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## **Global Forum on Competition**

### **THE ROLE OF CONSUMERS IN PROMOTING PRO-COMPETITIVE REFORMS**

**Note by the Secretariat**

-- Session III --

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Contact: Michael WISE, Principal Administrator  
[Tel: 33 1 45 24 89 78; email: michael.wise@oecd.org].

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## THE ROLE OF CONSUMERS IN PROMOTING PRO-COMPETITIVE REFORMS

1. Consumer welfare is a principal goal of modern competition policy. Hence, consumer interests should be a central concern in reform to improve efficiency and competitiveness. Competition policy motivated by the goal of consumer welfare can help overcome obstacles to reform, particularly when effective advocacy rests on broad consumer support.

2. Despite the prospect that structural reform will produce stronger growth and higher employment, it has proven hard to achieve and progress has been uneven. Many of the difficulties of reform can be explained in terms of the imbalance of perceived costs and benefits from change. It is difficult to overcome resistance to change from interests that profit from the status quo, and it is also difficult to assemble and motivate a consensus in the electorate to back reform, even though the public would benefit from it. Principles of “political economy” predict that consumers will be less likely than other interests to organise themselves to influence the policy process. Consumers thus need to get better organised, and representatives of consumer interests should be empowered to be more effective.

3. But not all difficulties of reform can be explained simply as conflicts over competing interests. Difficult choices between competing values can also slow the process. Even a well-informed public may not agree that it would benefit from reform. A preference for security and stability, or a claim that fairness is more important than efficiency, can argue against proposals to change the status quo. Many consumers may believe that regulations which some propose to reform are protections that should be preserved intact. Advocacy for reform may involve educating consumers about where their interest lies while understanding the importance of protecting their other values, perhaps by devising ways to do so more efficiently.

4. In different economic settings, the general advice to motivate reform in terms of consumer interests and values will take different forms, because those interests and values may differ. Notably, consumers in developing countries may tend to have different priorities than most consumers in developed countries.

5. This paper will survey reports of experience and advice about the process and strategy of reform, setting them in the context of current ideas about political economy. The paper will then examine consumer interests in the process and outcome of reform, including reasons for resistance and scepticism, and outline how advocacy of consumer interests can affect the balance of political costs and benefits.

### **1. Lessons from experience about the course of reform**

6. Some principles that explain what motivates buyers and sellers in economic markets can help to explain the interplay of interests in “markets” for regulation and reform. Reform can change the distribution of benefits and costs. The changes imply political costs and political benefits to the key decision-makers who can advance or block reform. Implementing reform successfully thus requires adjusting the timing and magnitude of these costs and benefits, to the decision-makers and to their constituents, so that at the critical decision points the balance of expected benefits and costs – political as well as economic – supports change. Consumer impact should be a factor in determining what counts as a political cost or benefit. Decision-makers who ultimately report to the electorate should be sensitive to how

changes affect consumers. If a larger number of voters become persuaded that they benefit from reform, elected officials will find it is in their interest to deliver it.

7. The scope for reform is broad – it is not limited to “regulatory reform” of utility services. Most aspects of structural reform can have direct or indirect effects on consumers’ values and interests. These typically include liberalising trade and investment, opening financial markets and removing or revising inefficient regulation in product markets. Consumers are directly interested in how these changes affect service, choices and prices in the marketplace. Reform of labour market regulation will affect consumers indirectly, in the marketplace, and directly in their roles as workers.

8. Regulations and policies that are not specific to particular markets strongly affect whether market reforms can work. These include not only social safety-net protections, but also the laws and institutions that support confidence in market processes. In developing countries, improving these foundation institutions is likely to be a high priority for reform. Where framework institutions supporting market exchange are weak, reform prescriptions that amount only to admonitions to have faith in market outcomes could fail, while making governance even weaker than it was.

9. The usual sequence of major reforms follows a logic of competition policy. Many surveys of reform experiences, issued by the OECD (OECD, 2007), the IMF (IMF, 2004) the Australian Productivity Commission (Banks, 2005) and the Brookings Institution (Landy, 2007), report broadly similar findings about this sequence. The first step is usually lowering barriers to international trade and foreign investment and removing restraints on financial markets. These changes create opportunities and openings for stronger competition. Australia, for example, found that opening the borders to trade and investment in order to introduce a source of competition led to demands for more flexibility, to meet that competition by improving productivity.

