

WWZ Economics Lunch  
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# "Quality Competition and Common Ownership"

### **Abstract**

We study the effects of common ownership in markets with quality competition. This paper considers common ownership in an oligopolistic market where firms compete in both product qualities and prices. We show that common ownership may lead firms to internalize their rivals' profits such that incentives for distorting quality are mitigated. We find that common ownership may be welfare enhancing in markets where a quality distortion exists if it either increases the market quantity or its positive quality effect dominates the negative effect from reducing market quantity. Our results are robust if firms, next to the quality dimension, compete in quantities instead of prices.