

# Looking beyond the direct effects of the work of Competition Authorities: Deterrence and Macroeconomic Impact

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*Brussels, 17 and 18 September 2015*

## **Welcome**

I would like to thank the conference organisers – especially the colleagues from the UK Competition and Markets Authority and from Netherlands' Authority for Consumers and markets – for the opportunity to open this conference.

I would also like to welcome all speakers, discussants and colleagues from fellow EU Competition Authorities.

On the agenda today and tomorrow is an important topic for us all: How to better estimate and evaluate the effects of our work.

## **Why is this workshop important**

The interventions of competition authorities in antitrust and merger control are generally assessed against the direct benefits they bring to consumers in terms of lower prices and customer savings.

Estimating customer savings is a difficult exercise, but these estimates are now founded on agreed principles and assumptions – thanks especially to the work done by the Competition Committee of the OECD.

However, the work of competition authorities has a broader impact, in particular because these direct effects do not consider the deterrent effects of competition-policy interventions and the macroeconomic implications.

## **Benefits of a fairer picture of the work of competition authorities**

It is clear to me that – if we want to have a comprehensive assessment of the work of competition authorities – we should look beyond direct price effects and include both deterrent and macroeconomic effects.

Having an incomplete picture of the impact of competition policy may have undesirable consequences. For example, it could lead competition authorities to give priority to interventions with large direct-price effects, while cases with larger deterrent effects may be put on the backburner.

Conversely, getting a clearer and more comprehensive picture of the impact of our interventions would allow us to better target our interventions and improve the allocation of resources.

It would also give us better arguments to explain to the people why competition policy can make a real difference in their lives and why the work done by competition authorities is good value for money.

For example, showing that EU competition policy can contribute to stimulate growth and create jobs, as illustrated by the work presented in the two sessions of this conference discussing the macroeconomic impact of competition policy, is very useful in this respect.

Recently, there has been increasing interest in this type of analysis aiming at assessing the global impact of the work of competition authorities.

This is partly in response to growing scepticism about the benefits of competition policy, which emerged with the economic and financial crisis.

Robust evidence of the gains of competition policy is extremely valuable for authorities and policy-makers, especially at a time when Europe's governments are trying to coordinate their efforts to leave this long crisis behind our backs for good.

These are some of the reasons why the topic of our workshop is important and timely.

## **Main objectives of the workshop**

So, how can we go about developing a more comprehensive approach to assess the overall impact of the work of competition authorities? The programme for today and tomorrow gives us a first indication.

Let me point to some interesting questions which could be debated.

First, we would like to know how to better measure the deterrent effects of cartel policy enforcement and merger control.

Estimates of such effects are very often based on surveys of business managers and their legal advisors. These surveys have clear limitations, as there is no way of checking the reliability of the information provided by the respondents. Therefore we need a more robust conceptual framework and more reliable statistical methods.

Improved and more objective methods will also help us better understand what type of intervention has the greatest deterrent effects on anti-competitive behaviour.

These issues will be discussed in two sessions. One, chaired by Mike Walker, Chief Economist Adviser of the British competition authority, will be devoted to the deterrent effects of cartel policy.

The other, chaired by Jarig van Sinderen, Chief Economist of the Dutch competition authority, will discuss the deterrent effects of merger control. It will also touch upon another much debated question regarding the allocation of resources between merger control and cartel policy enforcement.

Second, we also need to assess the impact of our antitrust and merger interventions on the functioning of the economy as a whole.

This is fundamentally more difficult than just evaluating the effects in the market concerned. In fact, it is extremely challenging to track the chain of events following the decisions of competition authorities in the medium and long term.

And that is the reason why empirical research on the macroeconomic impact of competition policy is much more limited.

Scholars have looked at how other EU policies can affect economic conditions, such as trade liberalisation or the internal market, but competition policy has been largely overlooked.

In this respect, I would like to mention my appreciation for the recent efforts to start work in this area. This work will be discussed in two sessions chaired by Fabienne Ilzkovitz, Principal Advisor in DG COMP.

These are not easy issues, but this should not discourage us. I am happy to see that work has started in these different domains.

## Conclusion

Let me add one thing before I close. This conference will try to push the boundaries of our current knowledge of the benefits of competition policy.

I know that one needs to be cautious before drawing policy conclusions from the work that will be presented here.

But, there is little doubt that these two days will help to provide solid and factual arguments to the advocates of competition policy – and I would like to thank you all for that in advance.

I wish you fruitful discussions and I am looking forward to receiving your feed-back on the outcome of the conference.

Thank you for your attention.