

Ex post effect of restructuring State aids on investment: are compensatory measures efficient?

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This paper is analyzing the ex-post effects of restructuring State aids on French firms' investment. Restructuring aids, by giving an unfair advantage to the recipient, are supposed to crowd out the rivals' investment. This is why they are subjected to the implementation of compensatory measures, which are mainly production restrictions. Are those restrictions sufficient to compensate the negative impact of aids? Is there really a crowding out effect? A new database containing a dozen of restructuring cases and almost 1500 French firms was created to test the effect on investment. We find that contrary to what one may think, it is not the aid amount that affects competitors' investment but the limitation on the production imposed to the firm in difficulty in order to receive the restructuring State aid. Thus, competition distortions may come from the compensatory measures and not from the aid itself.