TENSIONS BETWEEN ANTITRUST AND INDUSTRIAL POLICY

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INTRODUCTION

Sound antitrust law and policy is in tension with industrial policy. Antitrust promotes consumer welfare whereas industrial policy promotes government intervention for privileged groups or industries. Unfortunately, industrial policy seems to be alive and well both within antitrust law and policy and within a broader competition policy worldwide. This Article identifies how industrial policy impacts both antitrust and competition policy. It provides examples from the United States, Europe, and China of how industrial policy has been used in antitrust. However, this Article also makes a broader claim that the overt or subtle use of industrial policy in antitrust and competition policy is a global phenomenon. The United States’ experience teaches that industrial policy can be pushed to the margins in antitrust (and the failure to push industrial policy to the margins produces economic inefficiencies). Further, successful competition advocacy can reduce the competitive distortions that industrial policy may have on competition policy more broadly.

This Article first identifies the relationship between antitrust and industrial policy, providing examples of industrial policy from the antitrust experiences of the United States, Europe, and China. Second, it explores how a lack of procedural fairness in antitrust may be abused by inefficient competitors as a way to push industrial-policy goals. Third, this Article demonstrates how industrial policy hurts a broader competition policy and suggests potential competition-advocacy interventions on the part of antitrust authorities to limit the anticompetitive effects of such policy. The Article concludes with the suggestion that industrial policy is fundamentally in tension with promoting consumer welfare and fostering long-term economic growth and should be both explicitly and implicitly extracted from the antitrust enterprise. Further, antitrust agencies should implement more competition-advocacy interventions to stop the spread of industrial policy in antitrust globally.

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I. THE RELATIONSHIP OF ANTITRUST AND INDUSTRIAL POLICY

Industrial policy threatens consumer welfare. Yet, determining the scope of industrial policy may sometimes prove to be a challenge because industrial policy has multiple meanings. For purposes of this Article, industrial policy means political interference either within antitrust or from outside of antitrust (such as through the political process or sector regulation), in which economic analysis that is not based on antitrust economics may shape antitrust enforcement. Optimal antitrust enforcement requires that political factors not play a part of antitrust and that a technocratic antitrust—characterized by economically justified outcomes, predictability, administrability, and respect for due process and transparency—be the driving forces of enforcement. Additionally, antitrust should try to limit the political impulse based on interest group capture in other parts of government as part of a broader competition policy to improve national competitiveness.

Across the world, industrial policy asserts a more central position in antitrust enforcement than in the United States. Such situations allow for implicit intrusions of industrial policy, as agencies may be able to strategically pick and choose the economics that they adopt based on the outcome, reverse engineering a decision. In other situations, industrial policy sneaks in more subtly, due to case law that supports agencies with aggressive enforcement because such case law was based in part on industrial-policy goals. In some systems, competitor effects still have some significance in

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5 See White, supra note 1, at 320.


7 Mats A. Bergman et al., Merger Control in the European Union and the United States: Just the Facts, 7 EUR. COMPETITION J. 89, 119-21 (2011) (comparing US and European merger enforcement and
antitrust analysis. At some level, this focus on competitors rather than on competition is a form of industrial policy because it may favor outcomes inconsistent with consumer welfare.

A. Industrial Policy Within Antitrust and as an Outside Pressure of a Broader Competition Policy

Government may intervene in the economy both within an antitrust system and outside of it. An antitrust regime that makes economic analysis of competitive effects the sole method for analyzing consumer harm removes political factors from the analysis, shifting discretion from antitrust authorities to the market. That is, the market will determine winners and losers rather than antitrust policy. From a normative standpoint, this is more desirable because the incorporation of fairness-related concerns may lead to results that hurt consumers.

These special interests can capture finding more aggressive enforcement in Europe, perhaps because economists traditionally played a less pivotal role until the 2000s in Europe).

8 See Malcolm B. Coate & Andrew N. Kleit, Art of the Deal: The Merger Settlement Process at the Federal Trade Commission, 70 S. ECON. J. 977, 995 (2004) (discussing the inefficiencies of competitor complaints and noting that “[t]he FTC’s preferences, although somewhat difficult to establish, indicate that when it has the opportunity, the Commission is more likely to prefer that efficient acquisitions be abandoned rather than move forward with a compromise settlement. This result is compatible with a capture theory of the bureaucracy and perhaps suggests that the FTC should be more critical of competitor complaints”).


10 See Thomas W. Ross, Recent Canadian Policy Towards Industry: Competition Policy, Industrial Policy and National Champions, in COMPETITION LAW AND ECONOMICS, supra note 1, at 332, 332-36; White, supra note 1, at 320-21.


