

# Session I - Competition, regulation and productivity - Discussion

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# #1 Markups, technological investment and productivity

(Cusolito, Garcia-Marin and Maloney)

- Plant level markups: (+) within plant physical productivity, (+) innovation investment
- Laggards (<P50)
- Stronger for more financially dependent industries

# #1 Markups, technological investment and productivity

(Cusolito, Garcia-Marin and Maloney)

- Detailed plant-level innovation data and product-level data, with product prices
- Computation of TFPQ and product-level markups (aggregated at plant level)
- Very important insights: TFPR tracking markups

# #1 Markups, technological investment and productivity

(Cusolito, Garcia-Marin and Maloney)

- Heterogeneous effects: only for firms  $< P50$
- Definition of frontier: world frontier v. chilean frontier - re-estimate for tradables (closer to global frontier)?
- Are laggards more financially dependent?
- Other possibilities: e.g. laggards less able to absorb R&D, not able to scale-up and to benefit from synergies (Haskel and Westlake, 2017)

# #1 Markups, technological investment and productivity

(Cusolito, Garcia-Marin and Maloney)

- Rajan and Zingales (1998) measure of financially dependent industries - large listed US firms in the 1980s, product life cycle US v. Chile
- Firm life-cycle effects? Younger v. older firms
- Financially dependence as measure of growth opportunities (Fisman and Love, 2010)? Test with US growth

## #2 Product market competitions, monetary policy and intangible investment (Ahn, Duval and Sever)

- Firms with higher balance sheet vulnerabilities reduce more their intangible investment (within sector-country)
- Counteracted by expansionary monetary conditions
- Exacerbated by competition
- Complementarities: mon pol particularly important when competition high

## #2 Product market competitions, monetary policy and intangible investment (Ahn, Duval and Sever)

Results key to inform EU governance reforms

- EA improved cycle concordance but increased dispersion in amplitudes (Franks et al., 2018) - degree of hysteresis likely to differ
- Counteracting role of macro policy: need for a effective mechanisms to deal with asymmetric shocks

## #2 Product market competitions, monetary policy and intangible investment (Ahn, Duval and Sever)

- Firms active between 2002-2013 (50% in PT); M&A particularly relevant for sectors more reliant on intangibles and for intangible intensive firms
- How relevant is debt financing for more "intangible intensive" firms? (Cecchetti and Schoenholtz. 2017): role of venture capital, private equity  
More leveraged can be less intang dependent and thus more prone to cut intang inv (from already low levels)
- Innovation intensity index to measure importance of innovation to an industry (Acharya and Xu, 2017) - reestimate only for those?

## #2 Product market competitions, monetary policy and intangible investment (Ahn, Duval and Sever)

- Why do some have higher vulnerabilities? Not random.
- E.g. signal of badly managed firms? (Bloom et al.,2007): effect of competition may be not due to funding channel but natural selection
- Are macro policies allowing bad firms to thrive?

## Papers #1 and #2

Investment on intangibles and impact on productivity mediated by:

- Specific type of intangible (Haskel and Westlake, 2017) - short v. longer term (contestability), zero sum v. spillovers, etc.
- Intangibles mix (Chun et al., 2015)
- Degree of redeployability / irreversibility (e.g. salability of assets in secondary market) - sectorial but also firm level differences (Kim and Kung, 2016)
- Measurement issues increasing over time (Bransetter and Sichel, 2017)

## #3 Quantifying the effects of economic distortions on firm-level productivity (Correa, Cusolito and Pena)

- Focus on developing countries
- Survey based data
- Impact of distortion and choice variables on productivity - heterogeneous effects

## #3 Quantifying the effects of economic distortions on firm-level productivity (Correa, Cusolito and Pena)

- Quality of TFP measure critical for the results - issues with TFPR (#paper 1); measure of capital and labor?; how relevant are imputations? (e.g. Gal, 2013)
- Policy variables likely to be highly correlated (they measure strength of institutions, administrative capacity) + endogeneity
- Dummy structure render some measures particularly crude (e.g. Loan: 1 if firm has a loan)
- Large body of literature exploring heterogeneous effects: improve on the identification strategy; but enough variation in the data?

## #3 Quantifying the effects of economic distortions on firm-level productivity (Correa, Cusolito and Pena)

- Developing countries - informality brings added challenge to the researcher - selection (formal firms only)
- Rich data on informality and corruption: informal competitors, informal payments, formal firms at born
- Rich data on outages: electricity, water
- Rich data on insecurity: transport losses, criminal attempts and losses

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