

## Competition in a globalised world: the role of public policies

*Banque de France (Paris), 8<sup>th</sup> April 2019*

### Summary

Under the French G7 Presidency, Banque de France and the French Ministry of Economy and Finance organised a high-level conference on competition in a globalised world and the role of public policies.

Bruno Le Maire, French Minister for Economy and Finance, opened the conference, and François Villeroy de Galhau, Governor of the Banque de France, closed the debates. Margrethe Vestager, European Commissioner for competition, gave a keynote speech on the main issues facing competition authorities in a globalised and digital world, and how to adapt merger rules.

Three sessions, bringing together policymakers, academics and regulatory and anti-trust authorities, discussed the following issues:

#### The importance of competition for economic growth and wages<sup>1</sup>

Central Banks care about competition because it shapes the underlying trends in productivity and innovation, while having an impact on business and inflation dynamics. While the transmission of monetary policy is an issue, central bankers have also to upgrade in other areas such as the shift from tangible to intangible investment, the economic value of data, and so on.

While detrimental to innovation and growth overall, anti-competition regulation can be useful in some field. Moreover, non-linearities make the transmission of structural reforms to productivity, innovation and growth rather complex. Nonetheless, there are large potential gains from structural reforms despite practical implementation difficulties.

The rise in corporate market power occurs in a context of worrisome macroeconomic trends (decline in investment, increase in inequalities). The causality is not straightforward but policymakers should be wary of potential consequences on innovation and welfare.

#### New challenges for competition policies in a global and digital world<sup>2</sup>

How shall we adapt to a changing environment? Do we have to adapt our laws to digital businesses?

Business entry dynamics has declined particularly in digital sectors. But is this trend new compared to yesterday's giants? Indeed, there is no global problem in competition. There is one problem of competition in the US, due both

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<sup>1</sup> [Competition in a globalised world : The role of public policies](#)  
[The rise of corporate market power: macroeconomic and policy implications](#)  
[Why do Central Banks care about market power ?](#)

<sup>2</sup> [Competition in a globalized and digital world:new challenges](#)  
[Competition and digitalisation what's the buzz ?](#)  
[Competition policies in a globalized and digital world](#)

to M&A policy enforcement and barriers to entry. There are good and bad concentrations: the first reflects structural changes while the latter stems from barriers to entry. Competition authorities have to fight the latter.

The digital world by itself does not call for new competition laws. But it generates new practical problems for competition authorities, such as the definition of abuses of dominant positions, the control of killers' acquisitions, the understanding of new business models. Solutions exist but calls for a move of competition authorities to more adequate human resources, speediness in case assessments and reinforcement of international cooperation.

### Competition and regulation in the financial sector<sup>3</sup>

Large and complex firms generate negative externalities if they fail, hence the need to correct for imperfect competition and to adapt failure rules. Deregulation and new technology means that level-playing field approaches could be misleading; instead, there is a need for a more flexible regulatory approach.

The competition-stability trade-off is a traditional nexus and financial innovation has always been ahead of regulation, which is backward-looking by nature. The irruption of new technology comes in an environment of changing banking businesses. The disruption is costly for incumbents who have to adapt while bigtech players increase competition in the short term. But the longer term is less clear. A major financial stability issue is that banks are increasingly dependent on (potentially) systemic data providers. The challenges for regulators are to coordinate prudential regulation and adapt to the digital environment.

In that context, regulators need to think how to conduct competition policies: institution vs activity based (digital is a world without institution); principle vs rule based (the first is an ex-ante method, probably better adapt to the digital world but it is also a political approach). The rules need to be common, in particular, the same systemic obligations have to be imposed on all financial players, digital or not.

A policy panel of competition policy experts concluded the debate, with Margrethe Vestager, Bruno Lasserre, Mario Monti, and moderated by Sylvie Goulard.

Strengthening the international coordination of competition authorities is one of the main objectives of the French G7 Presidency. Indeed, the conference debates pointed out that globalisation and digitalisation call for a renewed approach to regulation and supervision. In this respect, the G7 Task Force of Competition Authorities is a new step towards more coordination between national entities.

*The conference agenda, including presentations and recording, are accessible [here](#).*

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<sup>3</sup> [Competition and regulation in the financial sector](#)  
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