12 See id. at 2510.


15 See Blair & Sokol, Welfare Standards, supra note 11, at 2505-06.
the antitrust system and antitrust enforcers, whom such competitors can misuse for their personal aims to extort protection.\textsuperscript{16}

Antitrust is not an effective mechanism for these sorts of fairness trade-offs.\textsuperscript{17} Other areas of regulation are better suited to addressing such trade-offs than antitrust.\textsuperscript{18} Embracing antitrust economics promotes greater predictability and outcomes that are less likely to be hijacked by overtly political concerns not based on competition economics, which allows for better predictability in antitrust and a narrow focus on what antitrust does best—promote consumer welfare.

Some of the introduction of industrial policy in antitrust is due to the particular language of the enacting legislation that provides for multiple and sometimes competing goals for antitrust.\textsuperscript{19} The original statutory schemes of many antitrust regimes contained multiple goals.\textsuperscript{20} These goals may create a path dependency in the case law, which then favors antitrust intervention even when such behavior may be economically justified on efficiency grounds.\textsuperscript{21} The good news is that most jurisdictions have adopted an antitrust-economics-driven goal (most often consumer welfare) as the sole criterion for antitrust analysis, with other goals falling by the wayside.\textsuperscript{22} Yet, even when industrial policy is not explicitly used (or no longer used) in antitrust law, in practice, its implicit use regularly occurs in many jurisdictions around the world due to this path dependency in the case law because bad old cases remain good case law until they are overturned.\textsuperscript{23}

\textsuperscript{17} See Blair & Sokol, \textit{Welfare Standards}, supra note 11, at 2505-06.
\textsuperscript{18} Id.
\textsuperscript{20} See id. at 89.
\textsuperscript{21} See infra notes 23-30.
\textsuperscript{23} See Blair & Sokol, \textit{Welfare Standards}, supra note 11, at 2501-02 (explaining the path dependency in Europe). The US Supreme Court recently articulated how antitrust jurisprudence can be fixed over time. Justice Kagan explained: This Court has viewed \textit{stare decisis} as having less-than-usual force in cases involving the Sherman Act. Congress, we have explained, intended that law’s reference to “restraint of trade” to have “changing content,” and authorized courts to oversee the term’s “dynamic potential.” We have therefore felt relatively free to revise our legal analysis as economic understanding evolves and . . . to reverse antitrust precedents that misperceived a practice’s competitive consequences. Moreover, because the question in those cases was whether the challenged activity restrained trade, the Court’s rulings necessarily turned on its understanding of economics. Accordingly, to overturn the decisions in light of sounder economic reasoning was to take them “on [their] own terms.”
1. US Experience of Industrial Policy in Antitrust

Much of US antitrust enforcement from the 1950s and 1960s is an embarrassment by today’s standards. Back then, big was bad, merger efficiencies were ignored, vertical restraints were per se illegal, there was tightening of rules for refusals to deal, intellectual property was subject to the nine no-no’s, horizontal restraints were unnecessarily applied, and the Robinson-Patman Act was aggressively enforced. In all of these cases, industrial policy that favored inefficient competitors was both a fundamental part of case law and government-enforcement priorities. Such econom-
ically misguided and aggressive enforcement hurt American competitiveness and contributed to America’s economic malaise.\textsuperscript{34}

This approach in US case law began to change in the late 1970s, although the change in merger case law lagged behind the abolition of per se rules regarding conduct.\textsuperscript{35} Overt political antitrust considerations (i.e., those not based on antitrust economics) are no longer part of the current antitrust policy discourse within the case law or agency practices. In the United States, antitrust liability has narrowed due to a better understanding of economics,\textsuperscript{36} and antitrust analysis is now driven by economic analysis.\textsuperscript{37} As Leah Brannon and Judge Douglas Ginsburg have noted regarding this development:

Even in such cases where there is no consensus among economists, there is, nevertheless, virtually universal agreement among antitrust economists and lawyers alike, that the Court should answer questions of antitrust law with reference to economic competition—matters of consumer welfare and economic efficiency—rather than make political judgments about such economically irrelevant matters as the “freedom of traders,” or “the desirability of retaining ‘local control’ over industry and the protection of small businesses.”\textsuperscript{38}

This transformation in case law has rendered anachronistic certain doctrines that were not based on a modern economic understanding.\textsuperscript{39}

\textsuperscript{34} See Jonathan B. Baker, Economics and Politics: Perspectives on the Goals and Future of Antitrust, 81 FORDHAM L. REV. 2175, 2185 (2013) (“The old rules each likely deterred more anticompetitive conduct than the corresponding modern rules do now. But in general, the rules were modified for a good reason: they chilled cost reductions and other efficiency-enhancing conduct.”).


