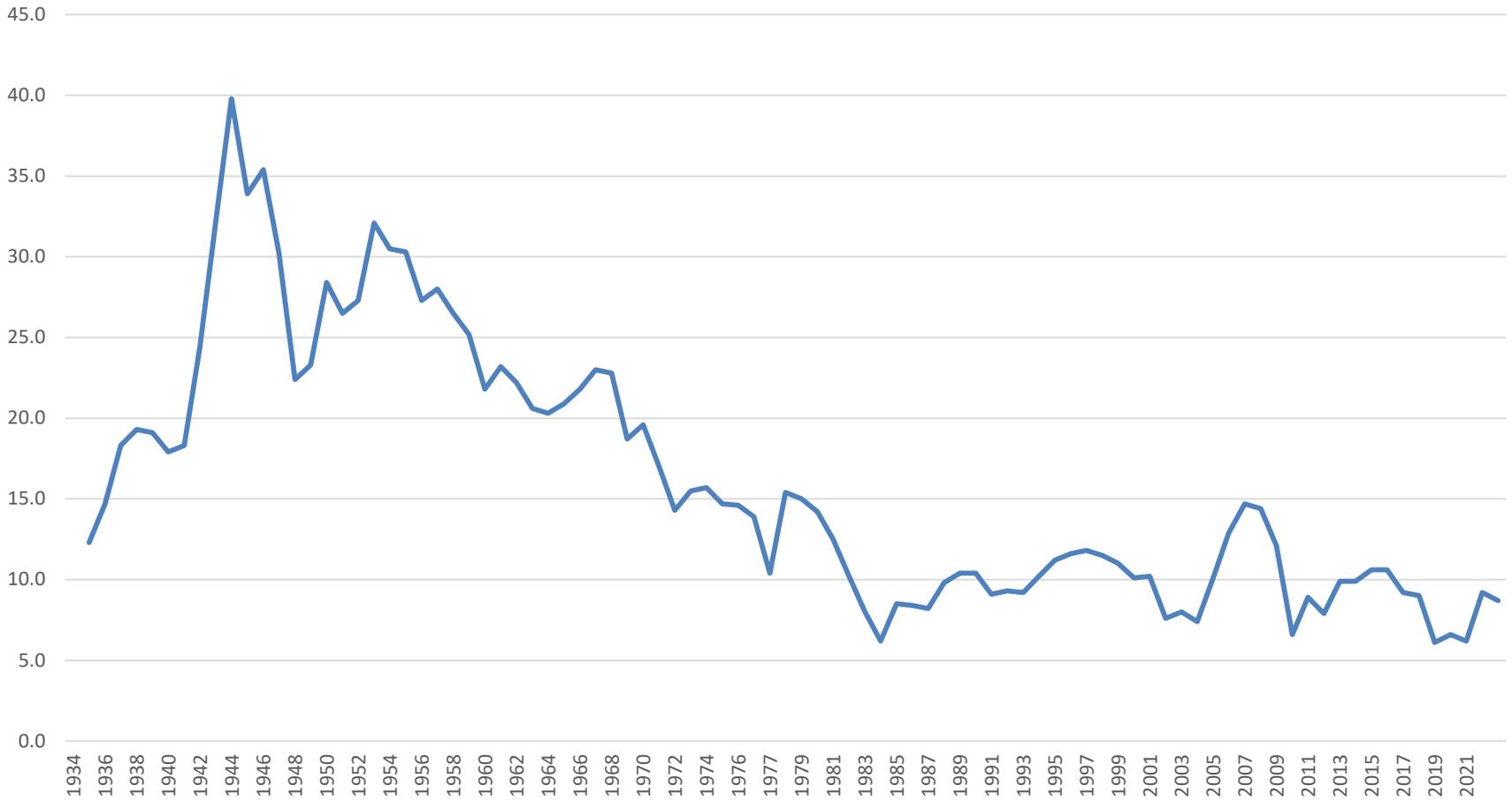
Source: Compustat, developed by authors Konczal and Lusiani, 2022.