10. The next stage is typically to reform regulation of product markets in order to improve efficiency in the new, more competitively challenging environment. Product market reform has gone farthest in sectors where the economic argument for controlling price and entry has been weakest, or where technological development has undermined traditional justifications for regulation. These factors explain why, in infrastructure services, reform of airline services, road freight and telecommunications has been more successful, while reform has been slower in product markets such as electric power and railways where the economic argument is more complex. In product market reform, the consumer interest is direct and obvious. More competition in markets should encourage higher output, greater choice and lower prices. The nature of that interest may vary. In particular, consumers in developing countries may be particularly interested in establishing and developing the network.

11. Labour market reform, which is typically most difficult, may become easier after product market reform. Competition policy helps explain why this may be so. If stronger competition reduces market power, there is less rent available to be claimed through protective arrangements. And if a more competitive market creates more opportunities for efficient firms to enter and expand, that could translate into more opportunities for employment, reducing the incentive to demand inefficiently strong protection for current jobs. But product market reforms in sectors that remain heavily regulated may become even harder as other sectors are liberalised, and the difficulty is due mainly to labour market issues there. (OECD, 2007)

12. Reform often follows crisis. A perception of crisis or a concern about relative standing or change in historic trend can also spur change and destabilise the conventional wisdom upholding the status quo. Similarly, large-scale technological change also facilitates reform by eliminating barriers and reconfiguring coalitions of interest groups. The connection between crisis and reform seems particularly strong with respect to the reform of product market regulation to eliminate obvious constraints on competition. By

contrast, in times of crisis, labour market reform would normally be harder, because people who feel threatened could not be persuaded to give up what they believe are protections. If the crisis speeds product market reform, the consumer benefits could ease the way for labour market reform.

13. Compensation will be necessary to overcome pockets of opposition. Reform inevitably creates some risk of leaving someone worse off than before, at least in the short run. The idea that there could be a change that left no one worse off, so there would be no losers to compensate, is a theoretical illusion; at least, if it were possible little effort would be needed to make it happen. (Calabresi, 1991) Experience counsels providing for compensation through broad-based programs and social safety nets, rather than by distorting the details of a market reform. (Landy, 2007) Thus in Australia, sensitive sectors or regions that were considered unusually likely to resist changes received adjustment help. It may be important to call attention to the protection, though, particularly if the regulation that is being reformed had provided similar protections, implicitly or explicitly. If the cushion or compensation is not linked to the reform, the evident absence of protection could undermine support for change.

14. Synergies and sequencing among policies can reduce the need to promise compensation in order to overcome resistance. Where the scope of reform is broad and the pace and plan are deliberate, individuals and businesses will have a clearer idea of the potential benefits and risks, and it may be easier to persuade them that the benefits will be greater. Phasing changes, so at least some of the benefits are clearly in place before the costs fall, could facilitate the process. Product market reforms can be mutually reinforcing, if demonstrated benefits from one reform makes the next one easier to adopt.

15. Macroeconomic policies to keep aggregate demand close to potential output may facilitate reform by reducing grounds for fear about the effects of structural change. Early fiscal reform can help support flexibility. Fiscal discipline can maintain confidence and room to manoeuvre, and it can generate funds that can be used, in effect, to compensate those who are adversely affected by change. Outside expertise and international experience can bolster the case for reform. Membership in a trading union or commitments under the terms of loans or assistance may entail obligations to reform regulations. Comparisons with others provide benchmarks and challenges for improvement. (OECD, 2007)

16. Opposition to reform is typically grounded on concerns, and sometimes on misconceptions, about the costs and benefits and about the trade-offs among objectives. Overcoming opposition requires political leadership, transparency and effective pedagogy. Clear understanding among stakeholders of the problems and of the solutions – including their costs as well as their benefits – is necessary, both to launch reform and to maintain momentum through the phase when costs may loom larger than benefits. Strategies for reform must deal with the familiar reasons, based on the balance of costs and benefits, why decision-makers might resist change. Some of the reasons are set out in (OECD, 2007):

- Uncertainty about outcomes: The costs of change may be clear, but the benefits, even if supposedly larger, are vague.
- Political risk from timing: The costs of change may come before the next election, but the benefits will come after.
- Interest group reactions: Interest groups will organise to lobby against changes that increase concentrated costs more readily than consumers will organise to capture diffused benefits.