\textsuperscript{37} See Liran Einav & Jonathan Levin, Empirical Industrial Organization: A Progress Report, 24 J. ECON. PERSP. 145, 152 (2010) (“Thirty years ago, it was common for antitrust arguments to rest on simple summary measures of industry structure such as concentration ratios and Herfindahl-Hirschman indices. Nowadays, the Department of Justice and the Federal Trade Commission, which are tasked with reviewing proposed mergers, commonly undertake sophisticated econometric studies to define industry boundaries and to assess the likelihood of price increases or collusive behavior following a merger. These exercises often draw on academic research, and in turn have motivated the development of new empirical models.”); Vivek Ghosal, Regime Shift in Antitrust Laws, Economics, and Enforcement, 7 J. COMPETITION L. & ECON. 733, 773-74 (2011) (finding evidence of structural shifts to economic analysis across mergers and conduct cases); Barak Orbach & D. Daniel Sokol, Symposium: 100 Years of Standard Oil Antitrust Energy, 85 S. CAL. L. REV. 429, 439 (2012) (“The evolution of antitrust has been shaped by changing lines of economic thinking and ideologies.”); Sokol, supra note 32 (manuscript at 42-43) (finding a structural shift in Robinson-Patman enforcement based on the use of economic analysis in the predatory-pricing context).


\textsuperscript{39} See, e.g., Leegin Creative Leather Prods., Inc. v. PSKS, Inc., 551 U.S. 877, 907 (2007) (overturning per se prohibition of minimum resale price maintenance (RPM)); State Oil
Changes in priorities became embedded not merely in case law but also in agency practice with the rise in the importance of economics (and economists) in agency analysis. In terms of how incentives impact the role of industrial policy in antitrust, discretion in the hands of lawyers will play out differently than in those of economists because discretion influences how centrally economic analysis will factor into case selection. Professor Luke Froeb and his colleagues explain that “[e]conomic methodology is particularly well suited for predicting the causal effects of business practices and for determining the effects of counterfactual scenarios that are used to determine liability and damages.” If economic analysis forms the basis of enforcement decisionmaking, effects become the focus. In this sense, overt political control can be removed from case analysis because economic inquiry is guided more by empirics. Lawyers, as part of an investigative team, may be less driven by the empirics of economics. As a result, more overt political goals might factor into their analyses.

This is not to say that economists are not subject to political motivation. However, economists exercise it less than lawyers because populism was never part of industrial organization’s mantra. The greater institutionalization of economics as the central motivation for antitrust may have been a causal factor that changed the role of nonantitrust government intervention in antitrust. In particular, one can see this change in merger control


42 Id. at 573.


45 Fred S. McChesney et al., Competition Policy in Public Choice Perspective, in 1 THE OXFORD HANDBOOK OF INTERNATIONAL ANTITRUST ECONOMICS 156, 159 (Roger D. Blair & D. Daniel Sokol eds., 2015).

46 Id. at 157-58.

47 Id. at 156.

48 See Crane, supra note 3, at 1211-20.

49 Blair & Sokol, Welfare Standards, supra note 11, at 2507 (“The more recent focus on economics has reduced the areas of per se illegality and increased the areas where the rule of reason operates
and the shift in the United States from hostility to eventual embrace of efficiencies in both the Merger Guidelines and case-law analysis.

The US experience is worth noting as an example for other jurisdictions, even those with significantly different institutional designs, largely because of the important changes that the United States implemented. One notable change was the creation of a distinct group of economists within the antitrust agencies, including a chief economist and staff, who are not subordinate to agency lawyers. This institutional design allows for a distinct economic voice to influence case selection and analysis, helping to ensure that there is an economic basis for enforcement decisions.

Empirical work suggests that overt politics not driven by antitrust economics has, for the most part, become a nonissue in US merger enforcement in recent decades. As one economist notes, “[p]opulism was forced to a fringe position.” Earlier studies of US merger control examining the 1980s suggested that there were noneconomic factors at play in merger control. The same work also found that the recommendations of economists carried less weight than those of agency lawyers. A greater role for economists merely shifts “political” antitrust from noneconomic politics (such as industrial policy) to “politics” within economics (i.e., how to decide the difficult cases “on the margins” based on economic theory and empirics that may not always be clear).

2. Industrial Policy in European Antitrust

In Europe, path dependency based on multiple goals of antitrust remains a fundamental characteristic of European case law, with more of an...
interventionist flavor than in the United States. This is due to the multiple goals of European Commission (“EC”) competition law on the books, including industrial-policy concerns. Even if the Directorate-General of Competition (“DG Comp”) states that its sole goal is consumer welfare, European case law remains far more favorable for a finding of competition-law infringement than in the United States, where the shift to a singular goal of antitrust and the primacy of economic analysis has led to more rule-of-reason analysis and less intervention. In Europe, the strong-interventionist case law and enforcement also operate in the shadow of the law—serving as leverage to be used against firms that are under investigation, in order to extract greater concessions in consent agreements.

An examination of European cases explains why European antitrust is more prone to industrial policy. The European Court of Justice first used the term “consumer welfare” in 2012, in Post Danmark A/S v. Konkurrencerådet. Far more common are European cases under the Treaty on the Functioning of the European Union (“TFEU”) Articles 101 and 102 that have multiple goals as the basis for their analyses. In the TFEU 101 context, T-Mobile Netherlands BV v. Raad van bestuur van de Nederlandse

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62 See Blair & Sokol, Welfare Standards, supra note 11, at 2513.