# III. Concentrated Economic Power Meets Tax Policy



# Corporation Income Tax Revenue Dropping Steadily – Why?

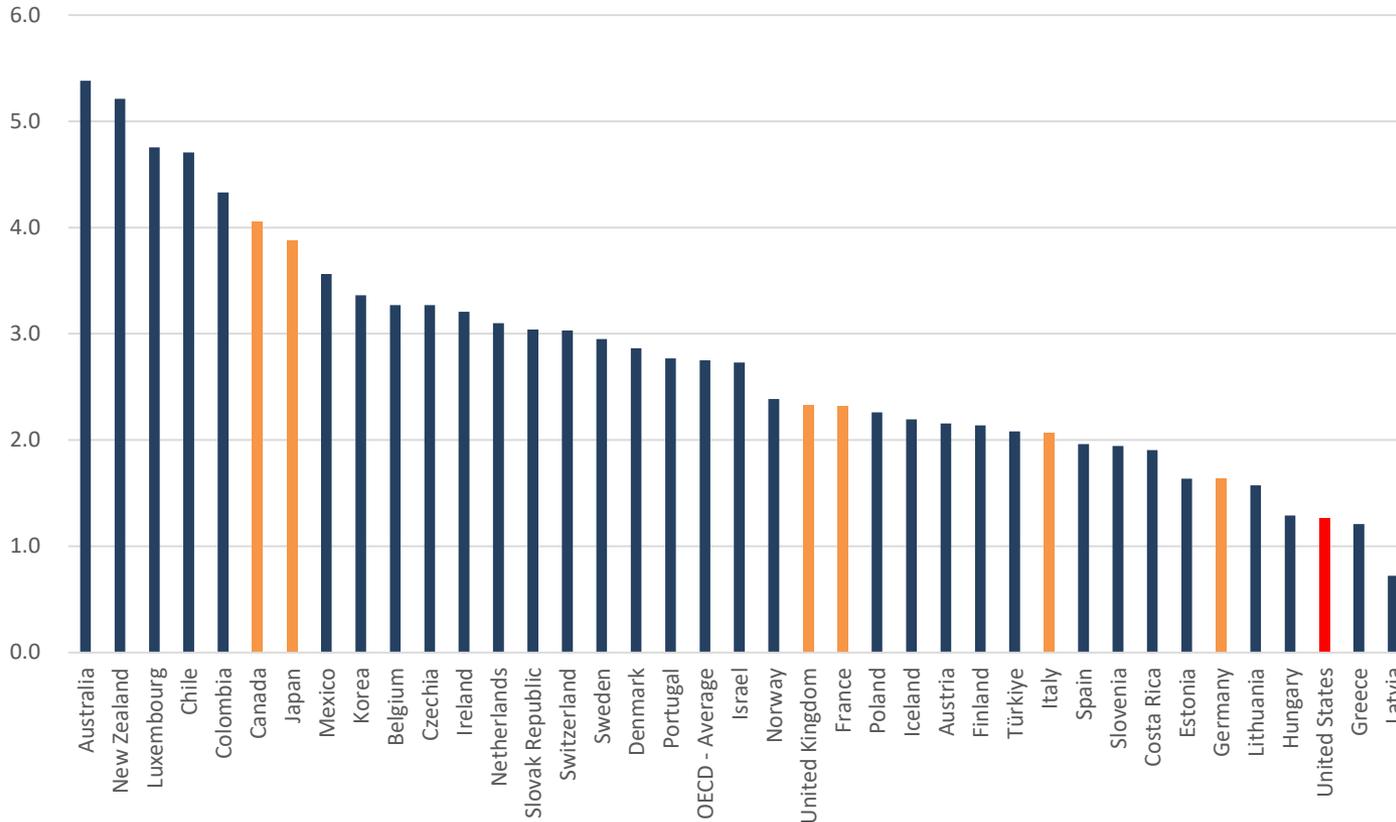


Source: Office of Budget and Management Historic Tables. Table 2.2 - PERCENTAGE COMPOSITION OF RECEIPTS BY SOURCE: 1934 - 2028



