SELECTED PAPERS ON THE

Common Ownership Hypothesis

Papers Advancing the Common Ownership Hypothesis or Offering Policy Measures Based on This Hypothesis

- Einer Elhauge, ***Horizontal Shareholding***, 129 Harvard Law Review 1267 (2016). This paper argues that common ownership can help explain fundamental economic puzzles, including why corporate executives are rewarded for industry performance rather than individual corporate performance alone, why corporations have not used recent high profits to expand output and employment, and why economic inequality has risen in recent decades. The paper also argues that common ownership that creates anticompetitive effects is illegal under current antitrust law and recommends antitrust enforcement actions to reduce this type of common ownership.
- Jie (Jack) He and Jiekun Huang, ***Product Market Competition in a World of Cross-Ownership: Evidence from Institutional Blockholdings***, Review of Financial Studies, 30, (2017). This paper finds common owners' portfolio firms experience significantly higher market share growth than other firms in the same industry. Common owners facilitate product market collaboration among their portfolio firms (e.g., joint ventures, strategic alliances, or acquisitions) and improve firms' innovation productivity and operating profitability.
- Eric A. Posner, Fiona Scott Morton, and E. Glen Weyl, ***A Proposal to Limit the Anti-Competitive Power of Institutional Investors***, Antitrust Law Journal, 81(3), (2017). This paper argues for the following restriction on common ownership: no institutional investor or individual holding shares of more than a single effective firm in an oligopoly may ultimately own more than 1 percent of the market share unless the entity holding shares is a freestanding index fund that commits to being purely passive.
- José Azar, Martin C. Schmalz, and Isabel Tecu, ***Anti-Competitive Effects of Common Ownership***, Journal of Finance, 73(4), (2018). This paper (the "Airline Paper") asserts that an increase in common ownership coincided with airline seat ticket prices rising from anywhere between 3 and 7 percent during the 2001 to 2014 period.
- Einer Elhauge, ***How Horizontal Shareholding Harms Our Economy—And Why Antitrust Law Can Fix It***, Harvard Business Law Review, 10 (2020). This paper reviews some critiques on earlier empirical studies of the anti-competitive effect of common ownership and concludes that those critiques do not hold water. It also cites new empirical evidence of the anticompetitive effect and provides new legal theories for tackling such antitrust problems.
- Eric A. Posner, ***Policy Implications of the Common Ownership Debate***, Antitrust Bulletin, 66(1), (2021). This paper argues that common owners have the incentive and capacity to influence firms in their portfolios. This paper reviews proposals to limit the impact of common ownership in the antitrust setting, including regulation of corporate governance, regulation of market structure, regulation of compensation of management, and stricter antitrust enforcement of portfolio firms.

» José Azar, Sahil Raina, and Martin C. Schmalz, ***Ultimate Ownership and Bank Competition***, Financial Management (2022). This paper (the "Banking Paper") claims to find that an increase in common ownership, as proxied by inclusion of a stock in an index, led to higher fees and lower interest rates for individual deposit accounts between 2004 and 2013.

» Miguel Antón, Florian Ederer, Mireia Giné, and Martin C. Schmalz, ***Common Ownership, Competition, and Top Management Incentives***, Journal of Political Economy, 131(5), (2023). The authors argue that common ownership deters company managers from competing aggressively with rivals. This, they say, is evidenced by executive compensation practices.

Papers Critiquing the Common Ownership Hypothesis and Associated Policy Proposals

» Elaine Buckberg, Steven Herscovici, Branko Jovanovic, and James Reitzes, ***Proposal to Remedy Horizontal Shareholding Is Flawed***, Law360 (2017). This paper questions the validity of the common ownership hypothesis and argues that the proposed legal remedies are both premature and flawed given the harm that they would do to investors and to the real economy.

» Committee on Capital Markets Regulation, ***Common Ownership and Antitrust Concerns***, (2017). This paper reviews the literature supporting the common ownership hypothesis and finds that the hypothesis is unproven. The paper further argues that no solution is necessary to a problem that is not proven to exist.

» Jacob Gramlich and Serafin Grundl, ***Testing for Competitive Effects of Common Ownership***, Finance and Economics Discussion Series, Washington: Board of Governors of the Federal Reserve System (2017). This paper, by Federal Reserve staffers, uses a distinct methodology to measure the effect of common ownership. Preliminarily, the authors conclude that the results found in the ***Banking Paper*** are not robust and that statistical evidence of common ownership impacting competition is mixed. The authors also note that more research is needed before any conclusions about the effect of common ownership on competition in any industry may be drawn.