64 Case C-209/10, Post Danmark v. Konkurrencerådet, ¶ 42 (Mar. 27, 2012), http://curia.europa.eu/juris/document/document.jsf?text=&docid=121061&doctype=en&mode=list&dir=&occ=first&part=1&cid=65759 (“[I]t is for the dominant undertaking to show that the efficiency gains likely to result from the conduct under consideration counteract any likely negative effects on competition and consumer welfare in the affected markets, that those gains have been, or are likely to be, brought about as a result of that conduct, that such conduct is necessary for the achievement of those gains in efficiency and that it does not eliminate effective competition, by removing all or most existing sources of actual or potential competition.” (emphasis added)).


66 Id. art. 102.

67 Raimundas Moisejevas & Ana Novosad, Some Thoughts Concerning the Main Goals of Competition Law, 20 JURISPRUDENCE 627, 634-35 (2013) (“Analysis of the practice of the Court of Justice and the Commission does not allow identifying clearly the one main, dominating goal of the competition law. In most cases, courts mention goals such as protection of the effective competition, protection of the competitors and protection of the consumers.”).
Mededingingsautoriteit explains that “[TFEU 101], like the other competition rules of the Treaty, is designed to protect not only the immediate interests of individual competitors or consumers but also to protect the structure of the market and thus competition as such.”

Similar language appears in the TFEU 102 context. Until this case law is cleaned up in a manner similar to the shift in the United States from the mid-1970s to the present, European enforcement will implicitly have an industrial-policy flavor to it. This type of case-law path dependency that is a part of antitrust enforcement in Europe also threatens the economic growth of more dynamic economies in South and East Asia, as these jurisdictions rely upon European case law for guidance in their respective competition systems.

Historical factors and path dependency explain the EC’s greater orientation toward industrial policy in merger control. The core purpose of European competition law was to further market integration over other factors such as efficiency. This meant that efficiency played a lesser role in the original formulation of European competition law. One might suggest that a reading of Aerospatiale-Alenia/de Havilland (a merger case arising soon after the 1989 merger rules on the failing-firm defense were established) expressed the tension between industrial policy and competition policy—at least within the failing-firm-defense context.

Because lawyers played a significant role in merger enforcement, while economists historically played a minor role, the EC’s decisions to challenge mergers may have lacked a rigorous economic justification. This too has changed due to the institutionalization of greater economic analysis, including the creation of a chief economist and an economics staff

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69 Id. ¶ 38; see also Joined Cases C-501/06 P, C-513/06 P, C-515/06 P & C-519/06 P, GlaxoSmithKline Servs. Unlimited v. Comm’n, 2009 E.C.R. I-09291, ¶¶ 62-64.
71 See Kovacic & Shapiro, supra note 36, at 52-55.
72 See, e.g., Steve Harris & Akira Inoue, Japan, in GLOBAL ANTITRUST COMPLIANCE HANDBOOK 440,452 (D. Daniel Sokol, Daniel Crane & Ariel Ezrachi eds., 2014).
73 GIFFORD & KUDRLE, supra note 61, at 8-21.
74 Blair & Sokol, Welfare Standards, supra note 11, at 2502.
75 See id.
77 Id. at 58-59. The first time the failing-firm defense was used in European law was in Kali und Salz/MdK/Treschand in 1993. See Commission Decision 94/449, Case No. IV/M.308, 1994 O.J. (L 186) 38, 49 (EC).
78 See GIFFORD & KUDRLE, supra note 61, at 20-21 (noting that while the importance of economic analysis and number of economists in the European Union are increasing, court reliance on previous case law continues to limit the role of economic reasoning in EU merger cases).
not subordinate to lawyers, as well as a series of cases that reversed EC challenges based on insufficient economic analysis.\(^7^9\)

The earlier case law and institutional approaches have impacted the current structure and nature of European merger and conduct enforcement in terms of state intervention.\(^8^0\) Quantitative research supports that, at present, Europe more strictly enforces merger regulation than the United States.\(^8^1\) Path dependency and earlier nonefficiency legacy may play some role in this orientation towards greater enforcement.\(^8^2\) One could frame Europe’s wariness regarding vertical restraints (including vertical mergers) as an expression of this same sort of legacy.\(^8^3\) Thus, more aggressive European challenges to vertical mergers may be as much political (based on a concern for the competitive process)\(^8^4\) as economic—and represent a key difference with the United States on competition law and economics.\(^8^5\)

Another cause of the development of noneconomic factors in European merger control was what some claimed to be anti-American bias.\(^8^6\) Empirical work analyzing the period of the 1990s found that there was protectionism involved in European merger control.\(^8^7\) DG Comp had a higher probability of intervening against non-European firms when there were European competitors in the same market.\(^8^8\) Professor Nihat Aktas and his colleagues examined if foreign acquiring firms were subject to greater antitrust intervention than domestic acquiring firms when local competitor firms were harmed, observing distinct cases from 1990 to 2000.\(^8^9\) They

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\(^7^9\) Russo et al., supra note 60, at 4-5 & n.11.

