John Kwoka: "One of the biggest mistakes is not having merger control"

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John Kwoka highlights the importance of controlling corporate mergers. Credits: Jhonel Rodriguez

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John Kwoka is one of the most important theorists in the United States in terms of merger control. Although he does not know in detail the Peruvian case, the economist talks about the need to have this regulation and its multiple impacts on the economy and democracy.

**Why is the control of mergers important for a democracy?**

Merger control legislation is found in almost all countries, it is useful to ensure that markets are open, that people can take advantage of economic and social opportunities, and that the economy does not close down to new ideas and new initiatives. The most direct effects are in the markets and in the economy, but it also has social effects, including, for example, in the media that provide spaces for channels and provide access for different voices.

**Does merger control have an effect on the level of investments in an economy?**

Investors want to know that they have certainty about the markets, they want to have open access and invest and then grow their businesses with small and large companies. They also seek certainty about the rules of market operations. The control of mergers can provide that. Provide companies the ability to enter and know that if they are investing in small businesses here they will not be blocked by other dominant companies in some markets, to know that they will not be charged overcharges for the things they buy in the economy as a result of a merger part of other companies. All this helps generate investment opportunities in the markets. Most countries in the world have adopted merger control legislation to ensure that markets are free of cartels.

**How powerful can Peru's competition policies be without merger control?**

The problem without merger control is that if companies want to, they can cooperate, conspire and raise prices. We have to avoid that. But they can also achieve the same through a fusion. I understand that you (Peru) have a reasonable experience exactly that, with some local chain stores that were involved in a simple merger. Without the control of mergers, the opportunity is left open for companies to escape and, contrary to the ends of competition, achieve the same objectives simply by merging. So, it's important. Many countries, including the United States, began with the application of regulation against cartelization or monopolization. Therefore, without the three pillars of competition policies it is very easy for companies to escape the protection and controls that provide guarantees to consumers and companies. That is the necessary ingredient for competition policies.

**Is merger control an imperfect tool?**

No public policy is completely perfect, but for this to be effective and useful, the competition agency must have the capacity and resources to execute effective and efficient fusion policies. All countries have exactly that. In the United States we have merger control, guides that tell companies what the rules are and how an investigation is conducted. This gives guarantees to the companies that the control will not be used incorrectly. There may be mistakes, but one of the biggest mistakes is not having merger control because then there is no way to fix those markets.