# As a share of GDP, US corporate tax revenue is lower than all G7 countries and third last in OECD.

Corporate tax revenue as % of GDP (2020, OECD Countries)

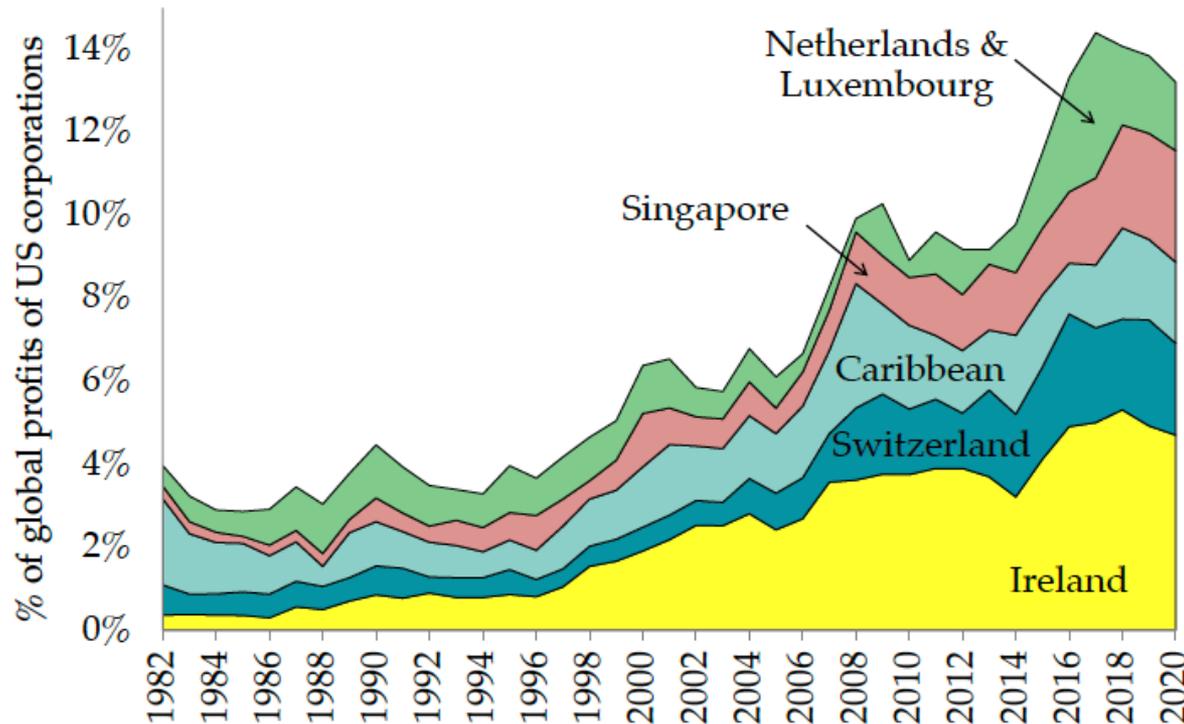


Source: OECD Dataset: Corporate Tax Revenues



**Corporate tax opacity and avoidance and opacity is one of the key tools of choice to cut costs...if you can get away with it.**