» Pauline Kennedy, Daniel. P. O'Brien, Minjae Song, and Keith Waehrer, ***The Competitive Effects of Common Ownership: Economic Foundations and Empirical Evidence***, Working Paper (2017). This paper analyzes data from the airline industry using two different empirical approaches to estimate the effects of common ownership on airline prices. The two approaches serve as checks on each other and past research on this subject. Both analyses find no evidence that common ownership has raised airline prices.

» Barbara Novick, *et. al*, ***Index Investing and Common Ownership Theories***, BlackRock View Point, (2017). This paper supplies an industry perspective on common ownership and argues that placing limits on the ability of asset managers to make investments will essentially put the onus back on asset owners to create diversified portfolios.

» Daniel P. O'Brien and Keith Waehrer, ***The Competitive Effects of Common Ownership: We Know Less than We Think***, 81 Antitrust Law Journal 729 (2017). This paper questions the methodology of the ***Airline Paper*** and the ***Banking Paper*** by analyzing the use of the measure of concentration used in studying the airline and banking industries. The paper finds that the key explanatory variable in this research depends on the same underlying factors as those that drive consumer prices, making it likely that the estimates found in the Airline Paper and the Banking Paper are suggesting a relationship between price and common ownership when none may exist.

- Douglas H. Ginsburg and Keith Klovers, ***Common Sense About Common Ownership***, Concurrences (2), (2018). This paper describes four shortcomings of research linking common ownership to decreased competition. First, proponents conflate asset management and economic ownership and therefore incorrectly attribute allegedly anticompetitive conduct to asset managers. Second, proponents overstate the validity and strength of the existing empirical work purporting to show common ownership causes anticompetitive effects. Third, proponents overstate their legal case by relying on inapplicable cross-ownership cases and stretching the holdings of those cases. Fourth, at bottom proponents' concerns are with either conscious parallelism, which is not illegal, or anticompetitive conduct that, if proven, could be addressed using established antitrust doctrines.
- Jacob Gramlich and Serafin Grundl, ***The Effect of Common Ownership on Profits: Evidence from the U.S. Banking Industry***, Finance and Economics Discussion Series, Washington: Board of Governors of the Federal Reserve System (2018). This paper, by Federal Reserve staffers, uses accounting data from the banking industry to examine empirically whether common ownership affects profits. The paper finds little evidence for economically important effects of common ownership on profits in the banking industry.
- Menesh S. Patel, ***Common Ownership, Institutional Investors, and Antitrust***, Antitrust Law Journal, 82(1), (2018). This paper argues that policy proposals to limit common ownership would generate substantial competitive harm and argues that common ownership should continue to be evaluated on a case-by-case basis.
- Edward B. Rock and Daniel L. Rubinfeld, ***Antitrust for Institutional Investors***, Antitrust Law Journal, 82(1), (2018). This paper casts doubt on the applicability of the methodology used in the papers that have found a statistically significant relationship between common ownership and price.
- Committee on Capital Markets Regulation, ***Nothing But the Facts Common Ownership: Theory Meets Reality***, (2019). This report documents facts that contradict the ***Airline Paper***'s theories and empirical findings.
- Committee on Capital Markets Regulation, ***An Analysis of Proposals to Restrict Institutional Ownership***, (2019). This report reviews legal proposals by Elhauge (2016) and Posner, Morton, and Weyl (2017) to restrict common ownership and two alternative "safe harbor" proposals. This report finds severe negative impacts of those proposals on capital market and retail investors' ability to diversify their savings.
- Alex Edmans, Doron Levit, and Devin Reilly, ***Governance Under Common Ownership***, Review of Financial Studies, 32(7), 2019. This theory paper suggests that common ownership strengthens corporate governance because common owners sell low-quality firms first when they have liquidity shocks. This is true even if firms are in unrelated industries, but less so when common owners have trading constraints (e.g., index funds).
- Thomas A. Lambert and Michael E. Sykuta, ***The Case for Doing Nothing About Institutional Investors' Common Ownership of Small Stakes in Competing Firms***, Virginia Law & Business Review, 13(2), (2019). This paper explains why purported antitrust concerns about common ownership are overblown and why interventions to limit common ownership are unwarranted presently. The article notes that proposed policy solutions would create welfare losses that would overwhelm any social benefits associated with reducing common ownership.

