

Europe

New Commission Mandate: Why “Modernize” Competition Policy in Europe?

By Cristina Caffarra | University College London and CEPR



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Among many other recommendations, the Draghi Report² contains an urgent invitation to “adapt European competition policy” to the grave challenges that Europe faces today. The Report has provided a direct roadmap for the new Commission, with President Von Der Layen also explicitly including “a new approach to competition policy” in her mission letter to Commissioner designate Teresa Ribera³ on September 17, 2024.

Draghi is preoccupied with “lack of scale” of European business (a diagnosis shared by the Letta report earlier in the year⁴), resulting from multiple structural issues and failures that ail Europe – and are getting worse. He offers prescriptions for ten key sectors, including telecoms, that he concludes would benefit from less fragmentation (perhaps allowing for more mergers) to spur much needed investment. Amid generally favorable reactions, parts of the competition community and antimonopoly advocates in civil society have reacted strongly to the call for “consolidation,” worst of all in telecoms – suggesting Draghi is in thrall to Big Business, favoring a rollback of regulation that will benefit Silicon Valley, and advocating for a “laissez faire” approach to enforcement which includes waving through bad mergers in telecoms.⁵ “Do not relax competition!” has been the reaction from the antitrust bubble.

This moral panic detracts from the message, and is a distraction.

The “Revamping Competition” chapter in the Draghi Report is in fact very *pro enforcement*, with multiple recommendations for how to do more and better with the competition instrument. But even more importantly, there is an exhortation to *rethink* competition enforcement

as we know it in Europe. Notably, the U.S. has been in the midst of a rethink of its own for the past five years, involving deeply questioning the established neoliberal-era posture at the agencies, a more inclusive set of values (workers’ welfare, fairness, equity), a resurgence of antimonopoly and joined-up thinking across areas of policy (competition, industrial policy, trade, transport, agriculture...). This brand of rethinking continues to elude Europe, which remains broadly faithful to a mild version of the neoliberal paradigm we imported from the U.S. at the turn of the century – the pursuit of “efficiency” as overarching value, and a technocratic standalone effort as the *modus operandi*.

What should the European “rethink” look like? This is where everyone gets hopelessly confused. This is because there are two distinct strands at play. On the one hand, we should have a serious vigorous debate also in Europe on what post-neoliberal values should mean for antitrust focus and emphasis. We certainly also experienced here increases in concentration and markups, and we do not want to become soft on market power and its pathologies. On the other hand, *our problem is also fundamentally different from the U.S.*: while the U.S. is growing at pace and innovating, Draghi is casting an unforgiving light on Europe’s ailments – a lengthy diagnosis, but in essence we are in trouble (“a slow agony,” he described it at the press conference on September 9, 2024). We need growth, our productivity has fallen dismally behind especially in digital sectors, Europeans cannot scale up their innovative ideas into profitable businesses. Given this, which no one in Europe can deny, the answer cannot just be

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² [EU competitiveness: Looking ahead - European Commission \(europa.eu\)](https://ec.europa.eu/competition/press/pr240909_en.htm), September 9, 2024.

³ [Teresa Ribera Rodríguez - Mission letter | European Commission \(europa.eu\)](https://ec.europa.eu/competition/press/pr240917_en.htm).

⁴ [Enrico Letta - Much more than a market \(April 2024\) \(europa.eu\)](https://ec.europa.eu/competition/press/pr240404_en.htm).

⁵ [Europe just gave Silicon Valley fresh ammo in its deregulation push - The Washington Post](https://www.washingtonpost.com/europe/2024/09/17/europe-just-gave-silicon-valley-fresh-ammunition-in-its-deregulation-push-draghi-is-right-on-many-issues-but-he-is-wrong-on-telecoms-cepr-the-draghi-report-and-competition-policy-bruegel.org/), [Draghi is right on many issues, but he is wrong on telecoms | CEPR](https://www.bruegel.org/insights/the-draghi-report-and-competition-policy), [The Draghi report and competition policy \(bruegel.org\)](https://www.bruegel.org/insights/the-draghi-report-and-competition-policy).

“antimonopoly!” or “we cannot let off competition enforcement!”