Similarly, a small group or an industry has stronger incentives to influence policy in order to capture rents from a large, disorganised group such as consumers.<sup>1</sup>

### **Box 1. Political obstacles to reform**

A similar list of lessons from the “political economy” of reform has been distilled from Australia’s experience with a wide ranging program of structural reform:

1. The costs of reform are concentrated on particular groups, whereas the benefits are more diffuse.
2. The potential winners from reform tend to be (rationally) poorly informed about the tradeoffs.
3. Bureaucratic structures are typically aligned with particular sections of the economy or community.
4. The costs of reform tend to be front-loaded, whereas the benefits arise over time.
5. Multiple jurisdictions increase the difficulty of achieving nationally consistent approaches.

*Source* : Australian Productivity Commission (Banks, 2005)

## **2. Consumer interests and objections**

17. Increasing competition should benefit consumers by expanding choices and reducing prices. Thus the goal of much of economic regulatory reform, to encourage competition, is one that consumers would share in principle. In practical fact, though, benefits to individual consumers may look small or uncertain. Documentation of actual experiences of large and visible consumer benefits from reforms, in the form of more choice, better service or lower price, can show that the promised benefits will be worth the trouble.

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<sup>1</sup> Political-economy insights may reject, but then revive, the notion that regulation is in the public interest. Critics have observed that despite the traditional justification for regulation, namely to correct market failures, what regulators often do is to make market failures worse. To explain this perverse outcome in terms of the economic and political costs and benefits to industries, consumers and public officials, these critics concluded that regulators are captured by the interests they regulate. Industries want regulation that will permit them to make monopoly profits, and compact, well-organized groups will organise to achieve this result in the political marketplace, more effectively than consumers can organise to resist it. A more sophisticated economic insight predicts that a coalition supporting the regulatory system will also include at least some consumers. If the decision-maker is trying to locate the point where the political benefit from taking a step that favours one set of interests just balances its political cost with respect to another set of interests, then rents might end up being shared among different interest groups. Policy will tend to offset changes in this distribution arising from shifts in demand or cost conditions. A consumer interest often appears in the price structure, cross-subsidizing high-cost consumers from rents generated by prices to other groups. But if the political benefit from regulation arises from distributing wealth, then the regulatory process will be sensitive to deadweight losses. Even those who benefit from the regulatory deal might support reforms to cure some market failures, in order to increase the total wealth available for the deal to distribute. At least, neither winners nor losers could rationally oppose reforms that reduced the deadweight loss. With this insight, analysis of the policy process in terms of self-interested motivations acknowledges a public-interest justification for regulation. (Peltzman, 1989)

**Box 2. Consumer benefits of pro-competitive product market reform**

Some of the dramatic changes that have followed from eliminating constraints on price and entry in key sectors were highlighted in the OECD's 1997 Report on Regulatory Reform:

**Airlines:** Permitting free entry and rate competition reduced airline fares by 25 percent in the United Kingdom, by 33 percent in the United States, and by 50 percent in Spain in the first year after licensed charter airlines were permitted to offer scheduled service.

**Road transport:** Permitting rate competition and free entry into road freight service lowered average rate levels by about 20 percent while increasing flexibility and improving productivity, without impairing safety or service to rural areas: this experience is reported wherever these deregulatory steps have been taken, in Europe, Asia, and North America.

**Financial services:** After ending price-fixing and introducing competition in securities trading, average commissions in the United Kingdom dropped to one-third of the pre-reform level.

**Telecommunications:** Reform has led everywhere to new services and intense competition for them.

**Taxicabs:** Opening the taxi industry to free entry and price competition in Sweden led to a 30 percent increase in the number of taxis in two years, while prices for most customers stabilized at pre-reform levels and prices for passengers receiving subsidy assistance actually declined. And service to rural areas was maintained.