\(^8^0\) See Gifford & Kudrle, supra note 61, at 17-21.

\(^8^1\) See Bergman et al., supra note 7, at 89.

\(^8^2\) See Gifford & Kudrle, supra note 61, at 51-62.


\(^8^5\) James Cooper et al., A Critique of Professor Church’s Report on the Impact of Vertical and Conglomerate Mergers on Competition, 1 J. Competition L. & Econ. 785, 791-92 & n.27 (2005).

\(^8^6\) See George L. Priest & Franco Romani, Commentary, The GE/Honeywell Precedent, Wall St. J., June 20, 2001, at A18, http://www.wsj.com/articles/SB992994589433979465 (“When the European Commission states that politics will be irrelevant to its decision, it means the political efforts of the U.S. and other countries wanting economic progress, not the politics of Rolls-Royces and Thales, which hope for regulatory action to save them from the effects of aggressive competition.”).


\(^8^8\) See Aktas et al., European M&A Regulation, supra note 87, at 1110-12.

\(^8^9\) Id. at 1100, 1109.
found that the joint effect of a given bidder’s nationality (foreign versus domestic European) and whether there were European competitors involved led to abnormal stock returns.\textsuperscript{90} They concluded that, “[f]aced with the empirical facts, a cynical observer might doubt the good intentions of European regulators.”\textsuperscript{91}

Similarly, Professors Serdar Dinc and Isil Erel analyzed the largest twenty-five merger targets (measured by market capitalization of the respective target firms) from the first fifteen EU member states during the period from 1997 to 2006.\textsuperscript{92} They found that, “instead of staying neutral, governments of countries where the target firms are located tend to oppose foreign merger attempts while supporting domestic ones that create so-called national champions, or companies that are deemed to be too big to be acquired.”\textsuperscript{93} This legacy of European industrial policy has troubling implications for robust antitrust enforcement.

3. Industrial Policy in Chinese Antitrust

A number of authors claim that industrial policy plays a role in Chinese antitrust.\textsuperscript{94} Previous empirical work on Chinese antitrust in the merger context demonstrates how political Chinese merger control can be.\textsuperscript{95} The most important finding has to do with the direct intervention of other parts of government within the Ministry of Commerce of the People’s Republic of China (“MOFCOM”) merger review process.\textsuperscript{96} In short, other government ministries need to sign off on merger approval.\textsuperscript{97} Negotiations between MOFCOM and these other parts of the Chinese government can span many months (sometimes with the knowledge of the merging parties—but not always).\textsuperscript{98} These other parts of government can wield significant influence by placing certain conditions on the merger approval and may ask questions or force concessions by the merging parties that have nothing to do with competitive effects.\textsuperscript{99}

\textsuperscript{90} Id. at 1111.
\textsuperscript{91} Id. at 1118.
\textsuperscript{92} Dinc & Erel, supra note 87, at 2472.
\textsuperscript{93} Id. at 2504.
\textsuperscript{95} D. Daniel Sokol, Merger Control Under China’s Anti-Monopoly Law, 10 N.Y.U. J.L. & BUS. 1, 3, 35 (2013).
\textsuperscript{96} Id. at 20-26, 35.
\textsuperscript{97} Id. at 33, 35.
\textsuperscript{98} Id.
\textsuperscript{99} Id.
Another important finding is the significance of third-party-competitor complaints. If there is a Chinese company (particularly an SOE, or state-owned enterprise) that competes within the same relevant market, or may merely be thinking of entering the market, the merger notification receives significantly more scrutiny. This is the case even if the competitive effects are negligible, while in other merger systems, the deal would fall within a presumptive safe harbor because the market shares of the merging parties might be under 25 percent. As a result of these pressures, some of MOFCOM’s decisions have been attempts to frame political concerns within the language of economic analysis, even when the economic analysis undertaken is more rudimentary than what one might find in Western Europe or North America.

Industrial policy in China is the concern of a more recent practitioner analysis published by the United States Chamber of Commerce ("USCC"). This report suggests that there is industrial policy at play in both merger and conduct cases in Chinese antitrust with regard to merger remedies and intellectual property and antitrust issues, among other areas. Similar reports by the US-China Business Council ("USCBC") and the European Union Chamber of Commerce in China ("EUCCC") echo these concerns.

