COMPETITION AND CRISIS

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Two of the key objectives of the Lisbon Strategy, that are maintained in its successor, the Europe 2020 strategy, are the**drive of competition and innovation**. Both elements are considered essential to achieve sustained and sustainable economic growth.

From the point of view of **consumers**, competition between companies produces a series of direct and indirect benefits. Among the former we can highlight lower prices, access to a greater variety of products, better service, etc. Among the latter are the productivity and efficiency gains that have an effect on the economy as a whole. In this sense, the existence of perfectly competitive markets is the best guarantee so that consumers can choose what best suits their tastes and needs with the best value for money at all times.

From the point of view of **growth and innovation**, empirical evidence suggests that competition and innovation are complementary factors: a competitive and open internal market provides the best incentive for European companies to improve both in terms of efficiency and innovation, allowing higher growth rates to be achieved. Companies that compete for customers are forced to improve the quality of their products and services and to adjust prices, thus stimulating innovation, technological progress and the search for more efficient means of production.

For all these reasons, the defense of competition and competition policy in general has become an area of intense development in recent years, constituting one of the fundamental pillars in the European construction project.

But guaranteeing competition is not easy, especially in times of crisis. The pressures to relax anti-cartel practices or the requirements to allow business mergers are very present as a mechanism to avoid corporate bankruptcies that would entail the consequent losses in jobs in the short term.

State aid, in many cases discriminatory, has also begun to proliferate: this has happened with banks or with automobile companies (the big three in the United States or Opel in Europe), in such a way that it is not the companies those that are better capitalized are more efficient, but on the contrary. According to the World Trade Organization, 13 of the 20 G20 member countries put into practice some protectionist measure (albeit of low intensity) during 2009.

In Spain, to all the problems associated with the crisis and that affect the majority of countries, we must add that the culture of competition is very low: agreements, price fixing, abuse of a dominant position, etc. they are the order of the day and in many cases they are not even aware of committing a crime and they are even advertised in the newspapers. Although much progress has been made in this regard in recent years, there is still a long way to go.

However, if we want to emerge from the crisis in a good position to start growing sustainably, we need to do so with **competitive, innovative, high-value-added industrial and service sectors,** that can find a niche in global markets. And this type of sector is not going to be achieved with protectionist policies but with policies that favor competition and innovation. The experience of the crisis of 1929, with high levels of protectionism and a relaxed application of competition policy in later years, led to a significant reduction in international trade (66% of its initial volume) and a delay that delayed the exit of the crisis. We should not fall into the same mistakes of the past.

The National Competition Commission (CNC) and the Competition Courts and Services of the Autonomous Communities play or should play a fundamental role in this context, not only to ensure that anti-competitive situations do not occur, but also to convey to companies and society a culture of competition, underlining the benefits that competitive systems bring with them. Their independence and technical rigor are essential to achieve this goal.

Betting on competition is betting on innovation and growth. Let's not retrace the long road already made.

Economic theory has not always recognized this relationship. In fact, the traditional models of Industrial Economics, in clear opposition to the empirical evidence, implied that the threat of greater ex post competition among companies causes a fall in their potential profits and less entry (less competition) in ex ante markets. , with which innovation and growth should be lower. More recent models that take into account the potential rent lost by incumbents and the rents that entrants could earn or that take into account differences in costs between firms have been able to reconcile economic theory with empirical evidence. . See "Competition and Growth. Reconciling Theory and Evidence" by Aghion and Griffith, published in 2005 by MIT Press.

An example of this type of "relaxation" could be found in a recent Supreme Court ruling authorizing CECASA, a cartel of Spanish olive growers (more than 60% of production), to carry out its activities that consist of establishing an acquisition mechanism and storage of olive oil to control its price, annulling a previous resolution of the Tribunal de Defensa de la Competencia.

Image: Longbridge Technology Park - Innovation Center by Ell Brown via Flickr.

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