

The Role of Economics at the Federal Trade Commission

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These are my views and do not necessarily represent those of the Federal Trade Commission or any of the Individual Commissioners.

Overview

- Missions of the FTC
 - Competition (Antitrust)
 - Consumer Protection
 - Public Policy/Advocacy/R&D
- In democracies, legislation and public policy rightfully driven by interests of constituents
- Important roles for economists
 - Voice for “Efficiency,” the often silent constituent
 - Identify potential unintended consequences
 - Identify (and help weigh) costs, benefits and tradeoffs

Dispassionate Economists: The Butt of Jokes

But...Efficiencies are Important

- Antitrust and Consumer Protection—and more generally legislation and public policy—sometimes driven by distributional issues
- Dividing up an existing pie to protect interests of
 - Particular consumers (urban, rural, rich, poor, local, etc.)
 - Particular firms (incumbents, small firms, local firms, etc.)
- Important for these voices to be heard
- ...But it also important to hear the voice of efficiencies. If not by economists, by whom?

Long-Run Interests of Market Participants Depend on Efficiencies

- Policies advocated by self-interested constituents can shrink the size of the pie
 - Costs of rent seeking
 - Distorted incentives
 - Unintended consequences
- Historical examples
 - Trade wars
 - Protectionist policies
 - Innovation
- Area of potential future concern
 - Antitrust wars

Static vs. Dynamic Effects

- Distributional effects not only vary across participants at a point in time, but over time.
- A given constituent may benefit from policies today, but be harmed in the future
- And vice versa

Role for Economists

- Identify these sorts of effects – including unintended consequences and efficiencies – so that policymakers and their constituents can take them into account

Examples

- **Antitrust:**
 - Oil and Gas
 - Google/DoubleClick
- **Consumer Protection:**
 - Behavioral Advertising
 - Fraud and Deception
- **Advocacy/Economic R&D:**
 - Resale Price Maintenance
 - Mortgage Disclosures

Conclusions

- Economists play many roles at the FTC and around the world
- Three of our more important roles are
 - Identifying unintended consequences
 - Ensuring that efficiency considerations are taken into account
 - Identifying tradeoffs/Cost-benefit analysis
- The fact that economists often focus on these three aspects does not mean distributional and other considerations are unimportant. But there are other voices to represent these constituents.