II. LACK OF PROCEDURAL FAIRNESS AS A WAY TO PUSH INDUSTRIAL POLICY IN ANTITRUST

The global pressure points in industrial policy include competitors misusing antitrust and taking advantage of the lack of due process across antitrust authorities. Agencies sometimes find out about potential anticompetitive behavior through competitor complaints. However, competitors also have the incentive to use complaints to get an investigation started

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100 Id. at 26-27, 35.
101 Sokol, supra note 95, at 21-26, 35.
102 Id. at 35.
103 Id. at 23-25, 35.
105 Id. at 13-27.
even when the conduct in question is not anticompetitive.109 When govern-
ment can be made to expend its own resources in bringing a case, ineffi-
cient competitors can misuse antitrust law.110 Procedural problems that do
not allow firms targeted for investigation to know the nature of the com-
plaints against them aid in this misuse.

This Part explains the importance of transparency and due process in
antitrust. Without a robust procedural-fairness regime, antitrust can develop
an implicit industrial policy that favors inefficient competitors rather than
an antitrust policy that promotes consumer welfare. Systems with limited
procedural fairness are ripe for abuse by third parties who might use anti-
trust strategically. A number of companies may front local firms to raise
concerns to antitrust authorities as a way to punish more efficient rivals
around the world, raising these more efficient firms’ costs.111

Procedural fairness is an important issue for the rule of law and for ef-
fective antitrust regulation.112 In her keynote speech at the American Bar
Association’s “Antitrust in Asia: China” conference in May 2014, Federal
Trade Commission (“FTC”) Chairwoman Edith Ramirez explained: “Good
process leads to effective decisions and bolsters the legitimacy of competi-
tion enforcement. In contrast, deficient process contributes to suboptimal
decisions and breeds disrespect for competition law and for competition
agencies.”113 She then articulated four aspects of procedural fairness that are
central to the practice of transparency and due process in the United States:

[Procedural fairness permits] legal representation for the parties under investigation, includ-
ing allowing the participation of local and international counsel; notifying the parties of the
legal and factual bases of an investigation and sharing the evidence on which the agency re-
lies; facilitating direct and meaningful engagement between the parties and the investigative
staff and decision-makers; and ensuring internal checks and balances on decision-making
within the agency.114

109 Id.
110 Id. at 696-97.
111 See id.
112 Id. at 2-3. Procedural fairness has been a significant issue for both U.S. agencies. See Christine
A. Varney, Assistant Attorney Gen., Antitrust Div., U.S. Dep’t of Justice, Procedural Fairness, Address
at the 13th Annual Competition Conference of the International Bar Association 1 (Sept. 12, 2009),
government investigation, it is important that parties involved know that the process used to reach that
outcome was fair. The two concerns—substance and process—go hand in hand. Complaints about
process lead to concern that substantive results are flawed, whereas a fair, predictable, and transparent
process bolsters the legitimacy of the substantive outcome.”).
Concerns regarding the need for procedural fairness in antitrust (whether pertaining to mergers, cartels, or other conduct) are not unique to the US experience.115 Indeed, various international antitrust organizations have echoed these concerns, including the Organization for Economic Cooperation and Development ("OECD") Competition Committee and the International Competition Network ("ICN").116 The business community has also pushed for increased procedural fairness. The International Chamber of Commerce ("ICC") issued a recommended framework for international best practices in competition law enforcement proceedings, highlighting seven different themes for best practices.117 More recently, the ICN established an Investigative Process Project, coheaded by the FTC and DG Comp.118 Further, a number of free-agreements include procedural fairness among the provisions in their competition-policy chapters.119

A recent survey conducted by the USCC found that, globally, there were some problems regarding transparency and due process.120 Roughly two-thirds of the respondents identified that competition authorities were either inconsistent in providing due process or failed to provide sufficient procedural safeguards.121 Similarly, practitioners expressed concerns as to why certain information remains confidential, as well as consistency and timeliness regarding transparency.122

At times, procedural concerns have emerged in the United States123 and Europe.124 However, issues of procedural fairness and transparency have

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115 See Ramirez, supra note 112, at 2.
116 Sokol, supra note 95, at 29.
121 Id. at 5, 42-43.
122 Id. at 3, 11-12.
emerged most noticeably in reports regarding Chinese antitrust by the USCC and USCBC, as well as in a statement by the EUCCC. These documents raised concerns about due process in Chinese antitrust regulation. These concerns relate to the lack of effective representation, the use of industrial policy by third parties, and procedural tools that do not allow for the most effective advocacy to achieve efficient outcomes.

While Chinese antitrust law serves as a prominent example for the need to improve due process (and its potential abuse for industrial-policy purposes), what has been less public (but just as alarming) is that many of these concerns are not unique to China. As other authorities increase their enforcement activity, taking ever-complex and high-profile cases, the often-inadequate procedural safeguards and lack of due process come into sharper focus.

For example, high-profile cases with procedural-fairness issues

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128 Id.; WATERMAN & HEATHER, supra note 125, at 49.

