Global Forum on Competition

COMPETITION AND POVERTY REDUCTION

Contribution from Mr. L. Alan Winters

-- Session I --

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1. We are all concerned about poverty in one way or another and so a natural criterion for any policy which we consider is whether or not it helps to reduce poverty. It is not surprising that scholars are starting to ask this question of competition policy – indeed, possibly it is overdue – just as a bit over a decade ago they asked it of trade liberalisation. Prior to that trade economists had a splendid ‘grand theory’ to show that trade liberalisation should help poverty reduction in developing countries – the Stolper-Samuelson Theorem – but surprisingly little practical theorising about specific cases or little empirical evidence. Moreover, the debate about trade liberalisation was divisive and highly charged, with the opponents of liberalisation claiming that it worsened poverty and from this premise threatening the whole liberalising ‘enterprise’ – remember, for example, the Seattle riots in 1999.

2. I devoted a good chunk of my life analysing the links between trade liberalisation and poverty in developing countries – see, for example, McCulloch, Winters and Cirera (2001), Winters (2002) or Winters, McCulloch and McKay (2004) – supported especially by the World Bank and by DFID. This led to a framework for thinking through the issues and a somewhat clearer understanding of the regularities and the ambiguities of the links. I also like to think that it led to a much more constructive engagement between protagonists in the debates about trade policy. This brief paper attempts to bring those insights to the question of competition policy and poverty. The parallels turn out to be quite close: first, trade liberalisation is about releasing competition across borders from the shackles of policy, and second, either because it is true or because I lack the imagination to see it differently, the analytical apparatus that is required seems to be very similar. At a macro level one wants to think whether policy increases the size of the pie – by fostering efficiency or growth – and at a micro-level one needs to think about how policy affects the incomes of (near-)poor households and the prices at which they buy and sell goods, services and their labour. Before exploring these parallels, however, we need to think a little about what we mean by poverty and how to measure it.

1. Defining Poverty

3. If we are to use poverty as a criterion for policy – any policy – we need to have a clear definition of poverty and, equally important, the means of measuring it. There is no point in declaring that policy addresses or exacerbates – or should address or should not exacerbate - poverty if we cannot devise a reasonably well accepted measure of whether it has done so. Otherwise it just becomes a rhetorical device that ultimately hinders rather than helps effective policy-making. Amartya Sen (1976) argues that poverty measurement entails two steps:
   - Identifying the poor within the total population, and
   - Creating a numerical measure of poverty (sometimes referred to as aggregation).

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1 I do not want to labour the point here, but poverty is not the same as inequality and may even move in the opposite direction from it. Reducing inequality may be a perfectly legitimate objective for policy, but it is different from reducing poverty.
4. The traditional economic approach to measuring poverty is to calculate either the income or consumption expenditure of a household over a given period of time and then to identify as poor the households or individuals who fall below some minimally acceptable level (the poverty line). Thus, poverty is defined simply as a lack of income or consumption, or perhaps opportunity for consumption.

5. The advantage of simple income- or consumption-based poverty measures is that they allow poverty comparisons to be made across time and, if desired, across countries, and that they admit to relatively straightforward measurement. However, except in circumstances in which everything of interest can be purchased on fair markets (where prices reflect opportunity costs) it is pretty clear that poverty is a more subtle issue than merely having an income or consumption expenditure that lies below a poverty line: in fact, that it is inherently multidimensional. The many dimensions of poverty have been suggested, include:

- Income: having low income or consumption.
- Assets: having little or poor quality land, housing, livestock, or other productive assets.
- Environment: having to live in a polluted or hazardous environment or having to work on poor quality land.
- Education: having little or no education.
- Ill-health or disability: having illnesses of various kinds.
- Powerlessness: being excluded from decisions that have an impact on one’s life.
- Discrimination: being subject to arbitrary discrimination on the basis of gender, ethnicity or any other reason.
- Vulnerability: being susceptible to a wide range of ‘shocks’, such as harvest failure, illness, price changes, violence with serious negative outcomes, etc., which you cannot influence or manage effectively.

6. Each of these dimensions can be considered a form of poverty in its own right, but the word poverty is generally used to refer to an overarching concept that involves the combination of the many different dimensions of poverty. Thus, a household that has a low income, but whose members are healthy, well educated and live in a pleasant area with good access to services might not generally be considered poor. Alternatively, a household whose current income rises above the poverty line but which has few assets, lives in an environmentally degraded area and is subject to constant discrimination might in some sense be regarded as poor.

