

# Competition Assessments and Regulatory Reform

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## Abstract

Governments often intervene in markets to regulate the behavior of businesses. There are good economic reasons for intervention, such as controlling for market failures arising from the presence of externalities, overseeing common public resources and public goods, limiting market power, and addressing insufficient or asymmetric information. In addition to economic regulation, governments regulate the behavior of businesses to promote valuable goals in the areas of health, safety and environmental quality. Despite these goals, a difficult question remains for policymakers: Given a particular policy goal, what is the best feasible form of government or private action for achieving that goal? In recent years, many countries have initiated reforms designed to improve the quality of regulations and minimize the extent to which the national economies are subject to the more traditional command-and-control forms of regulation. An important reason for these reforms is that governments are clearly recognizing the benefits of competition.

In the broad area of regulatory reform, assessing the impact of rules and regulations on the extent of competition in the markets can provide important insights into the functioning of markets, make more transparent the relevant factors for making decisions, and provide an important tool to help regulators and policy-makers make the right choices when assessing the pros and cons of rules and regulations.

This presentation will discuss the OECD's recent initiatives in developing a general framework for policy-makers and government officials who are decision-makers on how to assess the competition impacts of various rules and regulations. An important contribution made by OECD in its 2007 "Competition Assessments: Guidance" report has been to utilize the framework and concepts used in competition law enforcement to assess the impact of rules and regulations on competition. To our knowledge, this is the first document that in an encompassing manner integrates the frameworks of competition law enforcement and regulatory reform.

The presentation will: (1) discuss the framework of competition law enforcement and its relevance to improving the efficiency of regulations; (2) present specific examples from governmental regulations, as well as rules and restrictions imposed by professions, to highlight the likely harm to competition; (3) discuss some strategic aspects related to why governments and professions impose rules and regulations; and (4) outline the proposed framework which can be used by regulators and policy-makers to assess the potential harm to competition of a given rule or regulation.