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Towards the unbiased assessment of law enforcement: deterrence, detection and other niceties

Given the central position competition enforcement assumes in most countries' economic policy, governments as well as academics have devoted much effort to estimate its impact on the economy and on welfare. Previous works have provided estimates based on those cases where enforcement authorities intervened in order to protect competition and restore welfare. However, these either ignore or downplay the importance of the impact of enforcement on deterring pro- or anti-competitive conduct. Similarly little attention is directed towards those cases that the enforcement authority fails to detect or those that it chooses to leave uninvolved. Our paper investigates the bias inherent in estimates based on selected samples of cases where the enforcement authority intervened. Drawing on ...findings from economic theory, the properties of unobserved cases are discussed. A simple framework is offered to make inferences on rates of deterrence, detection and intervention. Finally, these rates are explored for EC competition law enforcement, and the accuracy of previous estimates of the impact of enforcement is examined.