- Ángel L. López and Xavier Vives, ***Overlapping Ownership, R&D Spillovers, and Antitrust Policy***, Journal of Political Economy, 127(5), (2019). This paper models the interaction between overlapping ownership (including both common ownership and cross-ownership) and R&D activities and output. Their model shows that overlapping ownership in an industry may increase social welfare and consumer surplus under certain conditions (e.g., low industry concentration, high technological spillover).
- Jihwon Park, Jalal Sani, Nemit Shroff, and Hal White, ***Disclosure Incentives When Competing Firms Have Common Ownership***, Journal of Accounting and Economics, 67(2–3), (2019). This paper finds that common ownership improves firms' accounting behavior. Common ownership is associated with increased voluntary disclosure (earnings and capex forecasts) and market liquidity. Both effects are beneficial for investors.
- David I. Walker, ***Common Ownership and Executive Incentives: The Implausibility of Compensation as an Anticompetitive Mechanism***, Boston University Law Review, (2019). The author contends that executive pay design is not a channel for common ownership to affect firm competition.
- Haifeng Wang, Jan-Carl Plagge, James Rowley, and Roger A. Aliaga-Diaz, ***Common Ownership and Industry Profitability: A Cross-Industry View***, Working Paper (2019). This paper empirically assesses the impact of common ownership on industry-level profit margins in a multi-industry setting and finds no significant impact.
- Lysle Boller and Fiona Scott Morton, ***Testing the Theory of Common Stock Ownership***, NBER Working Paper (2020). This paper suggests that common ownership driven by firms entering the S&P 500 index raises firm profits.
- Alec J. Burnside and Adam Kidane, ***Common Ownership: An EU Perspective***, Journal of Antitrust Enforcement, 8(3) (2020). The authors examine common ownership through a European lens, surveying evidence on the level of common ownership in Europe. The paper also reviews the academic debate, both methodological and theoretical, around the common ownership theory to consider if it is sufficiently robust to provide a basis for enforcement and, if so, whether current European Union competition law tools could be used to that end.
- Scott C. Hemphill and Marcel Kahan, ***The Strategies of Anticompetitive Common Ownership***, The Yale Law Journal, 129(5), (2020). This paper examines the proposed mechanisms that have been raised as potential ways that institutional investors could reduce competition and finds that "for most proposed mechanisms, there is no strong theoretical basis for believing that institutional [common concentrated owners] would want to employ them, no significant evidence suggesting that they do employ them, or both."
- Andrew Koch, Marios Panayides, and Shawn Thomas, ***Common Ownership and Competition in Product Markets***, Journal of Financial Economics, 139(1), (2021). This paper finds that common ownership is neither robustly positively related to industry profitability or output prices nor robustly negatively related to measures of non-price competition, as would be expected if greater common ownership encouraged product market rivals to compete less aggressively. This conclusion holds regardless of industry classification, common ownership measure, profitability measure, nonprice competition proxy, or model specification. Based on this data, the paper concludes that antitrust restrictions seeking to limit common ownership are not currently warranted.

