

Competition Talks
Turkish Competition Authority
9 February 2021

“Transaction Costs”
A New Approach to Economic Foundation of Antitrust Law

12.00 Rome, Italy (CET)
14.00 Istanbul, Turkey

Recently the economic foundation of antitrust law has been increasingly debated. On the one hand the argument that competition law serve to promote consumer welfare has been conceived as increasingly weak, as it is difficult to explain some of the decisions of competition agencies with a strict consumer welfare standard. On the other hand, the total economic welfare standard involves a through comparison of desired goals an agency can strive to achieve, yet this kind of comparison is difficult, if not impossible to make given the uncertainties and problems associated with handling antitrust cases especially in digital markets.

A new approach, which focuses on the sunk, relationship-specific investments made by market participants suggests that competition law serves to protect trading partners from the threat of hold-up, when parties cannot use conventional mechanisms to protect those sunk investments themselves¹. This approach, which is referred to as transactions cost approach², can provide a comprehensive economic foundation for competition law by helping to explain features of competition that cannot be explained by the traditional consumer welfare or total welfare frameworks.

¹ Biggar, D., & Heimler, A. (2020). Is protecting sunk investments an economic rationale for antitrust law?. Journal of Antitrust Enforcement.

² Biggar, D., & Heimler, A. (2020). The Goals of Competition Law Debate and Competition Policy for Labor Markets, Competition Policy International.

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In this meeting, we expect to find the answers to the below questions,

- What are the problems associated with the consumer welfare standard?
- What type of problems do agencies face with respect to total welfare standard?
- What are the advantageous of transactions cost approach?
- How can the agencies incorporate transactions cost approach to their enforcement practices?