



Three months at CET (and some thoughts on innovation)

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Disclaimer

The views expressed in this presentation are **personal**, and do not necessarily represent those of DG Competition or of the European Commission.

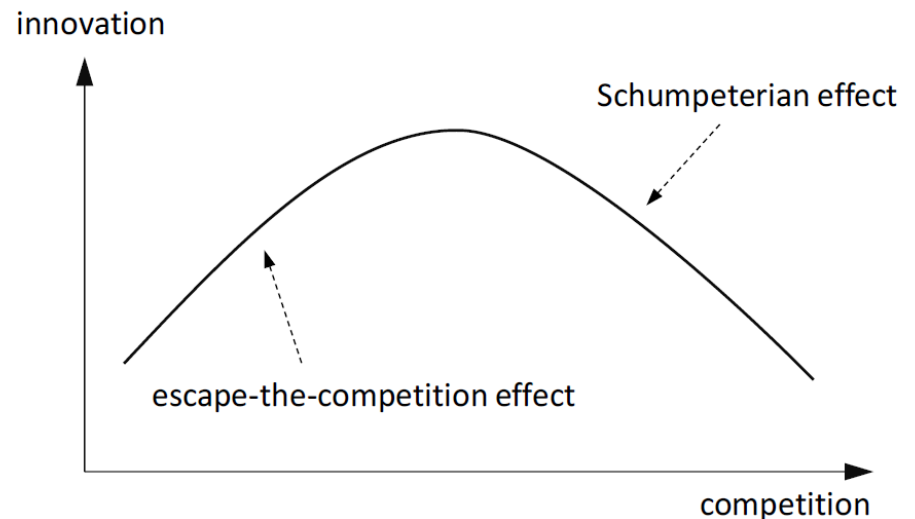


Innovation and merger policy

- Is it important?
- New products generate significant welfare gains: first-order effect

Investments/innovation/consolidation and **mergers**

- The consultants write things like:
 - You need market power to innovate
 - Arrow vs Schumpeter
 - Inverted U
- Bottom-line: let's stop h



Public statements of *competitors* in H3G/Wind

TIM

*"We continue to believe that the **most effective way to stabilize our mobile market is through a reduction in the number of players.** We will continue to pursue any concrete opportunity that should become available on that front"* (2013)

*"I have a couple of **good bottles of champagne in my refrigerator in just in case**"* (2015)

Vodafone

*"We would clearly do everything to have a better industry structure there ... **When contributions or roles will be needed, we'll be there** ... It's important that Italy gets a better industry structure and we would be willing to look into that"* (2014)

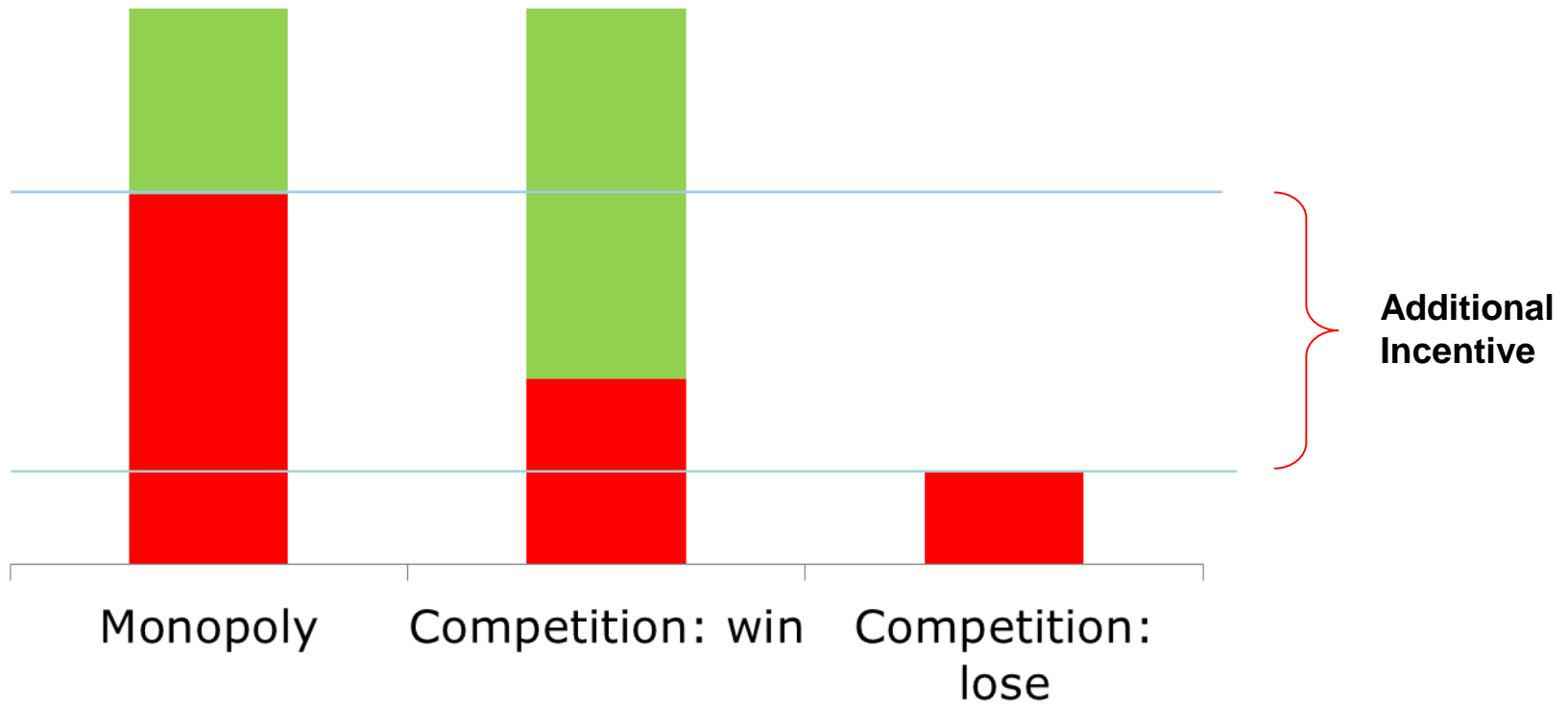
*"**Consolidation is good if it happens with the right conditions.** It's bad if it happens with the wrong conditions"* (2015)



Back to *theory*

- Theory not always well suited
 - "Competition" proxied by product differentiation, price-cost margins...
 - Not about mergers
- Must to do two things (diff-in-diffs):
 1. Understand gains from investment
 2. Understand how 1. is affected by merger

Let's **think** harder



Innovation competition

- Quite obvious effect: business stealing!
 - Existing products
 - Products in development
 - Overlaps in discovery pipeline
 - R&D organisation
- Where to look at: patents, citations (quality), closeness of lines of research
- It will be challenging!

Of course there can be **efficiencies**

- Spillovers, higher scale, reduced risk (plus complementarities, cost synergies,...)
- Related to the issue of appropriability
- Reduction of imitation (IP, industry secrets, etc)
- Channels based on a mechanism conceptually distinct from the loss of competition brought by the merger

Conclusions

- Enjoy the Conference and...
- Wish me luck!