Nobody believes AT&T’s $48 billion shot at buying DirecTV will be the last attempt by the nation’s communications leviathans to get even bigger. Verizon will inevitably try to bulk up in response to Comcast’s $45 billion grab for Time Warner Cable. Sprint, the No. 3 wireless carrier, is lusting for No. 4 T-Mobile.

Each of these deals, of course, is justified by the drive to compete. Yet three decades after the United States dismembered its telecom monopoly, the melee of mergers is reshaping the backbone of the information age — including telephone, cable television and broadband Internet — into an oligopoly where competitors are in short supply.

“They say they have to become larger because the other one is becoming larger,” said Eli Noam of Columbia University, who directs its Institute for Tele-Information. “What is the limiting principle?”

Indeed. And it isn’t just the distributors: “Content” providers like Amazon, Google and Facebook dominate their markets as well.

The question could be asked even more broadly. Four airlines — United, Delta, American and Southwest — serve 71 percent of domestic air traffic in the United States, according to Severin Borenstein of the University of California, Berkeley. From 1980 to 2009 the share of the top four fluctuated around 55 percent.

In agribusiness, Monsanto has a legal monopoly over key genetic traits of most of the soybeans and corn planted by farmers across the United States. The top five banks in the United States hold nearly half of its banking assets, up from less than 30 percent in 2000.
So what is the concentration of so many markets doing to the American economy?

“T’m fairly convinced that things have gotten worse,” said Joseph E. Stiglitz, the Nobel-winning economist, who teaches at Columbia University. Technology companies have “been extraordinarily innovative in creating monopolistic innovations.” But, at the same time, policy has aided market concentration. “There are various ways,” Professor Stiglitz added, “that we undermine competition through rules and regulations.”

The excess profits companies can extract from their customers when they face little or no competition — known to economists as “rents” — may be deepening income inequality, Professor Stiglitz and others have argued. The evidence shows up in fatter corporate bottom lines and a rising share of national income that goes to profits.

“In a competitive economy, the real return to capital would be much smaller,” Professor Stiglitz said. Concentration in the financial sector might have something to do with the fact that finance and insurance amass 15 percent of corporate America’s pretax profits, employing 5 percent of its private sector workers.

Consider health care, a sector that accounts for nearly one-fifth of the American economy. Hospital systems have been growing at breakneck speed, gobbling up independents and taking over physician practices.

In 1992, the average metropolitan area was served by the equivalent of four rival hospital systems of equal size, according to estimates by Martin S. Gaynor, currently chief economist at the Federal Trade Commission. By 2006, the number was down to three, and 250 of the nation’s 332 metropolitan areas had highly concentrated hospital markets by the standards of the F.T.C.

Mr. Gaynor counts more than 1,000 hospital system mergers since the mid-1990s, often involving dozens of hospitals. And yet between 1990 and 2007, the commission did not win a single case against a hospital merger.

Consolidation, to be sure, is not always a bad thing. It can create efficiencies where there are economies of scale, such as sharing administrative costs over a broader market. In markets that remain competitive, some of these efficiencies are likely to be passed on to consumers in the form of better service or lower prices.

The dominance of some high-tech firms, like Microsoft in its day or Facebook now, is to some extent inevitable given their low marginal costs — it costs
practically nothing to produce an additional unit of software — and network effects, because a social media platform is much more useful to consumers the more people are on it. This will drive users to the dominant player — be it Facebook or Twitter — at the expense of all others.

And the dominant Goliaths might even have a positive effect on innovation: The prospect of being bought out for billions by Google or Facebook is a great incentive for venture capitalists to invest in the kind of garage-level tinkerers who can come up with the new Instagram or Snapchat.

“The tech sector is pretty awesome in delivering value to consumers,” said Carl Shapiro, a former member of President Obama’s Council of Economic Advisers who teaches at the University of California, Berkeley. “Some caution is appropriate before concluding that competition is lacking.”

Yet there are reasons to worry about the nation’s concentrated markets. Start with prices: airline fares started rising in 2009 and are now at their highest since 2002, according to Professor Borenstein’s calculations.

There are broader concerns. We might have better word processors had it not been for the market power of Microsoft Office. There may be better forms of search based on natural language that we may never see because of Google.

“Successful incumbents are often tempted to acquire start-ups that begin to pose a disruptive threat, rather than face them down the road,” Professor Shapiro said. “Such acquisitions can harm competition and hinder innovation, but they are hard for antitrust authorities to challenge.”

At the same time, many economists believe restrictive patent and copyright laws — which grant temporary monopoly rights to inventors over the fruits of their inventions — may be hindering innovation rather than encouraging it, discouraging creators from piggybacking on each other’s breakthroughs.

The ultimate fear is that entrenched dominant companies sap business dynamism. The rate of new businesses entering the economy declined sharply from the late 1970s through 2011, according to research published this month by Robert E. Litan of the Brookings Institution and Ian Hathaway of Ennsyte Economics.

It is not clear what caused this slowdown. Mr. Litan says tougher regulation and increasing economies of scale may be the main culprits, weighing against small new entrants. But the pattern also fits a picture of entrenched incumbents erecting walls against new contenders. “I wasn’t expecting this result,” Mr. Litan told me.
“I’m still struggling with this puzzling fact.”

What does this portend? As technology makes further inroads into the broader economy — bringing along its intellectual property protections and its dominant companies with their huge economies of scale — the potential risks that market concentration could stymie broader swathes of the economy cannot be discounted.

Take broadband, the enabling platform of the Internet age, which allows young information technology companies to tap the vast troves of information with which to build new services and to cheaply reach large numbers of users.

Broadband companies are not doing badly. Comcast’s earnings were up by a third in the first quarter of the year. AT&T’s were up 11 percent.

And yet, the United States has some of the highest broadband prices among industrial nations, according to data compiled by the Organization for Economic Cooperation and Development in the fall of 2012, and comparatively slow speeds. The United States was in 16th place among 34 members of the O.E.C.D. in terms of broadband penetration.

Future competition on the Internet “won’t be David versus Goliath,” Professor Noam said. “It will be a battle of Goliaths,” pitting big broadband oligopolies against big, dominant content providers riding on their pipes.

Already the big media companies like Netflix are cutting deals with big dominant platforms like Comcast to get their content to subscribers faster.

The question is, will there be a place in this world for any Davids?

**Correction: June 1, 2014**

A chart with the Economic Scene column on Wednesday about concentrated markets misidentified the unit of measurement for the download speeds offered by broadband providers. The speeds are measured in megabits per second, not thousands of megabits per second.

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