

Regulation, Allocative Efficiency and Productivity in OECD Countries: Industry and Firm-Level Evidence

This paper relates diverging productivity performances across OECD countries over the past fifteen years to differences in the stringency of regulations in the product market. We first summarize industry-level evidence linking these diverging patterns to delays in service markets reforms in the wake of the ICT shock. The evidence we survey suggests that, especially in continental EU countries, tight regulation of services has slowed down growth in ICT-using sectors, which use intermediate service inputs intensively. Based on harmonised cross-country firm-level data, we then provide new evidence that one of the key channels through which inappropriate service regulations affect productivity growth is by hindering the allocation of resources towards the most dynamic and efficient firms. At the industry level, resources were allocated less efficiently across firms in countries where service regulations are less market-friendly. Firmlevel econometric estimates confirm that anti-competitive service regulations hamper productivity growth in ICT-using sectors, with a particularly pronounced effect on firms that are catching up to the technology frontier and that are close to international best practice. In other words, regulations hurt in particular those firms that have the potential to excel in domestic and international markets.

LinkToContentAt: <http://dx.doi.org/10.1787/241447806226>

Knowledge Type: [Thematic report](#) [1]

Other Tag: [industry level](#) [2]

[technology adoption](#) [3]

[resource allocation](#) [4]

[product market](#) [5]

[adoption](#) [6]

[innovation incentives](#) [7]

[market regulation](#) [8]

[labour market regulations](#) [9]

[productivity](#) [10]

[worker productivity](#) [11]

[regulatory burden](#) [12]

[foreign direct investment](#) [13]

Source URL: <https://www.innovationpolicyplatform.org/document/regulation-allocative-efficiency-and-productivity-oecd-countries-industry-and-firm-level>

Links

[1] <https://www.innovationpolicyplatform.org/knowledge-type/thematic-report-0>

[2] <https://www.innovationpolicyplatform.org/topic/industry-level>

[3] <https://www.innovationpolicyplatform.org/topic/technology-adoption>

[4] <https://www.innovationpolicyplatform.org/topic/resource-allocation>

[5] <https://www.innovationpolicyplatform.org/topic/product-market>

[6] <https://www.innovationpolicyplatform.org/topic/adoption>

[7] <https://www.innovationpolicyplatform.org/topic/innovation-incentives>

[8] <https://www.innovationpolicyplatform.org/topic/market-regulation>

[9] <https://www.innovationpolicyplatform.org/topic/labour-market-regulations>

[10] <https://www.innovationpolicyplatform.org/topic/productivity>

[11] <https://www.innovationpolicyplatform.org/topic/worker-productivity>

[12] <https://www.innovationpolicyplatform.org/topic/regulatory-burden>

[13] <https://www.innovationpolicyplatform.org/topic/foreign-direct-investment>