**Professional services:** Eliminating the lawyers' monopoly on conveyancing and the barristers' monopoly on courtroom appearances, while permitting lawyers to advertise, was estimated to produce a 12 percent drop in the cost of legal services in Australia.

**Health care:** Where eye care professionals are free from regulatory prohibitions against advertising and other normal commercial practices, average prices are 25 percent lower—and the quality of care is the same as in the more highly regulated, higher-priced jurisdictions.

Source: OECD (1997)

18. Consumers may doubt whether reducing regulation is consistent with consumer protections. Regulation may seek to correct market failures due to asymmetric or incomplete information, external effects and public goods. Whether a regulation deals with these risks effectively requires a cost-benefit assessment of the regulation and of alternatives to it. If reasons such as these supported establishing the regulation, and those underlying conditions are still a matter of concern, then proponents of reform will need to persuade consumers that reform would still deal with those concerns adequately.

19. Reluctance to back reform may contain an element of sceptical conservatism. Consumers may accept the public-interest justification for regulation, and they may suspect that those who call for reform have other agendas, which are inconsistent with the public interest. Among those who lobbied hardest for reform of California's electric power system were traders who anticipated profiting from defects in the reform plan: "By cloaking their preferred policies in the free market rhetoric of hired experts, these rent seekers promoted inefficient market design that maximized their capture of transaction cost profits." (Landy, 2007, p. 11) Consumers may thus want to know more about the motivations of the tribunes who claim to speak on their behalf. Conflicting interests between different classes of consumers may also complicate reform. For example, extending utility service outside of developed areas may require a large investment, but those who are already served may object to paying higher rates to pay for expanding the

network to serve the less well-off. They might even employ the rhetoric of pro-competitive reform to justify keeping their own rates lower. The conflict could be compounded if the class of well-off consumers who object is ethnically distinct from a poorer majority who want better service. (Chua, 2003)

20. Individuals may resist a reform that would benefit them as consumers if it could impose costs on them as employees. They might be persuaded to support changes if benefits from one outweighed the risk of loss from the other. Thus labour reform usually does not happen until after the prospect of consumer benefits from other reform is clear. Where effects are mixed and to some extent uncertain, so that not all individuals know for sure where they would stand post-reform, it can be completely rational for a majority of the public to reject a change that would improve welfare overall. (Fernandez, 1991) One way to overcome this hurdle would be to identify more clearly those who will gain from the change, to reduce the uncertainty and thus encourage them to support it. And there may be other reasons why individuals might not support changes that would make them better off. For some, relative position matters. Some who might do better under reform, but not as much better as others with whom they compare themselves, might not think the change is worth making. A “status quo bias” might also follow from the observation that individuals often place an unrealistically high value on what they already have. (Kahneman, 1991) Proponents of reform would thus need to show that the net benefit of change is large and clear.

21. Costs of information and organisation explain some consumer apathy. The *per capita* benefits from better regulation could be so small that it would be irrational for any individual consumer to pay attention to them. By contrast, the impact of regulation on parties being regulated is typically unmistakable, so those parties are more likely to take the trouble to try to influence the process.

### **Box 3. Interest groups and reform strategies**

Different distributions of costs and benefits lead to different strategies for interest group organization, and hence to different roles for competition and consumer policies in reform.

- If both benefits and costs are spread widely, the net effect may be unclear and there is little incentive for groups to organise over them. Competition laws are the kinds of broad, general reforms that emerge from the long, open debate that is needed to develop a consensus in these settings.
- If both benefits and costs are concentrated on identifiable groups, these interest groups are likely to organise, to lobby the government and to negotiate with each other. Regulation may incorporate the deal that these groups reach, and competition policy may object to deals that amount to anticompetitive exclusion or collusion.
- If benefits are concentrated, but costs are dispersed, the beneficiaries have a stronger incentive to influence the political process to be sure they obtain those benefits, but those who pay the costs may not even notice them individually. The benefit may be rent from market power, and thus laws and regulations that protect these rents are a common object of regulatory reform.
- If costs are concentrated, but benefits are dispersed, the groups who bear the costs will organise to avoid paying them or to shift them to the public. Change in this situation may require intervention by policy entrepreneurs promoting the consumer benefit from reform and publicizing how the public is bearing the costs. Competition agencies have often taken this role, calling attention to the social costs of regulation and the potential consumer benefits from reform.

