

BRIEFING NOTE

Pro-competitive product market reforms

Topic: The Empirical Price Impacts of Product Market Reforms and Competition Regulation

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Keywords:

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Executive Summary

- This comprehensive empirical study examines the price effects of product market reforms executed globally between 1932 and 2011. Utilizing a newly constructed dataset derived from an Organisation for Economic Co-operation and Development (OECD) research initiative—encompassing 305 quantitative reform observations across 39 jurisdictions—the study evaluates how regulatory changes impacting competition alter consumer and purchaser prices. Transitioning from a restrictive regulatory regime to a pro-competitive environment yields a **median price decline of 19%** (with quantile regression model estimates ranging from **16.0% to 24.1%** across specifications).

I. Key Takeaways

- **Substantial Price Reductions from Pro-Competitive Reform:** Transitioning from a restrictive regulatory regime to a pro-competitive environment yields a **median price decline of 19%** (with quantile regression model estimates ranging from **16.0% to 24.1%** across specifications).
- **Economic vs. Social Regulation Disparity:**
- **Economic Deregulation** (removing market-entry barriers, price controls, or industry protections) is associated with price declines between **16.0% and 24.2%**.
- **New Social Regulation** (enacted for health, safety, environmental, or financial stability goals) leads to an average price increase of **8.9%** (mean impact up to **11.7%**).
- **Social Deregulation** (eliminating or streamlining older social restrictions) results in price drops ranging from **16.1% to 22.9%**.
- **Empirical Validation of Special Interest Capture:** Anti-competitive economic regulations that lack an explicit social justification produce price increases comparable to those generated by illegal private cartels or monopolies. This provides robust multi-study empirical support for **Public Choice Theory** (e.g., Stigler, Peltzman, Becker), indicating that special interest lobbying successfully extracts large economic rents through favorable state regulation.
- **Policy Recommendation:** Government agencies and regulatory bodies should prioritize the removal of unnecessary anti-competitive restrictions, as purchaser gains (for both business intermediate buyers and end consumers) from pro-competitive reform average roughly **19%**.

II. Most Important Ideas and Facts:

The Macroeconomic Imperative

Policymakers face an ongoing dilemma: balancing competition-enhancing regulatory reforms against necessary social, environmental, and public health objectives. Recent academic debates have raised questions regarding the effectiveness of market-liberalization policies in driving real-world product outcomes. However, the costs of unaddressed market power remain severe:

- **GDP Losses:** Overall market power causes estimated annual GDP losses between **1.7% and 7.7%** (Posner 1975; Cowling & Mueller 1978; Akcigit et al. 2021).
- **Rising Markups:** Corporate markups have expanded globally from **21% to 61%** (De Loecker et al. 2020), with regulatory costs accounting for an estimated 31%–37% of that increase (Singla 2023).
- **Wealth Inequality:** Unchecked market power generates **12% to 21%** of the total wealth held by the top 1% of society (Ennis et al. 2019). Despite more than 300 individual microeconomic ex-post studies evaluating specific product market reforms, literature lacked a broad, systematic cross-country synthesis calibration. This study fills that gap.

Dataset Characteristics and Methodology

The underlying data originates from an OECD project collecting 488 academic papers, government reports, working papers, and think-tank studies, obtain 305 final observations of competition-affecting regulatory reform.

- **Inclusion Criteria:** Papers focusing on government regulatory changes with potential impacts on competition based on the **OECD Competition Assessment Toolkit checklist**.
- **Quantitative Focus:** Approximately 90% of papers with quantitative impact statements evaluated **price changes**. The remaining 10% focused on cost, quality, or output (which were excluded due to small sample sizes preventing robust regression analysis).
- **Final Sample:** **305 price observations** across 39 jurisdictions (1932–2011).
- **Quality Control:** Independent double-coding by analysts with mandatory arbitration for categorization disputes.

Sample Distribution Characteristics

- **Geographic Breakdown:** The United States accounts for **50% of observations**, reflecting high research volume rather than a higher proportion of total global reforms.
- **Temporal Breakdown:** Reforms using data starting in the 1991–2000 decade represent **39% of total observations**, reflecting a wave of deregulatory activity.
- **Publication Sources:** Academic journals (36%), Government reports (35%), Third-party/Think-tank reports, book chapters, and working papers (29%).

Categorization of Regulatory Interventions

The study establishes a taxonomy dividing reforms by broad policy intent and by specific competition distortions mapped directly to antitrust concepts.

Policy Type Breakdown

Policy Classification, Definition / Scope	Obs. (N)	Mean Price Change	Median Price Change
Economic Deregulation, Removal of price, entry, or capacity controls in structural/infrastructure industries	182	-23.6%	-20.0%
Social Deregulation, Streamlining or removing restrictions originally intended for non-economic societal goals	69	-20.2%	-16.7%
Social Regulation, Introduction of new rules for health, safety, environmental, or stability reasons	54	+11.7%	+8.8%

Sectoral Distribution & Motives

- **Sectors Examined:** Transport (90 obs.), Occupational Professions (70 obs.), Energy (38 obs.), Telecommunications (36 obs.), Distribution (35 obs.), Other Manufacturing (18 obs.), Financial Services (14 obs.), Food Industry (13 obs.), and Pharmaceuticals (11 obs.).
- **Primary Regulatory Purposes:** Safety & Quality (115 obs.), Natural Monopoly control (112 obs.), Universal Service Obligations (81 obs.), Industry Protection (72 obs.), Health (65 obs.), Congestion management (49 obs.), Food/Commodity Safety (49 obs.), Environmental protection (31 obs.), Intellectual Property Rights (16 obs.), and Financial Protection (14 obs.).

