Review of: "Measuring the Deviations from Perfect Competition: International Evidence"

Shengxia Xu[1]

1 Capital University of Economics and Business

Potential competing interests: No potential competing interests to declare.

After reviewing the article, I found it to be quite intriguing. I commend Razzak for his diligent work on this piece. Here are my observations:

First, this manuscript employed macroeconomic data to test the microeconomic conditions of perfect competition. However, the macroeconomic indicators used, such as the Consumer Price Index (CPI) and Market Concentration Index (MCI), are subject to the influence of various policies and external factors, making this approach one that merits careful consideration.

Second, in the manuscript, the Consumer Price Index (CPI) and Market Concentration Index (MCI) are used as proxies for price (P) and marginal cost (MC) to examine the conditions of perfect competition. It is advisable to elaborate on this substitution in detail and provide bibliographic support to justify the adequacy and relevance of these proxies in reflecting the theoretical constructs of P and MC within the context of perfect competition.

Third, in the manuscript, details such as those pertaining to Equation 5 and the chosen values for beta are not thoroughly explained. Providing additional literature references could strengthen the validity of these choices by demonstrating precedent or theoretical backing for the methods and parameters employed. It would be beneficial to cite studies where similar approaches have been used successfully or to discuss theoretical frameworks that support the parameterization.

Fourthly, the manuscript seems to lack sufficient evidence from cointegration tests. Cointegration tests have several limitations. They require large sample sizes to be reliable, and results can be sensitive to the choice of time period and the model specification. The tests also assume a constant cointegration relationship, which may not hold in the presence of structural breaks. Additionally, they generally focus on linear relationships, potentially overlooking nonlinear dynamics. Moreover, cointegration doesn't imply causation, so economic interpretation needs careful consideration beyond statistical results.