7. One particularly important aspect of poverty identified in studies that ask poor people how they experience and define poverty is the importance of security (see Narayan, 2000, as the definitive study). Poor households often suffer severe insecurity because of risks from a wide variety of sources, such as illness, injury, disability, old age, death, crime, and domestic violence. Other shocks are ‘covariate’, experienced by many households simultaneously either regionally or nationally: for example, natural disasters, epidemics, civil war and social upheaval, and macroeconomic, terms-of-trade and other price shocks. When asked, the poor place a high (negative) value on their inability to protect themselves against such shocks: partly, perhaps, because of the human agony of, say, watching a child die unnecessarily and partly because if an already poor household receives even a relatively small further negative shock, it can have potentially devastating consequences by pushing it below subsistence levels. Policy analysis is often
conducted just in terms of expected values (mean effects) but Narayan’s finding, which was quite a shock to the economics profession, suggests that a wider view may be quite important.

8. One of the best known approaches to answering the question of what defines poverty in this broader sense is that of Amartya Sen (e.g. Sen, 1999), who describes poverty in terms of capabilities and functionings, which in turn depend on entitlements:

- **Functionings**: represent the various things that people can do or be in their lives. Basic functionings might include ‘being well nourished’ or ‘escaping avoidable disease’, while more complex functionings might include ‘being able to take part in the life of the community’.

- **Capabilities**: represent the ability to convert the ‘entitlements’ people have - that is, the commodities over which they have control within the existing legal framework - into functionings that they value. Thus, for example, food lies within these people’s entitlement set and they have the capability of being able to eat; therefore, they can achieve the functioning of being well nourished.

9. To illustrate:

<table>
<thead>
<tr>
<th>Entitlements</th>
<th>Capabilities</th>
<th>Functionings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>• Ability to eat</td>
<td>• Being well nourished</td>
</tr>
<tr>
<td>Health care</td>
<td>• Access to care</td>
<td>• Avoiding disease</td>
</tr>
<tr>
<td>Information</td>
<td>• (Illiteracy)</td>
<td>• Participating in decision-making</td>
</tr>
</tbody>
</table>

10. Sen’s framework helps to explain how individuals may fail to achieve important functionings. For example, disabled people, who may have substantial command over commodities because of their income, may still be unable to translate this into a capability that they might value, such as being able to walk. Alternatively, as the figure shows, information in the form of a newspaper might be available to people, but they may not be able to translate this into a valuable functioning if they cannot read; this is an example of ‘capability failure’, indicated by the lack of an arrow between the capability and the functioning in the last row in the figure above.

11. There might also be ‘entitlement failure’, for example, if people are capable in principle of accessing health but health care is not available. Sen describes poverty as a combination of ‘entitlement failure’ (the loss of command over resources) and ‘capability failure’ (the loss of the ability to convert resources into useful functionings).

12. The challenge in implementing this important conceptual advance in thinking about poverty is deciding which functionings are of most importance and to characterise precisely how people’s entitlements are translated into functionings. In practice, economists seek to broaden out from simple income and consumption measures through the inclusion of wider indicators of well-being, but to date there has been no widely accepted set of additional measures.

2. **Measures of poverty**

13. The most common approach to measuring poverty is to calculate a measure of household or individual income or consumption expenditure – usually based on data from household surveys. If the survey is representative of the national population, then it is possible to use such sample data to calculate
the number of people whose income or consumption falls below a national poverty line. Even with this approach there are problems in collecting accurate income and consumption expenditure information – for example, over the value of services provided by the government such as education or health services or the benefits derived from common land.

14. More directly, there is the issue of where to draw the poverty line. Absolute poverty lines are usually based on the cost of a basket of basic goods and services, sometimes only of the food necessary to reach a given calorific intake per day. The cost of this ‘food only’ basket is sometimes used as an extreme poverty line. When the cost of other basic non-food goods, such as housing and clothing, is added, this gives an upper poverty line. The methodology for the construction of poverty lines can become complex: see Ravallion and Bidani (1994) for an example of good practice. Developing countries typically use such absolute poverty lines and for international comparisons and world aggregation we have alighted on the so-called dollar a day criterion, which was first introduced by the World Bank for the World Development Report of 1990 – see Ravallion, Chen and Sangraula (2009) for a discussion of the history and of the updating of the measure to a more recent price base. It was derived as being broadly representative of the national poverty lines used in a sample of developing countries.

