Discussion Session 1

Long term impact of structural reforms in the goods and services markets

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Cette, Lopez and Mairesse on product and labour market reforms

- **Estimation:**
  - Transmission channel: Impact of product and labour market regulation on MFP through prices and wages

- **Simulation:**
  - Direct and indirect effects, taking into account sectoral interlinkages
  - "Closing the gap" approach
Roos on impact of pro-competitive reforms

- Applying the analysis by Cette et al.
- Some concrete examples of reform effects, based on the FR Macron law
- Two different methods to quantify impact on productivity growth: $\Delta$PMR or $\Delta$price
- "Price approach" gives bigger productivity impact than "PMR approach"
Questions/comments on Cette & Roos

- Producer prices and real wages as transmission channel. Why not use e.g. mark-ups or business dynamics as a proxy for market functioning?
- MFP equation using prices and wages
  - No role for distance variable and cross-terms?
  - How to deal with endogeneity?
- 2000 US IO structure applied to all countries
- "Closing the gap" approach can be overly optimistic
Haksar on sectoral productivity trends

- Catch-up process slowed
- Boost TFP growth via static and dynamic efficiency
- Distance to technology frontier approach
- Relatively modest role for product market regulation; strong role for R&D and ICT
- Reform effort measured by number of reforms
Questions/comments

- What could explain the halt of the catch-up process? How to revitalise?
- Number of reforms may not be an accurate proxy of reform effort (level of ambition varies)
- What are the transmission channels through which reforms affect the economy? E.g. product market reforms increase firm entry, which in turn boosts innovation (Aghion)
General challenges in this work strand

- How to "truly" measure reform efforts?
- How to translate reform efforts into economic outcomes, identifying relevant transmission channels? Also to detect bottlenecks
- Important to consider impact of regulation on allocative efficiency, as focus on prices may underestimate total effect (need micro data)
- Policy mix (complementarity) / timing / distance to frontier
- Issues in measurement: recent sectoral data a la EU KLEMS scarce
Example of translation exercise; Retail reform in Spain

- Spanish reform to simplify opening of small retail enterprises in 2012
- Retail PMR after the reform is 2.88 (i.e. the published number for 2013)
- "Backward engineering" of the PMR using the questionnaire behind the PMR yields a PMR before the reform of 3.61
- This change in PMR is estimated to decrease mark-ups in retail from 14.3% to 11%