- Katharina Lewellen and Michelle Lowry, ***Does Common Ownership Really Increase Firm Coordination?***, Journal of Financial Economics, 141(1), (2021). The authors review earlier studies on the impact of common ownership on firm profitability and investment, concluding that "the effects that some studies have attributed to common ownership are caused by other factors, such as differential responses of firms (or industries) to the 2008 financial crisis."
- Patrick Dennis, Kristopher Geradi, and Carola Schenone, ***Common Ownership Does Not Have Anti-Competitive Effects in the Airline Industry***, Journal of Finance, 77(5), (2022). This paper analyzes the relationship between ticket prices and common ownership in the airline industry and finds no evidence that common ownership has raised airline prices. It shows that the ***Airline Paper***'s findings are driven not by any economics of common ownership but by a mechanical link in that paper's measure of common ownership. It also raises several other concerns about the ***Airline Paper***, including the assumption about firm controls during the bankruptcy process and the applicability of theories of horizontal mergers and cross-ownership to common ownership studies.
- Shenglan Chen, Hui Ma, Qiang Wu, and Hao Zhang, ***Does Common Ownership Constrain Managerial Rent Extraction? Evidence from Insider Trading Profitability***, Journal of Corporate Finance, 80, (2023). This paper finds that common ownership reduces opportunistic insider trading.
- Jacob Gramlich and Serafin Grundl, ***Assessing the Common Ownership Hypothesis in the US Banking Industry***, Finance and Economics Discussion Series, Washington: Board of Governors of the Federal Reserve System (2024). This paper extends the authors' earlier works, using more comprehensive bank ownership data to test the common ownership hypothesis. The paper finds little evidence for the common ownership hypothesis with respect to deposit rates or deposit quantities in the banking industry.
- Committee on Capital Markets Regulation, ***Common Ownership and Prices: A Comprehensive Generalized Study***, (2025). This report reviews empirical literature and policy proposals on common ownership. It discusses theoretical and methodological flaws in several of the influential studies that support the anti-competitive effect of common ownership. It further presents evidence of the significant negative impact on investors and capital markets of policy proposals offered to address common ownership concerns. This report conducts its own multi-industry study and finds no evidence of an anti-competitive impact of common ownership at either the aggregated multi-industry level or the individual industry level.
- Kayla M. Freeman, ***Overlapping Ownership Along the Supply Chain***, Journal of Financial and Quantitative Analysis, 60(1), (2025). This paper shows common ownership along the supply chain (i.e., owning both the customer and supplier) strengthens supply chain relationships. Strengthened relationships, in turn, increase both supplier's and customer's market-to-book ratio and patenting activities.
- Thomas Schneider, ***Executive Incentives Under Common Ownership***, Journal of Corporate Finance, (2025). This paper shows that common ownership does not reduce the use of relative performance evaluation in managerial compensation, which in turn limits "pay-for-luck." This finding challenges concerns about anticompetitive effects of common ownership.

Other Related Papers

- José Azar, Martin C. Schmalz, and Isabel Tecu, ***The Competitive Effects of Common Ownership: Economic Foundations and Empirical Evidence: Reply***, Working Paper (2018). This paper asserts that certain features of the empirical analysis done in Kennedy *et al.* (2017) cast doubt on the reliability of their method and conclusion.
- Chris Brooks, Zhong Chen, and Yeqin Zeng, ***Institutional Cross-Ownership and Corporate Strategy: The Case of Mergers and Acquisitions,*** Journal of Corporate Finance,48, (2018). This paper finds that common ownership increases the probability of mergers and acquisitions between portfolio firms and leads to better long-term performance of those firms.
- Einer Elhauge, ***New Evidence, Proofs, and Legal Theories on Horizontal Shareholding***, Working Paper (2018). This paper argues that common ownership can cause anticompetitive effects even if all common holdings are small. The paper also aims to demonstrate that critiques of earlier empirical studies showing adverse price effects for airlines and banking are generally invalid and advances new antitrust legal theories for addressing common ownership.
- Jie (Jack) He, Jiekun Huang, Shan Zhao, ***Internalizing Governance Externalities: The Role of Institutional Cross-Ownership***, Journal of Financial Economics, 134(2), (2019). This paper claims to find that common owners of firms in the same industry are more likely to vote against management on shareholder-sponsored governance proposals. It concludes that common ownership incentivizes institutional investors to monitor their portfolio firms.
- Erik P. Gilje, Todd A. Gormley, and Doron Levit, ***Who's Paying Attention? Measuring Common Ownership and Its Impact on Managerial Incentives***, Journal of Financial Economics, 137(1), (2020). The authors create a model-based measure of the impact of common ownership on managerial incentives. Their measure takes into account investors' attention (or lack thereof) to their portfolio firms. This paper shows that under certain circumstances, asset manager mergers and the rise of index funds may reduce managerial incentives to engage in anticompetitive behavior.
- Leonard Kostovetsky and Alberto Manconi, ***Common Institutional Ownership and Diffusion of Innovation***, Working Paper (2020). This paper shows common ownership increases patent citations among portfolio firms.
- Edward B. Rock and Daniel L. Rubinfeld, ***Common Ownership and Coordinated Effects***, Antitrust Law Journal, 83(1), (2020). This paper focuses on potential "coordinated" effects of common ownership and the appropriate antitrust treatment for such effects. The paper also considers how common ownership—and any potential coordinated effects—might affect merger analysis under US and EU antitrust law. The paper finds that it is entirely unclear how often common ownership has anticompetitive effects.
- José Azar and Xavier Vives, ***General Equilibrium Oligopoly and Ownership Structure***, Econometrica, 89, (2021). The authors model how large firms are influenced by common owners. Their model indicates that common ownership of firms in the same industry leads to higher markups and lower wages and employment. On the other hand, their model indicates that under certain conditions common ownership of firms across industries can boost employment.