15. Relative poverty lines, on the other hand, are defined by reference to the general standard of living in a given country. The line may be drawn as a fraction of average income or the average wage. For example, Europe countries typically use a threshold of 50% ±10% the median income often used as a relative poverty line. Because relative poverty lines are relative to the general standard of living rather than being based on a minimum set of basic goods, they are higher in richer countries than in poor countries. They are essentially measures of income distribution. They are perfectly legitimate objectives of policy but their ethical underpinnings seem to me to be different from those underpinning concern about absolute poverty. Moreover, at a practical level, in developing counties, a relative poverty line places no value on the principal objective of policy which is usually to raise average incomes.

16. Having defined a poverty line (the identification, in Sen’s terminology), the next job is to define an aggregation. The easiest is merely to count the number of people or proportion of the population below the line – the so-called headcount measure. It is simple and informative but is clearly flawed in placing no value on the extent to which people fall below the line. The latter can be tackled via the poverty gap – the average extent to which the poor fall below the poverty line (as a percentage of the poverty line). But even this treats a dollar for the poorest person as equivalent to a dollar for the person who is nearly at the poverty line, a problem that may be addressed by the poverty gap squared measure which squares the deviations from the poverty line. There are several other such aggregates in the literature, but we make no more reference to them other than to observe that different poverty measures will clearly mandate different policy responses to the same economic problem because they imply different ethical values. Hence in practical terms, the decision about how to aggregate to a single measure of poverty is a first order issue if one wishes policy to be determined by poverty considerations.

17. If we are persuaded by the multi-dimensionality of poverty we would need practical measures of this before we could apply it to policy. That is, we would need a multi-dimensional indicator of poverty. The UNDP’s Human Development Index was one such indicator, which combines (with fixed weights defined by bureaucrats) three aspects of poverty: life expectancy, adult literacy and the logarithm of purchasing power adjusted per capita GDP. In a series of papers Martin Ravallion (e.g. Ravallion 2010) has shown the arbitrariness of the ways in which these elements are weighted together with consequences often quite unintended by the authors. Moreover, the choice of weight by officialdom brings officialdom’s ethical weights to the centre, whereas one might have thought that poverty was a matter for individual households.

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2 As well as, in common with all poverty measures, ignoring the welfare of people above the poverty line.
18. The UN’s Human Poverty Index is similar to the HDI, weighting together the probability at birth of not surviving to age 40 (times 100), the adult illiteracy rate and the unweighted average of the population without sustainable access to an improved water source and children under weight for age. It has since been replaced by the Multidimensional Poverty Index (MDI), developed in 2010 by the Oxford Poverty & Human Development Initiative (OPHI) and UNDP. This disaggregates the basic indicators into sub-indicators – ten in all; it defines a poverty line in each of these and counts people as poor if they are below the threshold in one-third of them. In addition it calculates the depth of poverty (distance from the poverty line) and finally calculates the MDI as the product of the percentage of the population who are poor and the depth of their poverty. This approach still implies relative weights between dimensions but in a less obvious way than the simple weighted averages that preceded the MDI. Alkire and Foster (2011a, b) discuss some of the technicalities behind the MDI.

19. One disadvantage of the multidimensional measures is that they impose considerably greater demands on the availability of timely data. Although economists at OPHI have endeavoured to choose measures that are more readily available and to help statistical offices collect such data, this is clearly a major issue in any attempt to guide policy by poverty impacts.

3. Is aggregation necessary?

20. The measures discussed so far refer to the whole economy and thus effectively to economy-wide policies that might plausibly have a detectable impact at the level. This is arguably the correct level at which to consider competition policy per se – and indeed things like trade liberalisation and education policy. Specific acts of competition policy, however, operate at a lower level, as, say, do changes to individual tariffs or non-tariff barriers, and so one would want to be able to ask the question of past or prospective competition decisions ‘how have/will they affect poverty’? For this one still needs the definition of poverty (the indicator) but the analysis is essentially that of partial equilibrium micro-economics. That is, ignoring any feedbacks from the economy at large, what is the direct effect of the decision on the poor and near-poor, or on the numbers of people who are considered to be poor.

