Benefits of Competition Policy for a National Economy

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Why We Care About Competition?

Source: OECD 2014
Benefits of competition policy for the national economy

• Aggregate economic benefits:
  – Short-term for consumers, and other buyers including public sector
  – Longer term: innovation and growth

• Distributional benefits
  – Inequality
  – Poverty reduction
  – Employment

• Social benefits
  – Fighting corruption
Consumer benefits
…from lower prices

Tendencias en los precios de banda ancha móvil en México, en PPA USD

Source: Estudio de la OEDE sobre telecomunicaciones y radiodifusion en Mexico (2017)
Consumer benefits
…from better access to services

Source: Estudio de la OEDE sobre telecomunicaciones y radiodifusión en Mexico (2017)
Productivity and growth
Mechanisms

- Competition Agencies
  - Enforce competition law

- Other policy-makers
  - Deregulate
  - Liberalise
  - Free trade

More competition in markets

Higher productivity growth in affected industries

Economic growth
Australian growth has been higher than the OECD since the Hilmer Reforms.
Distributional outcomes

Competition reduces poverty and increases prosperity

1. Poverty reduction and shared prosperity are driven by...
   - Growth
   - Distribution

2. The largest contributor to this is...
   - Real labor income growth for low-income households
     - Poverty reduction
     - Shared prosperity

3. Which is shaped by...
   - Income to producers
   - Prices for consumers
   - Income to employees

4. Figure 1.2 provides more details on this mechanism.

Source: World Bank Group, Competition Policy Team.
Distributional outcomes
The poor suffer most from price-fixing
...and it’s not just economic outcomes
Monopolies corrupt the political process
Thank you for your attention

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