

Drometer, Marcus

Article

Market Competition and Product Market Regulation

CESifo DICE Report

Provided in Cooperation with:

Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

Suggested Citation: Drometer, Marcus (2014) : Market Competition and Product Market Regulation, CESifo DICE Report, ISSN 1613-6373, ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München, München, Vol. 12, Iss. 1, pp. 58-59

This Version is available at:

<https://hdl.handle.net/10419/167157>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

MARKET COMPETITION AND PRODUCT MARKET REGULATION

There are good reasons to regulate markets: to safeguard consumers, to protect investors or avoid damage to third parties and protect the environment. But regulation is costly: products become more expensive for consumers and entrepreneurs and investors may be discouraged from entering the market. As a result, product market regulation might inhibit market competition thereby reducing productivity and growth.¹ Aware of the need to make regulation competition-friendly, the OECD has developed indicators of product market regulation that measure the degree to which policies promote or inhibit competition.²

The indicator for product market regulation measures the economy-wide regulatory and market environments in OECD countries and some non-OECD countries in 1998, 2003, 2008 and 2013. It is based on qualitative information mainly derived from answers to a questionnaire by national administrations and covers both general and sectoral regulatory issues in the areas of “state control”, “barriers to entrepreneurship” and “barriers to trade and investment”.³ The lower the value of the indicator, the more competition-friendly a country’s product market regulation is.

The development of the product market regulation indicator over time is shown in Figure 1 for a restricted sample of OECD countries. From the descriptive statistics several insights are evident:⁴ firstly, regulation impediments to competition have declined in recent years. Secondly, the regulatory environments in countries that formerly had comparatively restrictive policies have become a lot more liberalised. As a result of this convergence process, product market regulation has become more homogenous across the OECD. Finally, after an earlier period with substantial success in improving the competition friendliness of regulation, a ceiling seems to have been reached. The latest comparison of the indicator of product market regulation across countries is shown in Table 1. Due to the historical convergence process, only minor differences remain.

Marcus Drometer

References

- OECD (2014), *Economic Policy Reforms 2014: Going for Growth Interim Report*, OECD Publishing, doi: 10.1787/growth-2014-en.
- OECD (2013), Product Market Regulation Database, www.oecd.org/economy/pmr.
- Wölfl A., I. Wanner, T. Kozluk and G. Nicoletti (2009), *Ten Years of Product Market Reform in OECD Countries: Insights from a Revised PMR Indicator*, OECD Economics Department Working Papers 695, OECD Publishing, Paris.
- Nickell, S. J. (1996), “Competition and corporate performance”, *Journal of Political Economy* Vol. 104, 724–746.

¹ See, for example, Nickell (1996).

² For a recent update see OECD (2013).

³ See Wölfl et al. (2009).

⁴ For further details compare Wölfl et al. (2009).

Figure 1

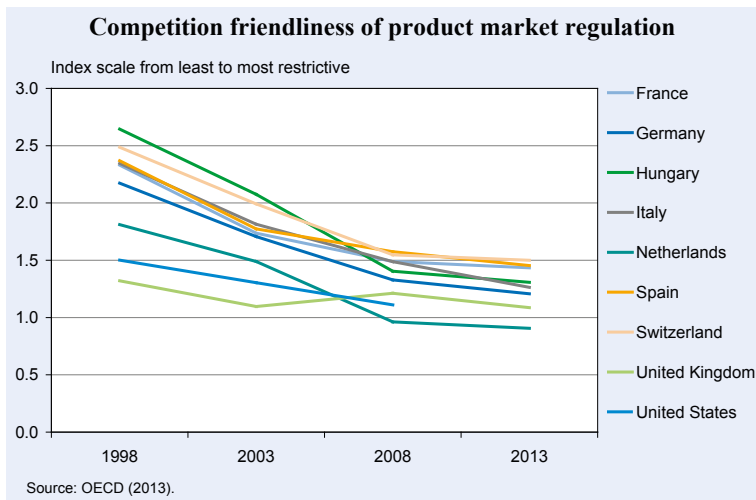


Table 1

Product market regulation: overall PMR score 1998-2013

	1998	2003	2008	2013
Austria	2,11	1,60	1,35	1,17
Belgium	2,25	1,62	1,55	1,39
Bulgaria				1,57
Czech Republic	2,63	1,87	1,50	1,39
Denmark	1,65	1,48	1,31	1,22
Estonia			1,38	1,33
Finland	1,94	1,49	1,34	1,29
France	2,33	1,74	1,49	1,43
Germany	2,17	1,71	1,33	1,21
Greece	2,71	2,45	2,19	1,68
Hungary	2,65	2,08	1,40	1,31
Ireland	1,85	1,58	1,38	1,44
Italy	2,35	1,81	1,49	1,26
Netherlands	1,81	1,49	0,96	0,91
Portugal	2,55	2,09	1,70	1,30
Slovak Republic		1,93	1,57	1,31
Slovenia			1,99	1,80
Spain	2,37	1,77	1,58	1,45
Sweden	1,88	1,50	1,64	1,55
United Kingdom	1,32	1,10	1,21	1,09
Iceland	1,99	1,50	1,45	1,46
Norway	1,87	1,55	1,50	1,49
Switzerland	2,49	1,99	1,55	1,50
Australia	1,70	1,31	1,43	1,26
Canada	1,85	1,58	1,48	1,37
Japan	2,22	1,48	1,54	1,51
Korea	2,49	1,89	1,88	1,88
New Zealand	1,45	1,29	1,22	1,27
United States	1,50	1,30	1,11	

Index scale 0 to 6 from least to most restrictive. Empty cells: data not available.

Source: OECD 2014.