129 EUCCC, Statement on China Investigations, supra note 107; WATERMAN & HEATHER, supra note 125, at ii.

130 See Sokol, supra note 95, at 35.

131 See, e.g., Shuya Hayashi, A Study on the 2013 Amendment to the Antimonopoly Act of Japan—Procedural Fairness Under the Japanese Antimonopoly Act, 7 Y.B. ANTITRUST & REG. STUD., no. 10, 2014, at 85, 87-88 (examining the procedural concerns with the 2013 Amendment to the Japanese Antimonopoly Act).

have arisen in other jurisdictions, including Europe,\textsuperscript{133} Korea,\textsuperscript{134} and Japan.\textsuperscript{135}

An absence of effective procedural fairness impairs effective competition law and policy.\textsuperscript{136} It also makes it more difficult for businesses to plan effectively because of the risk involved in antitrust enforcement that is based not on the particular conduct in question but on the uncertainty due to uneven enforcement.\textsuperscript{137} Yet, in addition to the lack of procedural fairness hurting economic performance and efficiency, it also hurts antitrust authorities.

Procedural fairness should not be conceptualized as merely preventing downside risk for an antitrust authority. Rather, there are tangible benefits to antitrust authorities fully embracing procedural fairness, including better information gained from evidence gathered as a result of improved procedural fairness. Such information can assist an antitrust authority in better shaping its competition policy and enforcement prioritization. This better information gathering in turn allows cases to move more smoothly through the pipeline, with more predictability on timing and key stages for both merger and conduct cases. It also gives firms under investigation a sense of how to both respond effectively to agency requests for information and help agencies in their decisionmaking.

III. BAD INDUSTRIAL POLICY LEADS TO BAD COMPETITION POLICY

A concern about the mixing of economic and noneconomic goals of regulation is that this mixture more readily allows for regulatory capture by the sector regulator.\textsuperscript{138} The extensive literature on public choice provides both theoretical and empirical support to the thesis of regulatory capture by sector regulators.\textsuperscript{139} Regulatory capture by sector regulators may be more


\textsuperscript{135} See Hayashi, supra note 131, at 95 & n.35.

\textsuperscript{136} See Ohlhausen, supra note 132, at 2 ("[F]or a competition authority, predictability, transparency, and fairness translate into five actionable agency goals . . . .").

\textsuperscript{137} See id. at 2-3.


\textsuperscript{139} See generally DENNIS C. MUELLER, PUBLIC CHOICE III (2003).
severe than by antitrust enforcers for two reasons. The first is that sector regulators have more concentrated interest groups, which makes capture more likely. The multiple missions (including noneconomic ones) of sector regulators also create additional political pressure points for the executive or legislative branches of government to use in order to leverage non-competition concerns. This may impact the outcome of particular cases. Competition advocacy—the ability of agencies to sway other parts of government based on economic arguments on the merits of competition serves as a way to reduce the competitive harms of such regulation.

The second factor that compounds the capture is the pursuit of “public interest,” or even the veneer of public interest. Whereas some notion of efficiency may be (at least in practice) the only factor that determines outcomes in many antitrust systems, sector agencies may need to balance efficiency concerns with the preservation of competitors who may provide consumer choice and diversity. Sometimes these concerns may be valid, but other times they are the result of rent seeking. The point is not to distinguish between the two but merely to note that sector regulation has divergent interests from antitrust that are not based on efficiency analysis. In Europe, there are a number of areas where sector regulation seems to be leading to outcomes that do not necessarily promote consumer welfare. These areas include data privacy and merger remedies not based on anticompetitive concerns. Both are areas in which there is pressure from oth-
er parts of government to have a competition-law “solution” for what is not a competition problem.151

This behavior abroad contrasts with the US experience. Antitrust policy has become so technocratic in the United States that, in recent administrations, presidential statements on antitrust policy have been sparse.152 Consequently, it is quite telling that President Barack Obama recently called out the European Union for infusing industrial policy in the competition policy and consumer protection arenas.153 In an interview, President Obama explained:

“[S]ometimes their vendors— their service providers—who can’t compete with ours, are essentially trying to set up some roadblocks for our companies to operate effectively there. We have owned the Internet. Our companies have created it, expanded it, perfected it, in ways they can’t compete. And oftentimes what is portrayed as high-minded positions on issues sometimes is designed to carve out their commercial interests.”154

European competition law and policy will continue to suffer from industrial-policy intrusions so long as Europe fails to clean up its case law and take a more active stance in its competition advocacy. Consumer welfare decreases as a result. The same goes for other jurisdictions.155

CONCLUSION

This Article proposes a broader competition-policy system that is neutral towards other policy areas—or, in other words, it recommends the adoption of an antitrust standard based exclusively on consumer welfare rooted in economic efficiency.156 Antitrust law and policy should become completely technocratic, so that antitrust concerns are the only ones that are taken into account.157 Any concerns regarding industrial policy, national

