Assessing Competition Policy: Methodologies, Gaps and Agenda for Future Research

BACKGROUND

- Research by academics and competition agencies on evaluating competition policy has grown rapidly in the last 10 - 20 years, and this is a good time to ask ‘what have we learned so far?’ and ‘what are the pressing questions for future research?’

METHODOLOGY

- The authors survey the literature in order to:
  1. assess the fitness for purpose of the main quantitative methodologies employed; and
  2. identify the main undeveloped areas and unanswered questions for future research.

- For each area of activity, an assessment is provided of the extent of the academic literature and Competition Authorities’ evaluations, classified by three key methodologies: simulation, event studies and difference-in-differences. Each of these evaluation methodologies is described and assessed.

- The authors discuss the fundamental issue in any evaluation exercise: the choice of counterfactual.

- The authors consider the possibility that results may be seriously undermined by pervasive biases in the nature of sample cases typically used in evaluation.

KEY FINDINGS & POLICY ISSUES

- Competition policy evaluation takes four broad forms: accountability, assessment of specific policies, assessment in the broader academic literature, and estimating damages and fines.

- The literature survey suggests that policy evaluation is necessarily an imprecise science and that all existing methodologies have strengths and limitations.

- The areas where the need is most pressing for further work include the following:
  1. understanding why Article 102 cases are only infrequently evaluated;
  2. the need to bring conscious discussion of the counterfactual firmly into the foreground; and
  3. a wider definition of policy to include success in deterrence and detection.
THE CCP

The ESRC Centre for Competition Policy (CCP), at the University of East Anglia, undertakes competition policy research, incorporating economic, legal, management and political science perspectives, that has real-world policy relevance without compromising academic rigour.

FOR MORE INFORMATION

The full working paper (10-19) and more information about CCP and its research is available from our website: www.uea.ac.uk/ccp

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