

The Herfindahl-Hirschman Index

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The *Herfindahl-Hirschman Index* ('HHI') (also known as the *Herfindahl Index*) is a commonly accepted measure of market concentration. It is calculated as follows, where s_i is the market share of the i 'th firm competing in the market (and there are n such firms):

$$HHI = \sum_{i=1}^n s_i^2$$

The HHI can in principle range from close to zero (very close to perfect competition, with no one firm having a material market share) to unity (perfect monopoly). Often the s_i are expressed in percentage terms, in which case the HHI can range from close to zero to 10,000.

N.B. According to [dictionary.reference.com](#) (as at 11 January 2011) the US Department of Justice considers a market with an HHI (using percentage market shares) of less than 1,000 to be a competitive market place, one with 1,000 to 1,800 to be a moderately concentrated marketplace and one resulting in greater than 1,800 corresponding to a highly concentrated marketplace.

See also the [MnHerfindahlHirschmanIndex](#) web function.