

Lipsky: oligopoly claims in 'popular literature' are overblown

Nihal Krishan 30 May 2017

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The acting director of the Federal Trade Commission's bureau of competition has downplayed recent concerns about economic concentration that have appeared in mainstream publications and an Obama administration report.

Abbott "Tad" Lipsky told GCR USA in an interview last week that he mostly reads FTC

staff memos and documents related to his daily work, but occasionally tries to find time to read general publications articles on antitrust, such as those in The Economist.

The magazine recently devoted an issue to the increase in concentration within many industries, how this could be interpreted and what people expect competition enforcers to do about such alleged problems.

Lipsky also noted a [report](#) by the White House's Council of Economic Advisors (CEA) last year that suggested some industries may be becoming more concentrated, market entry by new companies is declining and some companies are generating returns that exceed historical

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standards.

Such articles “are not well grounded in sound economic scholarship and if misapplied could do a lot of damage by reversing this progress that was made in forging this consensus among the agencies, the antitrust scholars and the judiciary that occurred in the ’70s and ’80s, which has really carried us through to the present,” Lipsky said.

He said he wanted to ensure that the current consensus, based on more than 100 years of antitrust enforcement in the US, is “not casually cast aside or overshadowed by works of lesser quality.”

“I think it's the potential extensions of these ideas that are of concern. The notion that antitrust enforcement should be based on size of enterprise, rather than anticompetitive effect – that would be a trend possibly suggested by this literature, but one that would not stand up to any sound economic scholarship that I’m aware of,” Lipsky said.

FTC acting chairman Maureen Ohlhausen responded to many of the concerns about market concentration in a [speech](#) sponsored by Hogan Lovells in Hong Kong last year. Lipsky agreed with her assertion that The Economist and the CEA, among others, have drawn flawed conclusions by extrapolating the existence of monopoly power from industry concentration numbers based on census data.

Tracing “a causal relationship from consolidation to market power to supracompetitive rents” was an incorrect interpretation of the current state of the economy, Ohlhausen said. To make such a causal relationship, one must define the industry as economists would define a “relevant market” in an antitrust case, she said.

Neither the FTC nor DOJ would use census data to define antitrust markets because they do not yield reliable information, Ohlhausen said.

Lipsky added that Alden Abbott at the Heritage Foundation has also [written](#) “a really excellent short piece on the weaknesses in this kind of emerging literature”, that contrasts language of economic theory with the language of economic fairness.

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