



Discussion of “Competition and Innovation: The Breakup of IG Farben”

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An Exciting New Paper

- Main takeaways
 - ▶ Breakup of IG Farben increased product market competition
 - ▶ Additional suppliers entered and prices declined
 - ▶ Patenting greatly increased, driven by domestic, non-IG Farben firms
- Significant empirical contribution to the growing literature on innovation and competition
 - ▶ Study of a unique antitrust event
 - ▶ Provides guidance for how antitrust policy should think about innovation effects in mega mergers (e.g., Dow-DuPont and Bayer-Monsanto)
 - ▶ Maybe we can even learn something for “The Big Tech Antitrust War” ...
- **Disclosure Statement**
 - ▶ I am incredibly biased in favor of this paper given my own work on this topic
 - ▶ I encourage more work on this topic.
 - ▶ (There is even a mention of widespread common ownership in post-war Germany in the conclusion!)

A Few Minor Comments

- Did prices decline because of new entry? Or did prices decline even before the new entrants?
 - ▶ Patent effects suggest that much of the increase is driven by non-IG Farben firms?
 - ▶ Is the same true for prices?
- Why aren't the firm number regressions using the "exposure to the breakup" variable?
 - ▶ If more IG Farben successors are active in a product market isn't that just an indicator of how profitable that product market is and hence we would expect more firms to be active.
 - ▶ But that has little to do with the breakup itself!
- Given that you already look at entry, why not look at exit from product categories as well?
 - ▶ I would love to see more details on product mix repositioning as hinted at in Figure 5

More Intuition and Clarity

- This paper reminds me a lot of the outstanding papers by Watzinger, Fackler, Nagler & Schnitzer (AEJ Policy 2020) and Watzinger & Schnitzer (2021)
 - ▶ The present paper is just as good so I would not shy away from making a direct comparison
 - ▶ There is no need to stuff discussion of those papers into a short footnote
- Regression tables are very difficult to understand
 - ▶ Much of the explanation of the coefficients is stuffed into the caption with tiny fonts
 - ▶ A lot more step-by-step explanation of the Tables 2, 3, 6 (and 7) would go a long way to reduce confusion
- Discussion of estimated magnitudes for entry, prices, and innovation is curiously absent
 - ▶ How do these compare with other estimates in the literature?

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- ... I don't really buy the assumption that the breakup was imposed because of IG Farben's importance for the German war economy instead of standard antitrust concerns.
 - ▶ Allied competition policy even specifically targeted cartels, often led by IG Farben
 - ▶ If the allies tried to cripple the German war machine, if anything this breakup produced the opposite effect.
- But that's okay! Even if this breakup was done for antitrust reasons this is an incredibly informative study
 - ▶ Interpretation of magnitudes (and causality) would have to be a bit more careful, but the paper already does that anyway

Conclusion

- What this paper says
 - ▶ Breakup of a particularly dominant incumbent increased product market competition, increased entry, lowered prices, and increased innovation
 - ▶ An all-around victory for antitrust policy!
- What this paper does **not** say
 - ▶ There is no trade-off between innovation and competition
 - ▶ Breaking up any dominant incumbent is good for innovation
- An intriguing paper
 - ▶ Shows big potential of combining economic history, industrial organization, and innovation
 - ▶ Interdisciplinary work is difficult, but pays off!

Thank You!