On the first strand, it is a fact that competition policy in Europe has not undergone a rethink equivalent to the U.S. – we do not question the neoliberal presumption that competition will deliver efficiency, growth, and innovation, and everything else will take care of itself (“trickle down”) and goals like equality or fairness “are not our job, they’re for the politicians.” This remains our antitrust *credo* since the “more economic approach” was established in the early 2000s. One narrow field of economics (“Industrial Organization”) which purports to “understand markets” better than any other, became hegemonic and is clinging to its primacy. It persuaded enforcers its “way of doing things” is the sole “sound economics”, an immanent truth such that nothing else is worth looking at: antitrust economists are deeply alien to industrial policy, even more to trade, disdain any expression of “political economy” and any “heterodox economist” who does not conform to mainstream IO. The enormous amounts of money made by consultants (typically with the same background) in antitrust is also a key vested interest that perpetuates this *status quo*. And it is not as if the effort has been successful in practice: most mergers get approved, anticompetitive conduct cases take decades and do not move the dial at all. There cannot be question we are underenforcing.

The U.S. has largely had the debate, and the posture at the agencies has shifted dramatically with the current administration: enforcement is more aggressive on traditional antitrust grounds, but the horizon has also expanded to issues like “non-competes,” “right to repair,” merger effects on workers, fairness and distribution, profit taking to take advantage of inflation. And the philosophy has been an “all of government” approach across tools of economic policy.

As Draghi says, Europe now needs a serious and vigorous bout of industrial policy to save itself. There is consensus on this from all quarters. Yet the “antitrust orthodoxy” will not be helpful to the goal to the extent it continues to spread panic that “industrial policy” necessarily means “bad national champions,” “opening a Pandora’s box” by relaxing competition and “the state picking winners.”⁶ *It does not need to be that way.* It is not “either/or.” We have seen a massive industrial policy effort in the U.S. in the last 5 years, in the form of vast investments in key sectors and “reshoring” industrial capacity, which crowded in private investment too. Lina Khan, the Chair of the Federal Trade Commission, wrote earlier this year of the importance of industrial policy for resilience, as long as it has antimonopoly values at its core.⁷ This is also what Mariana Mazzucato keeps saying⁸ – although the antitrust orthodoxy in Europe is having none of it.

The most revolutionary recommendation in the Draghi Report from the perspective of competition enforcement is in fact that “industrial, competition and trade policies interact closely, and must be aligned as part of an overall strategy” (p. 9). The fact this sounds revolutionary to the antitrust bubble says everything one needs to know about the state we’re in. We need to rethink competition policy *not to soften competition, not to “unlearn” the insights we gained in the last 20 years about how concentration drives bad outcomes*; but to help make progress on the core mission: *how can competition enforcement proactively assist industrial policy and work with trade policy to align on helping growth in Europe?* The European intellectual effort in enforcement has been funneled entirely in the last mandate into “taming Big Tech” and pushing *ex ante* regulation – but even if that were to succeed at the margin, it is “not an economic policy” that will put major points on European GDP.⁹

⁶ [EU competition chief warns against weakening rules to create champions \(ft.com\)](#), [Europe must not tie its hands in the fight against corporate power \(ft.com\)](#).

⁷ [FTC Chair Lina Khan: Monopolies Threaten U.S. Economy, National Security \(foreignpolicy.com\)](#).

⁸ Among others, [Policy with a Purpose \(imf.org\)](#).

⁹ [Europe’s Tech Regulation Is Not an Economic Policy by Cristina Caffarra - Project Syndicate \(project-syndicate.org\)](#).

What is now needed is not resistance and misunderstanding of the mission, clinging to what the antitrust orthodoxy has done for 20 years (for instance “defining markets” is not religion, it’s only in our narrow neoliberal approach to antitrust that we pretend such an exercise matters). Yes, antimonopoly is important but we are not the U.S., we don’t have coast-to-coast giants straddling the Continent in every sector. We have local monopolies in selected pockets and sectors; and we have no growth, no dynamism. Open up, sit with industrial policy and trade experts, stop the defensive “we know best” posture and help map out a serious intellectual effort on “what do we want these key sectors in Europe to look like.” How do we get there? With industrial policy, trade policy and competition policy together.¹⁰

Not just with marginal redrafts of obsolete guidelines (Market Definition, Art. 102).

The Draghi Report has become a roadmap for President Von Der Layen – who designed her new Commission with a focus to breaking long-standing silos by spreading competences across Commissioners. Whether this will work (or is a road to chaos and inaction) remains to be seen, but some in the competition world are getting the message and supporting it (notably Benoit Cœuré, President of the French Competition Authority¹¹). Competition enforcement needs to evolve and we need to put down reflexive resistance to change, engaging instead in serious policy R&D

¹⁰ [Not a ‘side dish’: New industrial policy and competition | CEPR](#), [Re-joining trade with antitrust | CEPR](#).

¹¹ [Benoît Cœuré : « Il faut écouter Mario Draghi » | Les Echos](#).