4. Trade Liberalisation and Poverty on the back of a Postage Stamp

21. As noted in the introduction, there are both macro and micro dimensions to the effect of trade liberalisation on poverty. While it is not settled beyond all doubt, I read the macro evidence as strongly supporting the view that openness boosts levels of income (output) and that trade liberalisation boosts growth at least temporarily – Winters (2004), Winters and Masters (2010). The main mechanisms are three:

- that openness induces a more efficient allocation of factors of production across sectors;
- that competition increases the incentives to manage a firm well – it obliges some firms to improve productivity to survive and offers greater rewards to success by opening up export markets; and
- that access to better intermediates, capital goods and ideas from world markets boosts productivity.

3 It is actually slightly more complicated than this because the indicators do not have equal weight in these calculations.
22. There is room to worry that these forces are weaker (or possibly even absent) in very poor countries (e.g. Chang, Kaltani and Loayza, 2009), quite possibly because such countries do not have the skills to access world markets effectively. However, I would view this as still an open question.

23. The link from the growth of average incomes (output) to poverty reduction is not absolutely guaranteed; one can certainly imagine cases to the contrary and some have been documented. However, the evidence from Kraay (2006), among others, is persuasive about the strong general tendency for growth to aid poverty reduction. Depending on the poverty measure, Kraay finds that 60%-80% of the cross-episode variation in poverty reduction over roughly 1980-2000 is due to differences in the growth of average income\(^4\). Thus in any particular instance, the burden of proof, I believe, lies with people who argue that growth will not reduce poverty.

24. At the micro level the following conceptual framework has proved useful in thinking through the static effects of liberalisation – figure 1 below. It identifies three channels of causation through which changes to border prices (world prices, exchange rates or trade policy) are transmitted to poor people: first, on the left, effects felt via enterprises, whose responses to price changes affect production, employment, profits, wages, etc.; second, down the middle, via the prices for goods and services that the poor pay and receive (essentially the way in which the markets for such goods operate, and third, on the right, via the government revenue and spending\(^5\).

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4. An episode here is the period between two reliable household surveys; most countries provide one such episode but some provide two during the sample period.

5. The middle column is expressed in rather western developed-country terms with importers, wholesale and retail steps, but the basic point is that there are many steps between an import entering and it being consumed by the poor and that in any of these, price changes may not be transmitted very effectively.
25. In each of these channels the framework helps to identify certain crucial questions that one must ask in order to identify the likely effect of policy changes on the poor, and hence on poverty (Winters, McCulloch and McKay, 2004). For trade liberalisation those questions are:

- **Prices and Markets**
  - Do border price shocks get transmitted to poor households?
  - Are markets created or destroyed?
  - How well do households respond?
  - Do the spill-overs benefit the poor?
  - Does trade liberalisation increase vulnerability?

- **Wages and Employment**
  - Does liberalisation raise wages or employment?
  - Is transitional unemployment concentrated on the poor?

- **Government Revenue and Spending**
  - Does liberalisation actually cut government revenue?
  - Do falling tariff revenues hurt the poor?

26. Experience in applying the framework – e.g. Litchfield, McCulloch and Winters (2003), Porto (2006) or Hertel and Winters (2006) – suggests strongly that the important heterogeneity across households is the way in which they earn their living, not their consumption patterns. Households consume some of most goods but typically earn their livings in small number of specific ways. Thus a shock to a consumer good price affects nearly everyone to some extent whereas a shock to a wage rate or to the existence of the market for selling a particular product affects a few people very deeply and others (to a first order approximation) not at all. Hence the large shocks to individual households’ poverty status – positive or negative – are more likely to stem from their production/labour status than from the specifics of their consumption basket. The lesson is that we must consider the production and labour market consequences of policy.

5. **Competition Policy and Poverty**

27. The results on trade liberalisation and growth suggest that competition is an important stimulus to efficiency and hence to income levels. There is not much on competition policy and income levels per se, but the parallels are promising. In addition, the burgeoning literature on productivity at firm level frequently identifies competition (possibly, but not always from imports) as a major force behind innovation and improved productivity – especially for firms and countries that are ‘not too far behind’ the market leaders. For very weak firms just giving up or accepting a gradual decline can be rational, but this in turn releases factors for more productive uses and so enhances progress through this route (Aghion et al, 2005).
28. The rest of this section briefly considers the micro economic analysis of competition decisions. Competition assists consumers/users in getting value for money and incentivises producers to become more efficient. In both ways, it is likely to reduce prices and thereby raise the real incomes of the poor and other consumers. In terms of figure 1, competition policy operates in the middle of the figure – in the cells marked ‘wholesale’ and ‘retail’ - and depends for these effects on penetrating to a lower level in the figure – i.e. on the remaining steps of the distribution chain being reasonably competitive. If they are not, lower prices higher up will just go into higher profits lower down – as, for example, Teravaninthorn and Raballand (2009) argue would be the effects of improving road quality in West Africa: they argue that the road haulage sector is so cartelised that benefits of investment will barely be passed onto to users.

