Profits in the long run asks two questions: Are there peristent 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 peristent differences in profitability and market power across large U.S. companies. Companies with peristently 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.

Profits in the long run

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DENNIS C. MUELLER
University of Maryland

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ADRIENNE *and* JACOB

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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.

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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.