

# Competition and growth: a pragmatic approach

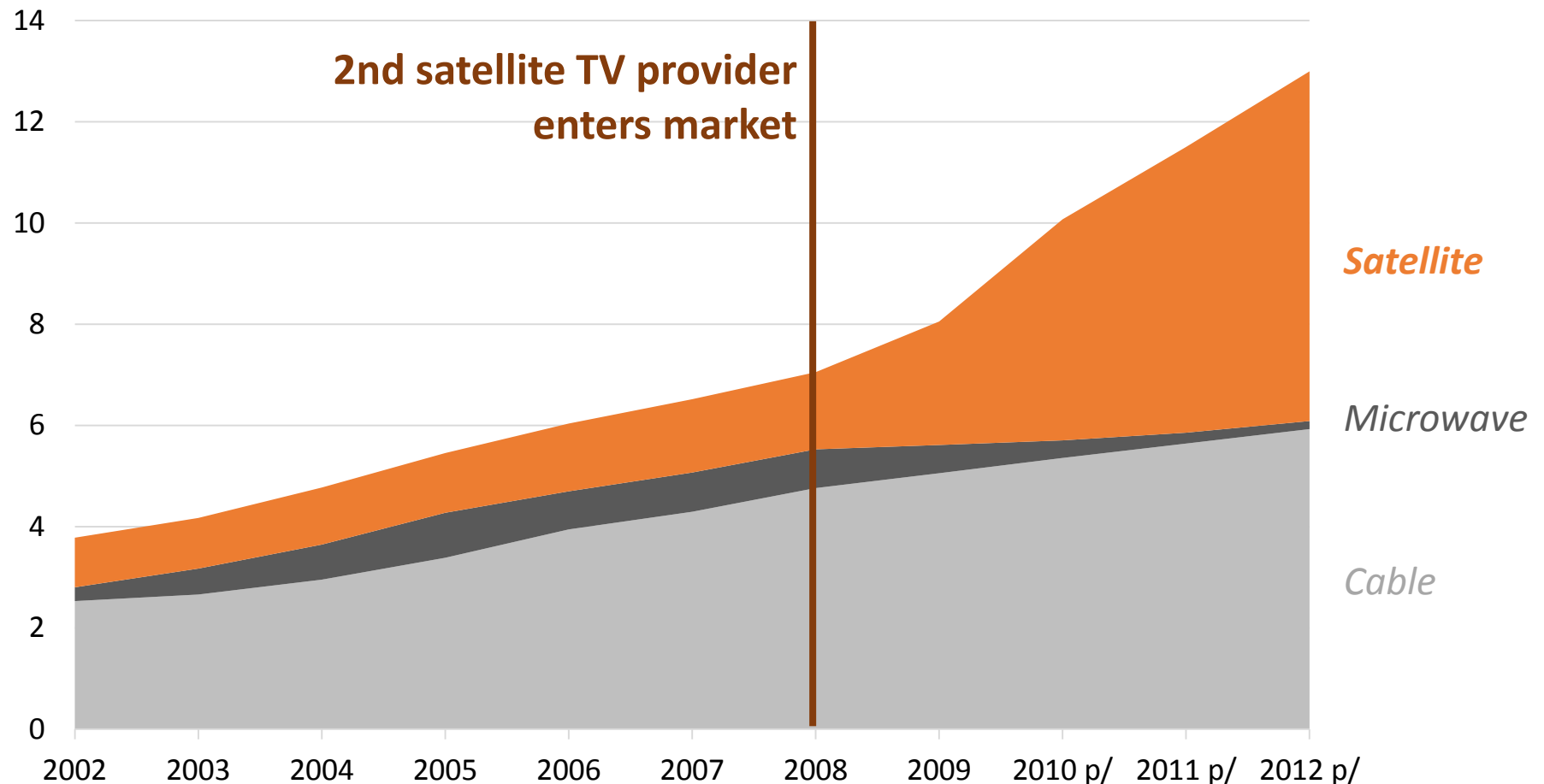
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# Sectoral evidence I: Removal of entry barriers boosts output and consumption