29. The relevant questions about whether price changes are passed on, whether markets are created or destroyed, etc. all generalise directly from trade policy to competition decisions, but whereas trade scholars take the degree of competition in the lower reaches of the chain as given, competition policy should concern itself directly with them. This discussion makes clear the importance of ensuring that the distribution chain to the poor is reasonably efficient. In McCulloch et al (2001) we argued that trade liberalisation is often sufficient to achieve competition and while that has a good measure of truth in it, work on very small countries has persuaded me that if the distribution chain is not competitive, liberalisation will not have much effect on prices. In very small countries, the prices of almost all goods are higher than elsewhere – Winters and Martins (2004) - because the economies scale are insufficient to allow effective distribution. Thus, for example, in a small island, goods are shipped in piece-meal and there is only one local distributor.

30. The previous section argued the importance of considering the production side – the left hand side of figure 1. This is more complicated for poverty effects. If a sector is reaping excess profits because competition is weak and it is sharing these with poor people through, say, rent-sharing in employment contracts or cross-subsidised sales, forcing prices down could lead to lower wages or higher prices for previously subsidised consumers. For wages, the costs to the few will be deep – and may be extreme if inefficient jobs are shed – and this must somehow be traded off against smaller per capita gains for the many who purchase the good. Trade economists have long recognised that this asymmetry makes policy reform very complex – e.g. Finger, Hall and Nelson (1982) – and it is clearly likely to be present in competition policy as well. While producer lobbies will be well organised and politically well connected, none of the multitude of consumers will feel it worth bearing the cost of representing their side of the story, even though in aggregate it may be several times larger.

31. Citing the plight of the poor is extremely powerful politics. I believe that the antidote is transparency that policy is re-distributive and that on occasions some of the losers may be poor or become poor. To pretend that such outcomes are impossible is as counter-productive as pretending that they are inevitable. It should not be a shock-horror that some people (possibly including some poor or near-poor people) suffer from a reform for the general good – and it should not prevent sensible reforms. Reforms must, however, be accompanied with the objective (even if inevitably imprecise) identification of the losers and the poverty effects and a willingness to pursue off-setting or compensatory polices over the short to medium term. Transparency depends substantially on the independence and proper resourcing of the competition authorities but also on a degree of courage on the part of politicians.

32. It is also important to remember that the lack of competition usually operates to the advantage of those powerful enough to exploit it – multinationals, local magnates, elite labour groups, etc. – so that the number of times that competition policy undermines a practice that actually helps the poor is likely to be very small. Certainly much smaller than is actually claimed.

33. The constraints implied by competition policies can conflict with industrial policies in either developed or developing countries, and to some commentators this is a major problem. The argument is
made that to compete with on world markets with firms from larger and richer countries, domestic firms need to be encouraged to combine into larger units and even permitted to earn super-normal profits from domestic sales in order to support investment in R&D and innovation with which to remain competitive. Whereas competition policy is defined primarily in terms of static efficiency, industrial policies ostensibly focus on dynamic efficiency. ‘Infant industry’ protection often calls for reduced domestic competition (for example, in the development of ‘keiretsu’ in Japan), as firm capabilities are developed. According to this view, developing countries need a flexible competition policy, which allows industrial policies aimed at the long-term growth of productivity (see, for example, Singh and Dhumale, 1999). The need to maintain investment may, they argue, require the steady growth of profits and therefore co-operation between government and domestic companies and a limitation of domestic competition.

34. The net effect of industrial policy on the poor is difficult to disentangle, not least because there is still some controversy about the efficacy of ‘infant industry’ protection in the first place. Domestic protection implies higher prices in the short and medium term, but successful industrial policy, on the other hand, would benefit the poor in the longer run in terms of income, prices, and possibly employment.

