Protecting Competition

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Central Goal

1) Protect democracy
2) Protect small business
3) Protect local democracy
4) Prevent extraction

Welfare Costs

Concentration and
market power
may have reduced EU GDP
by up to 5-7%

Market Power

- Fix purchase or selling prices
- Wage- or price-discrimination
- Unilaterally impose non-price contractual provisions
- Impede or control entry by would-be competitors
- Earn profits in excess of their market cost of capital

EU Competition Policy

- The principal mechanism for limiting competition policy enforcement is the Consumer Welfare Theory
- Fixated over short-run price effects
- Ignores adverse effects on workers, suppliers, product quality, and innovation

Consumer Welfare Theory

- Ranked consumers over workers
- Fixated over short-run price effects
- Promotes pervasive negative externalities
- Ignores supply chains, including the labor market
- Biased in favor of big business and the wealthy
- Leads to under-enforcement of competition law

Modern Criteria

1) Protect individuals, purchasers, consumers, producers

2) Preserve opportunities for competitors

3) Promote individual autonomy and well-being

4) Disperse and de-concentrate private power

Protecting Competition

Agencies and courts shall use the preservation of competitive market structures that protect individuals, purchasers, consumers, and producers; preserve opportunities for competitors; promote individual autonomy and well-being; and disperse private power as the principal objective of the European competition laws.

Democratic Growth

Pro-competitive regulatory reforms might increase EU GDP by up to 2-4%

Regulatory Reforms

- Replace the "consumer welfare" criterion in the Guidelines on the application of Article 101(3) TFEU with the modern "protecting competition" standard
- Competition policy should accept political priorities by democratically elected governments, for example, through the passage of laws
- The same goes for enforcement priorities
- Prevention, rather than sanction

Questions?



Sources

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