## Profits Booked by US Firms in Tax Havens (% of Global Profits of US Firms)

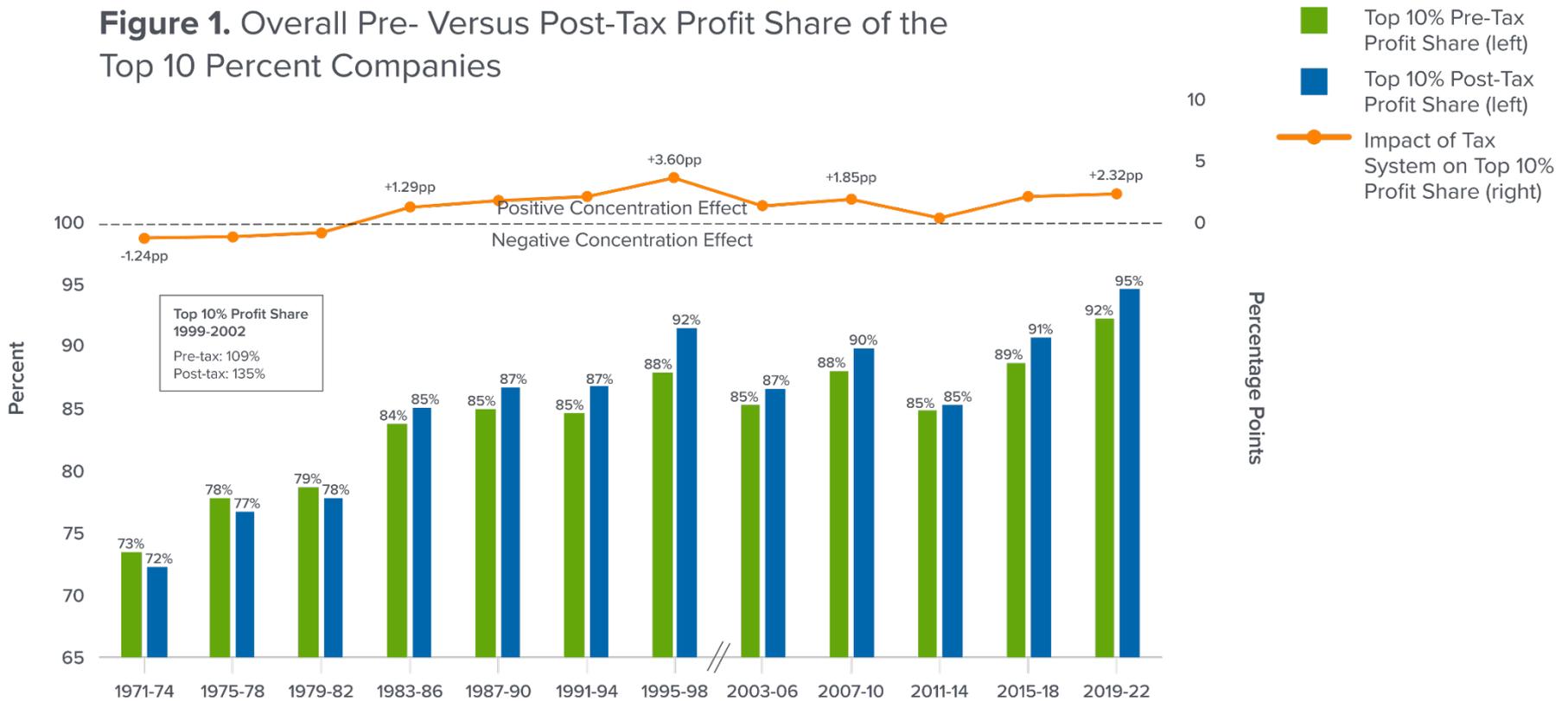


Source: US Bureau of Economic Analysis, developed by Zucman et al. 2022



# US Tax Policy Active Driver of Market Concentration

**Figure 1.** Overall Pre- Versus Post-Tax Profit Share of the Top 10 Percent Companies



Source: Compustat, developed by authors Hager and Baines, 2023.



# IV. Corporate Tax Policy Fixes



# What Can Be Done? Four principles and policy fixes

## *Ability to pay principle for people and for corporations*

- Graduated federal CIT rate increases up the profit ladder
- Reduce wasteful and unnecessary economic development incentives to the largest companies

## *Laws don't hold without proper enforcement*

- Robust funding of Federal and state tax authorities and auditors, prioritizing complex, large taxpayers

## *Global corporate tax floor*

- Global minimum tax at 25 percent would raise substantial revenue and level playing field, increasing competition domestically

## *Transparency is A Pretty Darn Good Disinfectant*

- Mandatory public country-by-country reporting
- Worldwide combined reporting and other corp transparency measures

Minnesota has taken a real leadership position around corporate tax transparency, with positive ripple effects across the country and across the world.





"Among us today a concentration of private power without equal in history is growing. This concentration is seriously impairing the economic effectiveness of private enterprise... tax has a real value in working against a further concentration of economic power."

~ *FDR Message to Congress on Curbing Monopolies, April 29, 1938*