35. My own view is antithetical to active sector-specific industrial policy. Not only has infant industry protection – or indeed the protection of established or declining industries – rarely been shown ex post to worthwhile, but governments will find it hard to identify the cases where it could be beneficial ex ante, and even harder to act on objective evidence in the face of the strong lobbying that the prospect of protection (or its removal) will engender. Rodrik (2007) has advanced the case for ‘horizontal’ industry policies which act to correct market failures, such as the weak private incentives to innovate if any successful innovation will be imitated. (As an individual innovator, you bear all of the costs when innovation is unsuccessful, but only some of the gains from success because rivals will crowd into any successful activity that you identify). Horizontal policies are an entirely different approach to policy from sector-specific support, and indeed are potentially pro-competitive because they typically open up opportunities to innovate beyond the well-connected and well-financed.

36. This discussion reminds us that the lack of competition in developing countries often occurs not despite government action but because of it. Explicit favours for certain firms (e.g. official monopolies) or implicit favours through the manipulation of market conditions (e.g. the laws governing credit may make it impossible for firms without great resources to obtain loans) are common. It is thus important that governments not be exempt from competition authority attention. For sure, one may need some over-ride whereby democratic institutions can dominate bureaucracies or a public interest defence for anti-competitive practices, but it should be very hard work and very public work to operate them.

37. Finally it is worth noting that the progressive tightening of competition rules and the cultivation of institutions to manage competition policy will not only enhance market functioning and market access in developing countries, but also facilitate their general institutional development. Not least, it will inculcate the idea that government too faces constraints. The effects of this on the poor will potentially be very positive, for they are major beneficiaries of the creation of markets and of policies that curb the powers of small elites.

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6 To be economically worthwhile infant industry policies have to raise efficiency in the infant not only to world levels but beyond that, in order to pay off the costs incurred by government (or more likely consumers) while it was learning to succeed. Baldwin (1969) is an excellent account of the argument, largely repeated (unattributed) by Hausmann and Rodrik (2003)
6. Three caveats

38. Desirable though competition policies are, the process of creating them must be adapted to the developing countries’ priorities, being both flexible and gradual. The development of competition policy takes time and is only one of many steps in the process of development. Attempting to implement overly sophisticated institutions in developing countries would very probably be costly and ineffective because of the countries’ inability to staff and manage them effectively. Enforcing competition requires rare technical and political skills, and poor competition authorities can be part of the problem not part of the solution. In addition, policy-makers need to ask whether competition authorities represent an appropriate use of available labour in economies with skills shortages. Hence I conclude with three caveats about competition policy in developing countries. They are cautions not vetoes, but they must be seriously addressed in real-world policy decision-making.

39. First, the political difficulties of introducing and enforcing competition policy are great, for it potentially puts governments in direct conflict with their major producers. At the very least, careful political work is required to build a coalition of consumers and user industries (usually the small and medium-sized enterprises within them) to support competition policy. If it is unsuccessful, the policy might never get underway, or worse, it might be ‘captured’ by the very firms it is designed to discipline. Avoiding these pitfalls and getting the right degree of independence between competition policy authorities and the government requires careful balancing. (Too close to the government risks political interference, whereas too independent risks non-accountability and capture.)

40. The second question is at what stage does competition policy become worthwhile. Most competition policy relies on sophisticated law and economics and is very demanding of skilled labour. Moreover, if the government has an effective policy, the private sector will certainly wish to employ its own specialists to protect its interests. As skilled labour is drawn off for these regulatory tasks, the net losers will be owners of other factors of production, which have fewer skilled labour resources to work with. Thus, poor, unskilled workers will pay for competition policy as well as benefit from it.

41. Third, one should not confuse the desirability of competition policy with the desirability of an international competition policy or an international agreement on competition policy. A policy designed for developed countries could be costly for developing countries and hence set poverty reduction back. It may be too sophisticated for them to manage, with the consequences for capture and the absorption of valuable factors of production that I have just discussed. But it might also tackle the wrong issues from developing countries’ points of view. For example, controlling international cartels and standing up to abuses by multinationals is very important for developing countries, but is unlikely to be promoted very actively by developed ones. And finally, it may also absorb undue resources just for developing countries to be represented in the councils in which international agreement is forged and managed.

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7 It is difficult to think of a single case of law-based competition policy that is not accompanied by private legal activity.
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