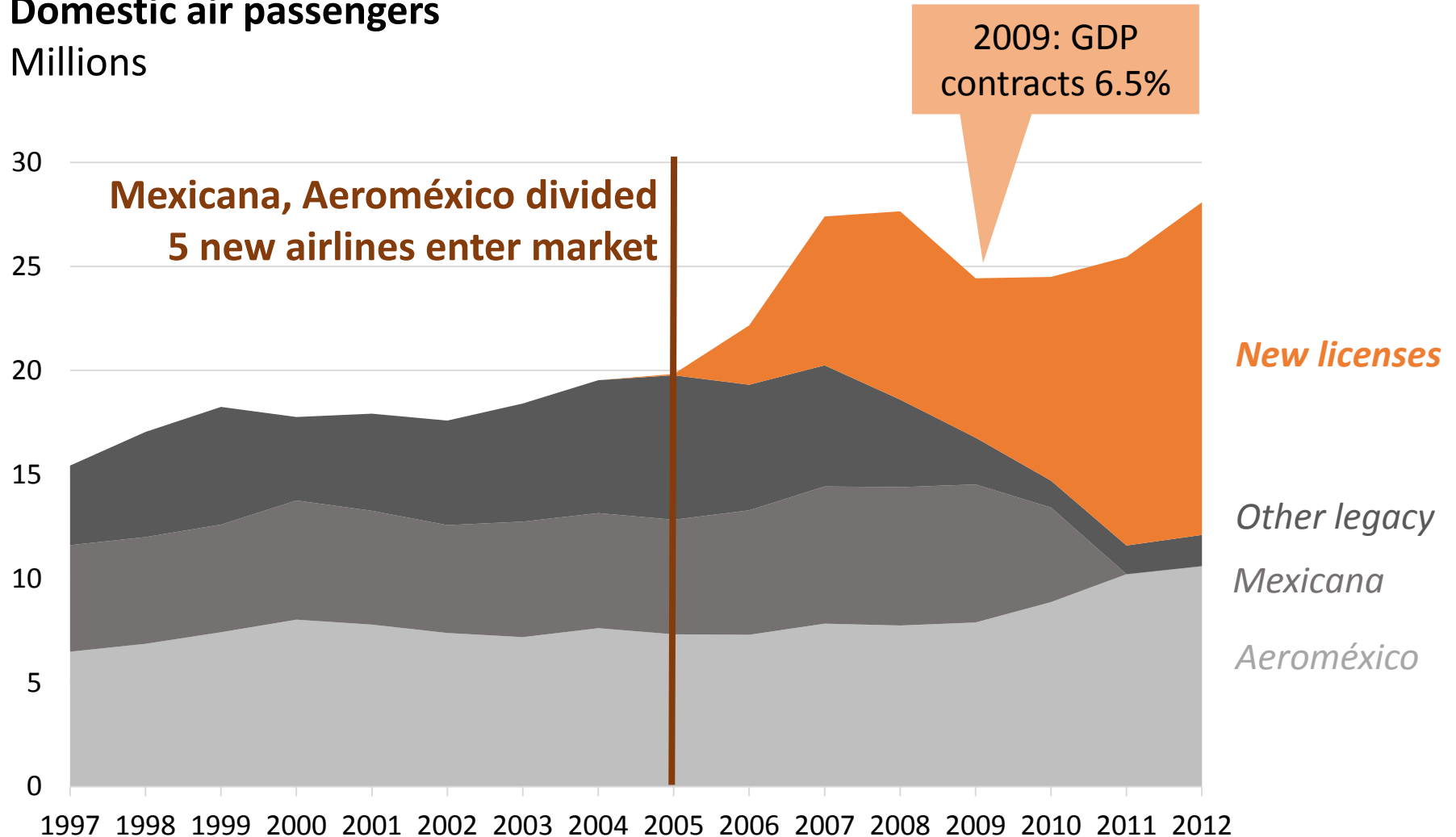
## Households with pay TV

By technology, millions



# Sectoral evidence I: Removal of entry barriers boosts output and consumption (cont.)

**Domestic air passengers**  
Millions



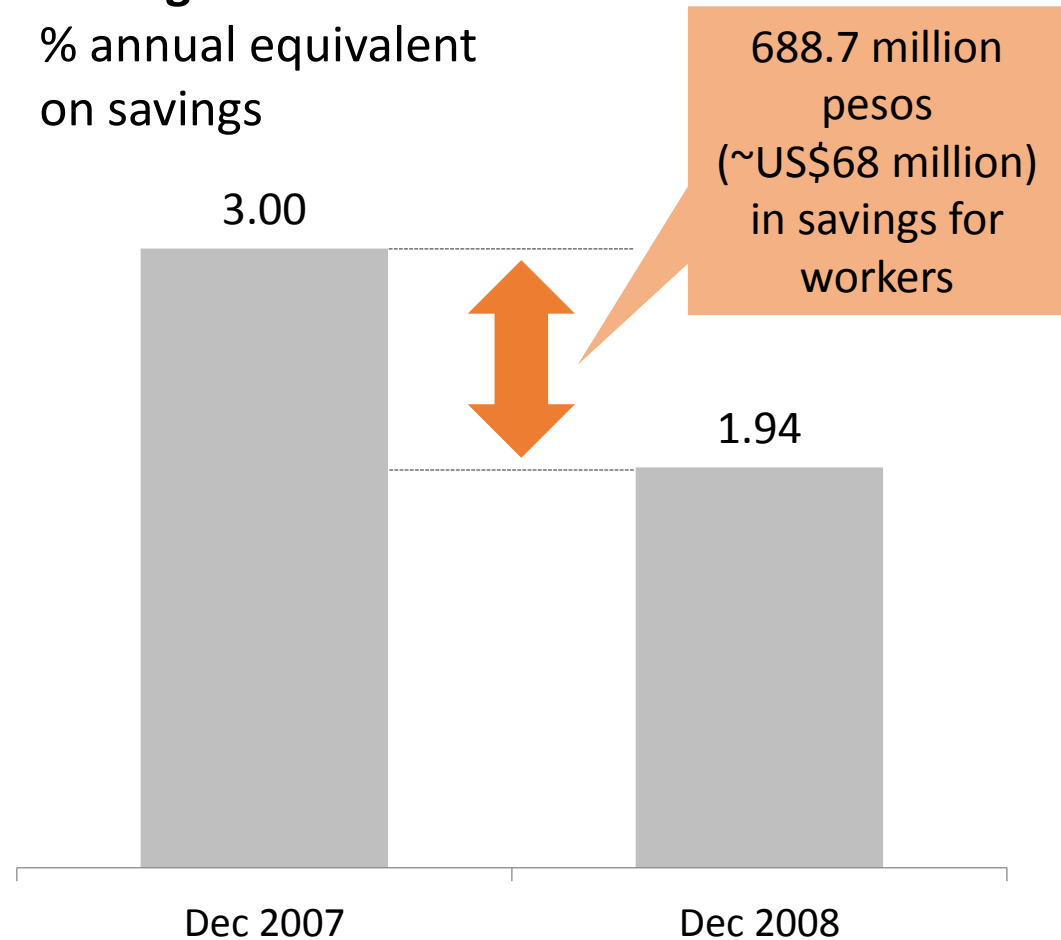
Source: Secretaría de Comunicaciones y Transportes – Dirección General de Aeronáutica Civil; Instituto Nacional de Estadística y Geografía

# Sectoral evidence II: Clearer price signals make markets work better

## Mexican pension system

- Fully funded  $\Rightarrow$  savings plus net yield determine future pension
- Until 2008, combination of commissions on stocks and flows made commissions impossible to compare for laypersons
- In 2008, law amended to prohibit commissions on flows  $\Rightarrow$  remaining commissions readily comparable