Source: Wilson, 1980

### **3. Organising and motivating the consumer interest to support reform**

22. If consumers might not find it cost-effective to organise themselves to claim the potential benefits of reform, governments or others may set up organisations to play this role for them. Individuals, activists or politicians, may also act as policy entrepreneurs, claiming to influence the balance of political costs or benefits that would follow from how reform affects the interests of consumers. Groups that are organised for other purposes may also claim the consumer interest. For example, labour organisations often take part in debates about consumer protection measures. But labour groups may find it difficult to articulate consistent positions about reform proposals with potentially contradictory implications for their members.

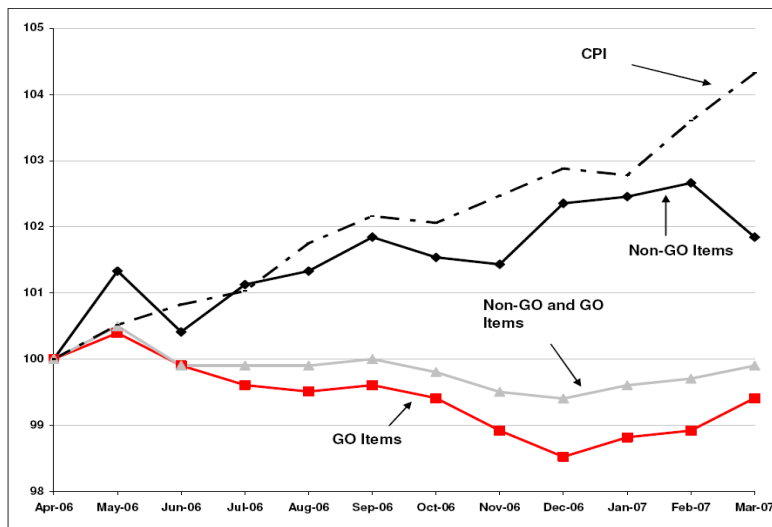
23. To improve consumer welfare where consumers themselves are rationally unaware of their own interests, competition enforcement can take action on consumers' behalf, promoting changes that will produce large-scale, though diffused, benefits to them, for which supporters of reform can later claim some political credit. Enforcement can demonstrate likely benefits while stigmatizing rent-seeking interests, challenging them to justify resistance to change. Competition advocacy, in an entrepreneurial role, can educate consumers about the effects and motivate them to support change, providing an alternative to formal organisation as an avenue of political influence. Advocacy and enforcement can call attention to issues and motivate coalition-building and public support in the conditions where theory predicts that opponents of reform would successfully organise to defeat reform. Enforcement action can shift the burden of persuasion in the policy debate, by putting rent-seeking industries on the defensive. But direct enforcement is not always an option. Where an anticompetitive restraint follows directly from government action, advocacy may be the only way to contribute to removing it.

24. A key fact, presented clearly when the public is ready for the message it conveys, can be decisive. An experience from the United States illustrates how a pro-reform consensus can form around basic concepts and obvious consumer benefits. In the economic conditions of the mid-1970s, with low growth and high inflation, the public was open to persuasion to change. Arguments about economic regulation could be reduced, convincingly, to the simple point that prices were too high, and restrictive regulation was one of the reasons. (Noll, 1989) An illustration from the airline industry made the point irrefutable: rates for flights between different states, which were subject to federal regulation controlling rates and service, were much higher than rates for comparable flights that occurred entirely within a single large state, such as California, and hence were not regulated. Thus the first major reform project was liberalization of airline service and abolition of the sector's economic regulatory agency.

