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CORPORATE INTEREST IN ANTITRUST ENFORCEMENT

Abstract:

Antitrust enforcement is beneficial for consumers as long as they face lower prices, more alternatives to choose from, and get valid information about products and services. But what about the competing firms? Why is it good, or is it good at all for them if they are not allowed to form cartels, not allowed to become a monopoly, or not allowed to use their market power? The first part of the paper aims to answer questions like these. If we look beyond the idea of a welfare-maximizing social planner that creates competition policy in order to promote competition and put restraint on firms willing to monopolize markets, we might ask why such institutions emerge and who really benefits from them? Apart from the evident answer of consumers benefiting from lower prices, we consider the possibility of companies, or rather industries, benefiting from antitrust enforcement. In such a setting, preventing monopolization can be viewed as a service delivered by the regulating body. This service might be valuable for particular firms, but normally cannot be purchased on the market. Our paper presents a game theoretic model showing that such an effect exists under certain, sufficiently general conditions. Firms in an oligopolistic setting, prone to competitive escalation, would be willing to pay for the maintenance of an authority controlling business practices that are (considered) anti-competitive and thus preserving the status quo on the market. Finally, we test our results empirically, based on the practice of the competition authorities of the United Kingdom and the Netherlands. The data support the interest group theory of regulation and they match the predictions of our model.

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