

Fünf Fragen an Frank Maier-Rigaud



Prof. Dr. Frank P. Maier-Rigaud is Managing Director and Head of Competition Economics Europe at NERA Economic Consulting and Professor of Economics at IESEG School of Management, Paris, the Université Catholique de Lille and at LEM-CNRS. After studies in Freiburg, Switzerland and the US and a PhD under Nobel Laureate Reinhard Selten in Bonn, he worked at the European Commission and at the OECD.

You went from academia to DG Competition and the OECD, then into private practice. What made you leave public service?

I indeed worked many years at DG Competition and am extremely grateful for the time there. One of the more memorable experiences was the opportunity to present preliminary findings of the Article 102 review, in which I was involved, at the 2006 ABA Fall meetings. The EU had taken the lead on these questions and the US was grappling to catch-up with its own initiative. There was huge interest and the conference room was packed during my presentation. This is something I will always remember. When I had the chance to join the Competition Division of the OECD, however, I thought this would be an enriching opportunity and being half French/half German, also the location in Paris was attractive.

You have not yet answered the question, though.

It was just a matter of opportunity: Rebuilding the EU team of the oldest microeconomic consultancy was an attractive challenge. We opened several offices in Europe these last few years and my team, of which I am tremendously proud, passed the threshold of 40 specialised economists last year...

Oh, I need to stop the advertising bit here... Let me give you a tougher one: What challenges do you face in private consulting?

Convincing the client that certain steps in preparation of a case, for example in the context of a merger notification or when preparing for an arbitration, are needed. At an authority, you are surrounded by experts and while disagreements on how or whether to run a case occur regularly, there is general awareness of how time-consuming empirical analyses can be. At the Commission, everybody typically assumed that merging parties, for example, would notify after a thorough preparation of their case, but the reality I have seen is often different. It is part of the job to also give unpleasant advice, ensuring that clients take the right decisions to be well-prepared

is an important challenge, largely detached from the economic substance of the matter at hand.

Regarding substance, we have seen intense merger investigations at the European level. Any good fight with your former colleagues at DG COMP worth reporting?

There are of course the highly visible innovation cases that everybody has been talking about. A very interesting case we worked on last year that did not revolve around innovation, however, concerned a merger between differently backward integrated firms. The case generated horizontal and vertical questions, but most interestingly, also potential non-traditional ones due to a potential upstream capacity constraint. In the absence of the capacity constraint, the transaction may have led to a reduction in prices upstream and an expansion in output downstream. This was essentially driven by the elimination of double marginalization by the new entity and the resulting increase in merchant demand elasticity in the upstream market. In the presence of a capacity constraint upstream, however, two possibilities had to be considered. Either the constraint was loose enough to drive up prices in the merchant upstream market but not to outweigh the downstream expansion of the merged entity, overall increasing consumer welfare. Or the constraint was tight enough to not only drive up upstream prices but also to reduce downstream production, leading to a reduction in consumer welfare. As you can imagine, this was a complex case, also raising the question of what elements can or should give rise to a horizontal overlap.

Will we see major improvements in damage quantification any time soon?

In this area, the EU has clearly surpassed the US in terms of economic sophistication and this is quite an achievement. One issue that would deserve more attention is the data question. With several claimants and defendants, each claimant and defendant will have a subset of the entire dataset. A defendant has own sales data and a typical claimant has data on its purchases, possibly covering all defendants. Whether one can hope that analyses on these various subsets of data generate the same overcharge, pass-on and quantity effect estimates depends very much on how the cartel worked. In other words, disagreement may not only be due to different approaches or specifications. The current perception is that no matter what subset of data is used, a coherent estimate of the potential harm can be arrived at. This is of course not the case. For example, we recently combined data from a large set of clients to be able to conduct an analysis that on an individual client basis would not have been possible.

Die Fragen stellte Prof. Dr. Rupprecht Podszun, Heinrich-Heine-Universität Düsseldorf.