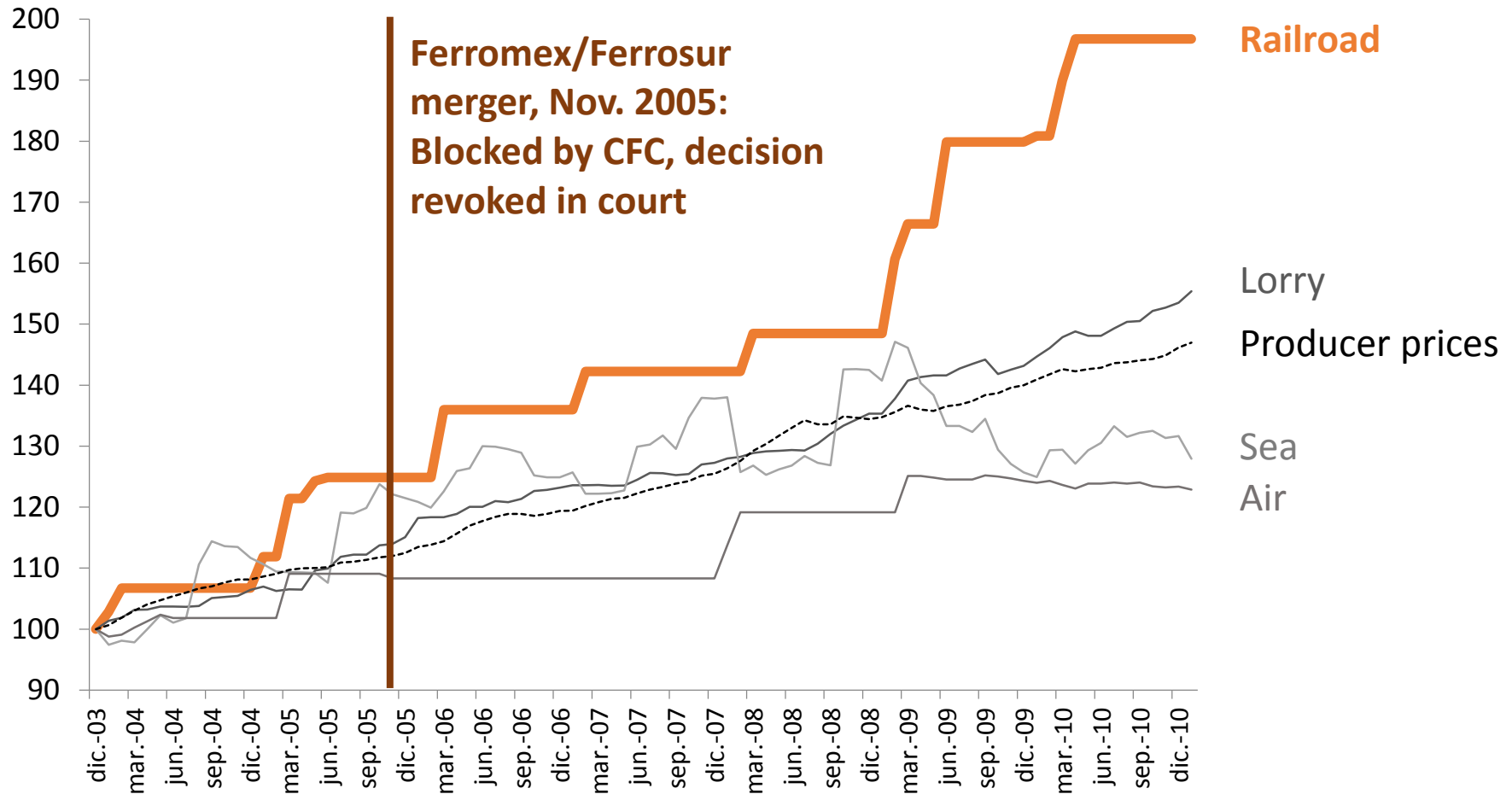
## Average commission % annual equivalent on savings



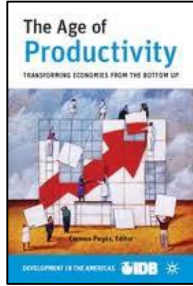
# Sectoral evidence III: Unchecked dominance leads to higher prices