152 Crane, supra note 3, at 1160-61.
153 Liz Gannes, Obama Says Europe’s Aggressiveness Toward Google Comes From Protecting Lesser Competitors, RECODE (Feb. 13, 2015), http://recode.net/2015/02/13/obama-says-europes-aggressiveness-towards-google-comes-from-protecting-lesser-competitors/ (“Obama said the European companies were sore losers and were using their governments to gain footing against American rivals.”).
154 Id.
156 While the Author has previously argued for a total-welfare standard, here, the broader point is that the sole standard for antitrust should be the political choice between antitrust-specific welfare standards, not between antitrust economics and other nonantitrust-economics considerations. The easier standard to adopt globally based on administrability concerns is consumer welfare.
157 Randolph W. Tritell, Meeting the Challenges of the Evolving International Antitrust Landscape, 22 GEO. MASON L. REV. 1269, 1275 (2015) (“Convergence around principles of sound economic analy-
security, and other policy areas should be addressed outside of the antitrust-law context. This will allow antitrust law to become nonpolitical and more technocratic. It will also confine noncompetition economic considerations to those arenas that are more prone to public choice concerns, such as sector regulation, the legislative process, or executive fiat. These spheres are better equipped than antitrust law to deal with political trade-offs.


The stubborn legacy of industrial policy within antitrust case law can be removed, in part, with more (and better) economic analysis, via an iterative process that improves over time.\footnote{See Douglas H. Ginsburg & Joshua D. Wright, \textit{Dynamic Analysis and the Limits of Antitrust Institutions}, 78 ANTITRUST L.J. 1, 14 (2012).} As the sophistication of antitrust agencies’ economic analysis and the application of such analysis to cases improve, more efficient outcomes will follow.\footnote{See Kovacic, \textit{Intellectual DNA}, supra note 43, at 79.} Privileging overt state intervention within antitrust through the explicit inclusion of noneconomic concerns would hinder antitrust law and policy in many jurisdictions and decrease consumer welfare.\footnote{See, e.g., Healey, supra note 4, at 219-20.} Refining case law to reflect economic principles and putting economists on equal footing with lawyers within agencies are other ways to provide a check on industrial policy’s implicit creep into antitrust.

As great as the industrial-policy problem is in traditional antitrust cases, its impact is even more pronounced in case law and agency action in the dynamic economic setting—particularly in fast-moving markets where intervention tends to reduce consumer welfare even more. These markets are typified by rapid technological change and innovation.\footnote{J. Gregory Sidak & David J. Teece, \textit{Dynamic Competition in Antitrust Law}, 5 J. COMPETITION L. & ECON. 581, 585 (2009); Geoffrey A. Manne & Joshua D. Wright, \textit{Innovation and the Limits of Antitrust}, 6 J. COMPETITION L. & ECON. 153, 166 (2010).}
can be in new products, services, or platforms. 166 And, because high-tech markets change rapidly, market power may be transient. 167 In the high-tech setting, agencies must be particularly careful when analyzing the market and the facts to ensure that merger control does not reduce firms’ incentives to innovate or chill other investment decisions that would otherwise lead to enhanced innovation. 168

The concept of the ephemeral nature of market power originates from Professor Joseph Schumpeter’s views on creative destruction. 169 Due to the nature of technological change, firms compete for a market through innovation and other strategies that are highly disruptive to existing markets. 170 This is competition for the market rather than competition in the market. 171 In these circumstances, prediction is more complex and difficult. 172 If there is no clear theory of harm and no facts to support a determination of harm, aggressive intervention risks chilling procompetitive innovation. 173 In some cases, the best remedy may be no remedy at all, as evidenced in a number of cases across the United States, 174 Europe, 175 and other leading jurisdictions. 176

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166 See Sidak & Teece, supra note 165, at 582.
168 Professor Thomas Cotter summarizes the potential trade off as “[t]he obvious problem, once we accept the principle that any conduct that threatens some harm to innovation or creativity (no matter how speculative) properly could give rise to antitrust liability, is knowing where to stop.” Thomas F. Cotter, Innovation and Antitrust Policy, in 2 THE OXFORD HANDBOOK OF INTERNATIONAL ANTITRUST ECONOMICS 132, 146 (Roger D. Blair & D. Daniel Sokol eds., 2015).
169 JOSEPH A. SCHUMPETER, CAPITALISM, SOCIALISM AND DEMOCRACY 83 (3d ed. 1950). See also Jonathan B. Baker, Beyond Schumpeter vs. Arrow: How Antitrust Fosters Innovation, 74 ANTITRUST L.J. 575, 587 (2007) (“As a general rule, competition does not just lead firms to produce more and charge less; it encourages them to innovate as well.”).
172 See Baker, supra note 169, at 575 & n.1.
Despite the focus of many antitrust agencies and international organizations on antitrust issues in China, it is important to note that industrial policy in antitrust is not just a China problem. Focusing solely on China at the exclusion of other countries in Asia, Europe, and the Americas allows competition authorities in other regions to slide under the radar and perpetuates the intrusion of industrial policy into antitrust—harming consumer welfare.


