US Centre Summer Research Grant

Recipient: Tommaso Crescioli

Project title: Antitrust Enforcement Patterns Across American Authorities

Summary of project:

The rising economic power of Big Tech companies has revitalized the American antitrust debate (Portuese 2020). This increasing political attention has been preceded by several prominent studies documenting rising market power in the US (De Loecker et al. 2020, Autor et al. 2020, Gutierrez and Philippon 2018, Philippon 2019). In its groundbreaking contribution, the French economist Thomas Philippon (2019) individuates in a laxer antitrust enforcement the cause of declining competition in the US. The goal of my project is twofold. Firstly, I want to produce a large-scale study casually assessing the impact of antitrust on market power. Secondly, I want to investigate the relatively unexplored question of whether antitrust enforcement changes accordingly to the agency in charge. By doing so, this project aims to reveal the political-economic dynamics guiding antitrust enforcement in the US.

Project Summary and Core Questions

The rising economic power of Big Tech companies has revitalized the American antitrust debate (Portuese 2020). This increasing political attention has been preceded by several prominent studies documenting rising market power in the US (De Loecker et al. 2020, Autor et al. 2020, Gutierrez and Philippon 2018, Philippon 2019). In its groundbreaking contribution, the French economist Thomas Philippon (2019) individuates in a laxer antitrust enforcement the cause of declining competition in the US.

Philippon's (2019) conclusion has become popular in relevant policy circles and has been backed by the contributions of prominent antitrust scholars (Kahn 2020, Kwoka 2017). However, the author’s thesis rest upon a fundamental assumption: antitrust enforcement is an effective device to diminish firms' market power. Although this assumption seems logical, the literature has not yet produced a large-scale empirical study rigorously showing the effect of antitrust on competition (see Kwoka 2013).

Nevertheless, even if we accept Philippon's (2019) 's prior, another question stems naturally by looking at the architecture of US competition law: does antitrust enforcement change depending on the competition authorities responsible? The US has two leading federal competition authorities, the Department of Justice (DoJ) and the Federal Trade Commission (FTC). These authorities are characterized by a distinctive design: the DoJ is part of the executive branch, whereas the FTC is an independent quasi-judicial agency. Furthermore, the two agencies supervise different sectors, and, as I have shown in my project, not every American industry has recorded the decline in competition advocated by Philippon (2019).

The goal of my project is, therefore, twofold. Firstly, I want to produce a large-scale study casually assessing the impact of antitrust on market power. Secondly, I want to investigate the relatively unexplored question of whether antitrust enforcement changes accordingly to the agency in charge. By doing so, this project aims to reveal the political-economic dynamics guiding antitrust enforcement in the US.

Work Done and Next Actions

To accomplish my research goals, I require a dataset that includes the firms investigated and agencies' decisions. Unfortunately, such a database does not exist. For this reason, I have assembled a new dataset myself by codifying all the merger cases falling under the Hart-Scott-Rodino rules. To do so, I have read all the merger reports produced by both agencies since 1977. Once completed, I will make this dataset freely available to other researchers.

The next step will be matching my dataset with SDC Platinum and Compustat, which are two datasets containing financial information about the merging entities. By doing so, I can estimate firm-level markups (i.e., a proxy of market power) using state-of-the-art techniques in industrial organizations (see De Loecker and Warzynski 2012, De Loecker et al. 2016, 2020).

I will then investigate the effect of antitrust on competition by using a quasi-experimental difference-in-difference (DID) empirical strategy. The rationale is to assess whether antitrust investigations diminish firms' market power using as control group not-investigated mergers with similar characteristics.

Finally, to discern whether antitrust enforcement changes depending on the agency, I will proceed as follows. Firstly, I will interact the main DID dependent variable with a dummy variable which changes accordingly to the agency investigating the merger. Then, I will estimate a probit model to assess which agency is more likely to challenge a merger.

Grant Usage

As previously mentioned, my goal is to present the paper to relevant antitrust conferences in the US. However, this was impossible because the travel ban was lifted only at the end of September 2021. Thus, since travel expenses are likely to be significant, I have deliberately saved part of the funding to participate in US-based conferences in the following academic year.

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