

Market Structure and Entry: Evidence from the Intermediate Good Market

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Abstract

The question of whether incumbent firms could deter new entrants in a more concentrated market has been a major concern by both antitrust authority and industrial economists. This study is the first attempt to analyze the relationship between the market structure and entry in the intermediate good market, utilizing a unique data on auto part transactions between automakers and auto part suppliers in Japan during the period from 1990 to 2010. The results suggest that there exists U-shaped relationship between market concentration and entry, which see entry decreases and then increases as market concentrates. This result could emanate from a significant role of multiple-product and multiple-customer firms.

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