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Dennis C. Mueller
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Profits in the long run asks two questions: Are there persistent differences in profitability across firms? If so, what accounts for them? This book answers these questions using data for the 1000 largest U.S. manufacturing firms in 1950 and 1972. It finds that there are persistent differences in profitability and market power across large U.S. companies. Companies with persistently high profits are found to have high market shares and sell differentiated products. Mergers do not result in synergistic increases in profitability, but they do have an averging effect. Companies with above normal profits have their profits lowered by mergers. Companies with initially below normal profits have them raised. In addition, the influence of other variables on long run profitability, including risk, sales, diversification, growth and managerial control, is explored. The implications of antitrust policy are likewise addressed.

Dennis C. Mueller is Professor of Economics at the University of Maryland. He is an editor for the *International Journal of Industrial Organization* and is on the editorial board of the *Antitrust Economics and Law Review*. Professor Mueller's first book *Public choice* was published with Cambridge University Press in 1979.

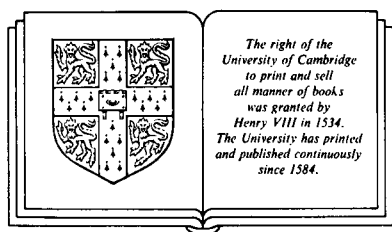
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DENNIS C. MUELLER
University of Maryland



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Acknowledgments

In 1977, I published an article showing that profit differences across firms tend to persist over time. In 1978, I approached David Qualls, then Assistant Director in charge of the Industry Analysis section at the Federal Trade Commission's Bureau of Economics, to see whether the FTC would be interested in sponsoring an investigation of the causes of these apparently persistent differences in profitability. Dave endorsed the idea and the project was launched. Were it not for his initial vote of confidence, the project would never have been started. As my relationship with the FTC unfolded, I learned to respect David Qualls as an economist and cherish him as a friend. His death in 1984 was a serious loss for the economics profession and a tragic personal loss for all who knew him.

Several people at the FTC were responsible for the project in one way or another over the many years of its history. Special thanks are due them for their patient confidence and support. Particular mention in this respect must be made of Keith Anderson, Ronald Bond, William Comanor, Wendy Gramm, Pauline Ippolito, and Robert Tollison.

In 1981, I took the project with me to the Science Center, Berlin's International Institute of Management. The support of this institution and the confidence of Meinolf Dierkes, Manfred Fleischer, and Bernhard Gahlen are gratefully acknowledged. The views expressed in this book should not be construed as reflecting those of the people mentioned above or their institutions, however.

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There must be a law that states that the amount of time required to complete a research project increases exponentially with the number of observations and variables in the data base. In gathering and handling these data, I have been greatly aided by several industrious people. My thanks are extended to Rosemary Morley, Hugh Lederman, Nellie Liang, and Klaus Ristau. Further valuable help was provided in putting the data into computer-usable form by Paul Bagnoli, John Hamilton, Klaus Ristau, and Talat Mahmood. Carl Schwinn was especially helpful in providing some of his data and programs. Ieva

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A final note to those who have read the forerunner of this book, which the FTC published in 1983 – Chapters 1 through 3 will look very familiar, but all contain some new material and should at least be skimmed. Starting with Chapter 4, the book replows the structure-performance terrain covered in the earlier work, but in a substantially different way, or asks totally new questions. Thus, starting with Chapter 4, it is really a totally new book.