Common ownership and competition: Evidence from the cement industry?

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Discussant

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Overall view

- The paper studies the impact of Common Ownership on prices, through collusion, in the cement industry in Germany and in a set of European Countries.
- The paper is well written and clear.
- The industry is a typical case of a Cournot model, with homogeneous products and high barriers to entry.
- The results are mainly of a negative nature, with some differences between the Germany and the Panel multicounty estimations, the key result is that there is no association between Common Ownership and prices
- The paper addresses this issue in a new country/industry setting. It uses secondary data, but well searched and merged data sets, not accounting data.

Comments
A fascinating data strategy

- I found very interesting the use of data on Carbon credits as a proxy for market shares.
- This is a more general issue, as too often revenue-based market shares do not separate properly for different revenue generating products and markets.
- The authors address this problem by mapping plant-based emissions credits to company data.
- Common ownership is measured via the Modified HHI delta (MHHI delta), as described in the presentation.
- This allows to see that while concentration in the industry has not changed significantly, Common ownership did.
- The dependent variable is the price index of cement

The key point: Endogeneity discussion

- In the original estimation problem, there are clear endogeneity issues:
  - While clearly prices depend on the cement production, cement production also depends on prices.[reversed causality]
- This is a clear case whereby prices should emerge from a system of simultaneous equations, capturing supply and demand of cements and clearly the other variable of interest, such as the MHHI delta to capture the impact of common ownership.
- The paper addresses this by introducing two instrumental variables:
  - Temperatures and the index of Volumes of construction.
- While temperatures are well explained, both in their relevance and exclusion conditions, I think a better discussion of the second instrument (Volumes of construction) would be beneficial. In particular, the exclusion condition.
- Is your claim that the prices of cement and of volume of construction are not correlated other than through the endogenous variable “cement production”?
- This might be convincing but should be better motivated in the paper