**Box 4. Demonstrating consumer benefits effectively: Ireland's Groceries Order**

In 2006, the government of Ireland terminated the Groceries Order, a regulation that had prevented retail price-cutting and controlled other marketing practices. The Irish Competition Authority had been calling for this reform for years, pointing out how the Groceries Order harmed consumers by keeping prices too high. Industry had resisted, claiming that it protected small business. After it was repealed, industry representatives claimed that rising prices showed that the Order was still needed to keep prices in check. The Competition Authority examined the marketplace in more detail, comparing changes in prices for products that had previously been subject to the Groceries Order to changes in prices for other products. The Competition Authority produced a chart to show the public clearly how ending the Groceries Order led to lower prices for the consumer products that had been subject to it:

**Grocery Price Inflation since April 2006 (April 2006=100)**



Source: Irish Competition Authority

25. Uncertainty about the nature and magnitude of benefits and costs would contribute to reluctance to change. Advocacy that demonstrates the effects of similar changes in other markets or jurisdictions can reduce those uncertainties. Sector-level case studies about industry conditions and the effects of reforms are produced regularly by many competition agencies, which use them in this kind of educational advocacy.

**Table 1. Recent Studies by Competition Agencies of Market Conditions and Impact of Reforms**

Country	Market
Australia	Payment card interchange
Australia	Postal services
France	Retail consumer products
Ireland	Grocery retailing and wholesaling
Japan	Civil engineering
Japan	Procurement
Netherlands	Debit card network
Norway	Airlines
Norway	Book retailing
Norway	Cement
Norway	Electric power
Norway	Grocery retailing
Norway	Pharmaceutical wholesaling and retailing
Norway	Radio broadcasting
Norway	Telecoms
United Kingdom	New car warranties and repairs
United Kingdom	Real estate
United Kingdom	Pharmaceutical price regulation
United Kingdom	Pharmacy market
United Kingdom	Taxi market
United States	Rent-to-own (consumer protection)
United States	Tobacco products
United States	Trucking

26. An agency that has both consumer protection and competition responsibilities has a unique advantage in promoting reform. It can credibly contend that its advice to promote competition is consistent with protecting consumers. Experience confirms the value of this connection. An IMF study of conditions affecting the success of broad-based reforms found that reforms began sooner and proceeded farther in Australia, Canada, New Zealand, the United Kingdom and the United States (IMF, 2004). In each of these countries, there is an agency that combines responsibilities for competition with enforcement of rules to protect consumers against unfair practices in the marketplace.

27. Advocacy, like reform, can be a long-term process, and it is hard to determine how it affects the result. An outcome that is less successful than the advocate would have preferred might nonetheless be better than it would have been without the advocate's effort. In a complex, drawn-out process, there usually many other issues at stake and many other participants, making it practically impossible to isolate the effect of any one of them, or to know when the most important contributions were made. A presentation that may seem unsuccessful in the short run may prove to have contributed to a long-term paradigm change of thinking within the industry or regulatory body. Advocacy that builds foundations and

coalitions is cost-effective even if it does not show immediate payoff in the enactment or rejection of a particular proposal.

**Box 5. Italy's *Bersani* reforms: The long-term payoff from advocacy effort**

Nearly 400 sector studies and advocacy filings by the Italian Competition Authority, over a period of 15 years, laid the foundation for the wide-ranging *Bersani* reforms of 2006 and 2007. The reforms mirror recommendations from the Authority's repeated findings about issues arising from sector regulation.

**Professional services:** Rules setting minimum fees and banning advertising are repealed, and controls on multi-disciplinary practices are relaxed. In 1997, a sector inquiry by the Competition Authority called attention to these constraints, and in 2005 the latest in a series of advocacy reports on liberalisation of professional services analysed potential measures in detail.

**Retail distribution:** Limits on promotional sales are dropped, and approval of new store locations should not impose requirements about minimum distance from others or range of products supplied. These steps bolster a 1998 reform that made it easier for small shops to open up. In 1993, one of the Competition Authority's first reports, in response to a specific instruction in the then-new Competition Act, was about issues in retail distribution. Later advocacy reports backed up the 1998 reforms and called attention to how regional governments were implementing those reforms.

**Bakeries:** Bakeries no longer need special authorisation to relocate, and they may sell other food products for immediate consumption. In 2002, an advocacy filing by the Authority called for such reforms.