- Matthew Backus, Christopher Conlon, and Michael Sinkinson, ***Common Ownership and Competition in the Ready-to-Eat Cereal Industry***, NBER Working Paper (2021). This paper studies correlations between common ownership and price effects in ready-to-eat breakfast cereals. It includes a critique of the ***Airline Paper***, finding that an application of the Airline Paper's methodology in the ready-to-eat cereal industry produces correlations with price *reductions* as well as correlations with price increases, indicating that any correlation is spurious and that the Airline Paper's methodology is thus flawed.
- Matthew Backus, Christopher Conlon, and Michael Sinkinson, ***Common Ownership in America: 1980–2017***, American Economic Journal: Microeconomics, 13(3), (2021). This study examines price markups across a range of industries, finding that a significant rise in prices since 1980 is inconsistent with measured increases in common ownership by asset managers because it predates the rise of the large asset management firms.
- Alessandro Romano, ***Horizontal Shareholding and Network Theory***, Yale Journal on Regulation, 38(363), (2021). This paper advances two claims. First, it shows that the policy proposals that have been advanced to address the alleged anticompetitive effects of horizontal shareholding could backfire and further reduce the level of competition in the affected markets. Second, it highlights that the consequences of horizontal shareholding are nuanced because things that happen in one industry inevitably affect other industries. For instance, increased ticket prices among airlines might be good for airlines but bad for their suppliers. Therefore, determining whether reduced competition in a given industry would benefit an investor requires us to compare the gains it would generate in the relevant market with the losses it would impose on other firms in the investor's portfolio.
- José Azar, Martin C. Schmalz, and Isabel Tecu, ***A Refutation of 'Common Ownership Does Not Have Anti-Competitive Effects in the Airline Industry',*** Working Paper (2022). This paper argues that the findings in ***Dennis et al***. (2022) are incorrect.
- José Azar and Xavier Vives, ***Revisiting the Anticompetitive Effects of Common Ownership,*** Finance Working Paper, European Corporate Governance Institute, (2022). This paper, co-authored by one of the authors of the ***Airline Paper***, uses a new statistical technique and finds that although common ownership by asset managers is associated with higher airline ticket prices on some routes, it is also associated with lower ticket prices on other routes. This paper also finds that common ownership by the largest institutional asset managers, BlackRock, Vanguard, and State Street, is associated with lower overall airline ticket prices.
- Patrick Dennis, Kristopher Geradi, and Carola Schenone, ***A Surrebuttal: There Are No Anti-Competitive Effects of Common Ownership in the Airline Industry,*** Working Paper (2022). This is Dennis et al.'s re-rebuttal to Azar et al.'s critique on ***Common Ownership Does Not Have Anti-Competitive Effects in the Airline Industry***.
- Konrad Adler and Yuliyan Mitkov, ***When Does Overlapping Ownership Soften Competition? The Role of Agency Frictions and Repeated Interaction***, Working Paper, (2023). This paper builds a model of common ownership with agent (managers) frictions. It finds that the impact of common ownership can increase, decrease, or have no effect on firm profits, depending on corporate governance.
- Omesh Kini, Sangho Lee, and Mo Shen, ***Common Institutional Ownership and Product Market Threats***, Management Science, 70(5), (2023). The authors find that common ownership on average leads to more product development and higher investment, especially in economic environments with easy knowledge spillovers. This effect can reverse, however, in industries with quasi-monopoly firms.

- Xuelin Li, Tong Liu, and Lucian A. Taylor, ***Common Ownership and Innovation Efficiency***, Journal of Financial Economics, 147(3), (2023). This paper examines the impact of common venture capital owners on pharmaceutical startups' innovation efficiency. On the one hand, by avoiding duplication of research and development costs, common owners can improve innovation efficiency. On the other hand, common ownership may entail social costs by reducing product market competition and consumer choices.
- Kristopher Gerardi, Michelle Lowry, and Carola Schenone, ***A Critical Review of the Common Ownership Literature***, Annual Review of Financial Economics, 89 (2024). This paper presents a comprehensive review of the theories and empirical evidence of common ownership. It concludes that the most recent papers with the most credible identification techniques find little evidence that common ownership reduces competition.