## Freight transport prices

Index 2003=100

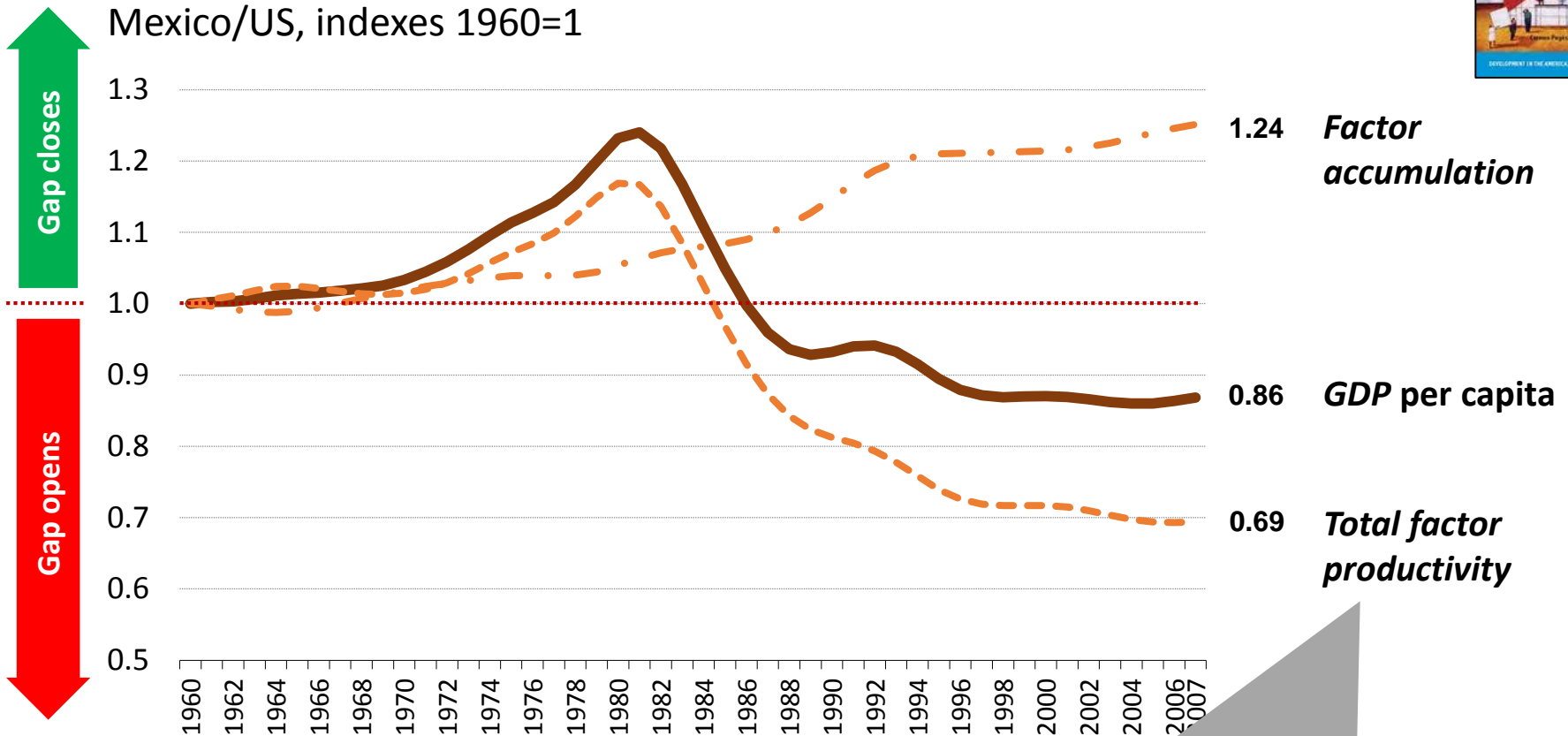


# The broader story: competition, productivity and growth



## Mexico and US GDP *per capita* and its determinants

Mexico/US, indexes 1960=1

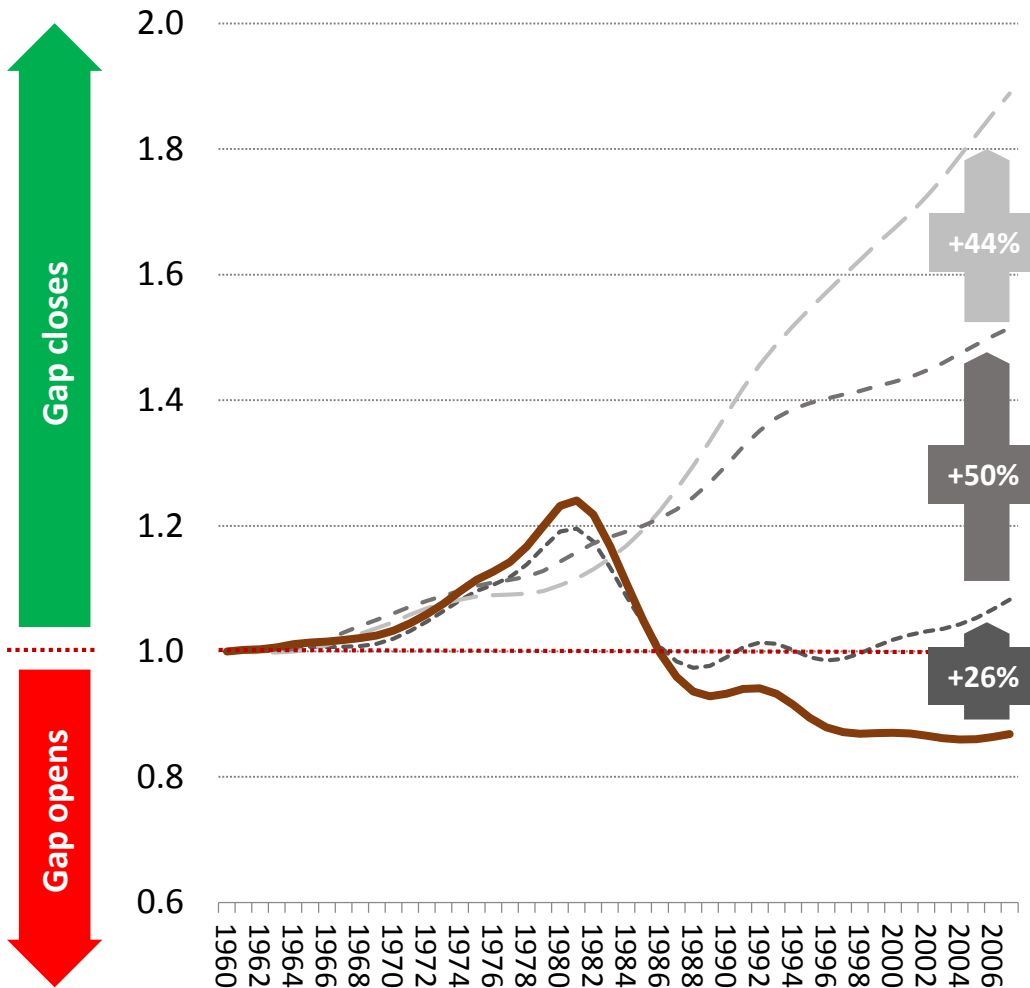


Source: Interamerican Development Bank, *The age of productivity*.  
 Quote on p. 15; graph cited in S. Levy, *Crecimiento, productividad e informalidad en México*, presentation 22/11/2010.

*“With terrifying frequency, productivity is the innocent victim of [economic agents] that are highly profitable not because they are productive but because they extract income through special concessions or special regulations.”*

# The (significant) long-term potential

**Mexico and US GDP *per capita***  
Mexico/US, indexes 1960=1



**Scenario**  
Assumptions

**GDP per capita 2007**  
US\$

Productivity, investment stay on 1960-1977 trend	\$24,216
Productivity stays on 1960-1977 trend	\$19,382
Investment stays on 1960-1977 trend	\$13,844
None (actual performance)	\$11,119

US 2007 \$43,089

Notes: Investment only includes physical capital accumulation. All percentages calculated vis-a-vis actual performance.

Source: Interamerican Development Bank, *The age of productivity*, quoted in S. Levy, *Crecimiento, productividad e informalidad en México*, presentation 22/11/2010.

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