**Pharmaceutical products:** Pharmacies no longer have a monopoly on selling "over the counter" products, retailers may discount the prices of those products, and a wholesale distributor may now run a pharmacy. In 1997, a sector inquiry by the Competition Authority questioned restraints on pricing and on entry by wholesalers, and more recent advocacy filings dealt with other aspects of these regulations.

**Taxicabs:** Limits on the number of taxi licences are lifted, and other aspects of regulation by municipalities are made more flexible, to promote new entry. In 1995, the Competition Authority issued an advocacy filing about competition problems in this sector, and it returned to the topic with a filing in 2004.

**Insurance:** Exclusive distribution arrangements and mandatory minimum prices are prohibited. In 2003, a sector inquiry by the Competition Authority showed that exclusive contracts raised entry barriers.

28. Participation in debate about regulation and reform involves costs, in resources and in political capital, that must be weighed against the benefits of the reform outcome. Demonstrable consumer benefit is obviously a critical element in setting priorities. To emphasise the legitimate policy foundation of their actions and the link between regulatory issues and their usual enforcement work, agencies should concentrate their advocacy resources on settings where consumer benefits and effects are strongest and most clearly demonstrable.

29. Effectiveness may depend on support from other participants. Because the cost to the agency in political capital can be great, it should consider carefully whether to participate in settings where no support from other parties can be expected. To increase effectiveness and help prevent damaging political counterattacks, the agency should make use of support from those with other policy interests. That is, it should be aware of, and capitalise on, linkages with other policies and institutions. Where possible, it should consider working with media, interest groups, and advocates in other forums to achieve reform goals.

30. This process entails a risk, because appearing to form alliances to achieve reform outcomes could compromise the independent stance necessary for enforcement. And identifying allies is not always straightforward. Industry parties may change their positions, as those who oppose reform may reverse themselves later when it appears they may benefit from it. Allies on some issues may become adversaries on others. Where reform is progressing one industry at a time, allies for further reform may be found in the previously-reformed sectors. Ultimately, though, it is probably most important for the agency to find allies elsewhere in the government decision-making process. A strong consumer protection body would be a key ally.

#### **4. Concluding observations about reform strategies**

31. A practical way to frame the “political economy” problem is to ask how a government can reform and still win an election. Leaders can promote reform over the resistance of better-organised beneficiaries of rents and privileges if the voting public believes strongly enough that they will benefit. Showing how reform benefits citizens as consumers, not just in theory but in fact, can thus be critical to success, for the class of citizen-consumers, which includes everyone, is larger than any other. The consumer perspective can also be a useful check: if it is hard to show how a proposed reform benefits citizens as consumers, the supposed reform may be ill-advised. The competition policy community is familiar with this perspective on the political economy problem, since the goal of competition policy is to promote the interest of the public as consumers rather than to protect the positions of producers and competitors.

32. Demonstrations and arguments that credibly reduce uncertainty about the magnitude, timing and assignment of the benefits and of the costs of reform are vital to success. Obtaining broad support for reform depends on assuring the public that “reform” is not a euphemism for eliminating protection against injury and monopoly. The conception of consumer welfare resulting from open, competitive markets supplies a clear, coherent principle motivating reform. Concentrated interests can always hire lobbyists and experts to explain why their industry should be exempt from market discipline. A competition authority, expert in market matters generally and acting as lobbyist for the public interest, can counter unfounded claims for industry-favouring regulation, alerting consumers to their interests in opposing measures that lead to higher prices and less choice. Where a single agency has both consumer protection and competition responsibilities, it can make these points even more persuasively.

33. Support from representatives of civil society can make a great contribution to getting reform started and to completing it successfully. To be effective, these representatives need access to the process and enough resources to participate effectively.

34. The frequent topics of competition and consumer advocacy, namely lowering barriers to trade and removing constraints in product markets, are typically the ones that launch the reform process and facilitate further, more difficult reforms. To overcome objections from special interests and scepticism from likely beneficiaries, effective advocacy should combine a clear message, based on facts as well as theories, with honest acknowledgement of the costs as well as the benefits. Key, compelling facts illustrating the likely effects of reform may be developed from the records compiled in cases applying competition law to similar problems, or they may be taken from reports of experience with similar reforms in other sectors or jurisdictions.

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