Detailed Breakdown of OECD Categories

Antitrust Category / OECD Sub-category	Mean Price Effect	Median Price Effect	Observations (N)
Abuse of Dominance / Monopolization Analogues	-20.00%	-15.00%	202
1. Grants exclusive supply rights	-20.00%	-12.00%	44
2. Significantly raises cost of entry or exit	-16.00%	-16.00%	12
3. Creates geographic supply/labor/capital barriers	-13.00%	-12.00%	17
4. Establishes required licenses permits or authorizations	-22.00%	-17.00%	89
5. Limits ability of specific supplier types to operate	-14.00%	-9.00%	12
6. Sets non-neutral product quality standards	-18.00%	-13.00%	19
7. Discriminatorily raises production costs for new entrants	-28.00%	-18.00%	7
Facilitates Collusion Analogues	-21.00%	-17.00%	83
1. Limits sellers' ability to set prices	-23.00%	-15.00%	38
2. Limits freedom to advertise or market goods/services	-18.00%	-20.00%	14
3. Creates self-regulatory or co-regulatory regimes	-25.00%	-24.00%	9
4. Mandates publication of pricing output or cost data"	-22.00%	-16.00%	5
5. Exempts specific industries from general competition law	-18.00%	-10.00%	20
Consumer Protection Analogues	-27.00%	-19.00%	20
1. Limits consumer choice regarding supplier selection	-29.00%	-21.00%	11
2. Increases explicit/implicit customer switching costs	-23.00%	-18.00%	9

Empirical Results and Econometric Modeling

The study evaluates the dependent variable Price (percentage price reduction moving to a more competitive state) using both Ordinary Least Squares (OLS) and **Quantile Regressions** . Quantile regressions are emphasized as the primary specification because they control for potential publication selection bias (where studies with near-zero effects might be underreported in academic journals).

Core Findings

- **Central Tendency of Deregulation:** Summing the constant and economic deregulation coefficients yields total median price declines between **16.0% and 24.2%** across specifications.
- **Special Interest Capture Confirmation:** The baseline price impact from anti-competitive regulation (15%–19%) closely matches empirical overcharge estimates from **cartelized industries** . Because anti-competitive economic regulations lack a social justification, special interest rent-seeking (lobbying) is a likely primary explanation for their existence.

- **Sector Dynamics:**
- **Financial Protection:** Consistently yields statistically significant price reductions post-deregulation (-17.7% to -22.0%).
- **Telecommunications:** Studies frequently report large price declines following deregulation, heavily supported by rapid underlying technological innovation.
- **Consumer Mobility Restrictions:** Rules that artificially increase customer switching costs or limit choice show massive price drops (-23% to -29% mean) when eliminated.
- **Statistical Invariance Across Typologies:** Individual dummies for OECD distortion types (abuse vs. collusion) were not statistically distinct from one another. This indicates that price distortions across all anti-competitive categories are uniformly high, rather than driven by one specific type of restriction.

Strategic Policy Considerations: Navigating Trade-offs

The Tension Between Competition and Social Policy

Social regulations (environmental standards, occupational safety, health protection) often intentionally reduce the number of active market participants or raise production costs, leading to an **8.9% average price premium**.

Social Goals via Market-Based Mechanisms

To avoid unnecessary price inflation, policymakers should design social regulations that incorporate market-based instruments rather than rigid command-and-control restrictions:

- **Case Study - Airport Congestion:** Traditional slot controls at airports restricted market entry, consolidating airline concentration and elevating passenger fares.
- **Market-Based Alternative:** Replacing legacy slot controls with **peak-period congestion pricing and competitive slot auctions** mitigates congestion while maintaining competitive downward pressure on passenger airfares (Morrison & Winston 1997; Ros 2011).

Methodological Limitations and Scope

The authors explicitly outline key caveats to ensure proper interpretation of the empirical findings:

- **Lack of Product Market Uniformity:** Analyzed product markets feature differentiated price dynamics; findings represent central tendencies rather than guaranteed precise outcomes for a single specific industry.
- **Time Horizon Amalgamation:** Original study variances prevent isolating short-run immediate price adjustments from long-run structural price equilibrium changes.
- **Unobserved Technical Progress:** Control groups in prior literature may not fully separate regulatory price declines from simultaneous background technological developments.
- **Omission of Non-Price Factors:** The dataset cannot capture changes in product quality, environmental cleanliness, safety records, or service innovation accompanying social regulations.
- **Publication Selection Bias Risk:** Although quantile regressions were implemented to mitigate bias against zero-effect studies, publication selection in primary literature remains an inherent constraint.

III. Quotes

"The best estimate of price association with regulatory change towards more competitive outcomes is about a 19% reduction (the median change)... The findings support the view that special interests obtain large benefits from favorable regulation." (Ennis & Thanacoody, 2026, pp. 1–2)

"The results found here are useful for considering potential trade-offs between pro-competitive regulation reforms and product regulations implemented for social reasons... Perhaps most importantly, they suggest that regulatory agencies or government departments should place high priority on removing anti-competitive regulations, because the purchaser gains from such improved regulation could be on the order of 19%." (Ennis & Thanacoody, 2026, p. 10)

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