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# **Politics subordinated to (neoliberal) Economics**

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## Politics subordinated to (neoliberal) Economics

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### 'Competition'

A wide ideological consequence of the standard model beyond economics itself is that in recent decades *Competition* –so understood, with a capital letter– has implicitly become *sort of a myth* in economic policy and the political arena in general.

Competition is, of course, consubstantial to trade; and trade is certainly consubstantial to the division of labour and specialisation, and thereby to economic progress and development. Over centuries, people have gone to towns' 'market square', where vendors were *competing* – showing their products and shouting out their qualities and prices to potential customers– so that the latter could choose what to buy, and from who. The current equivalent is a dense, interlinked, multi-level network of "markets", both for citizens to buy final products and enterprises to purchase intermediate goods. Certainly, competition fosters efficiency and improvements in products and services, including innovations that give way to new ones. It is thus a 'good practice', an essential *means* to facilitate the economic development of society. Excuse me for these truisms.

There are, certainly, some exceptions: products or services for which it is not easy, sometimes almost not possible, for citizens, individual buyers, users, or consumers to reasonably have elements, information or knowledge to evaluate the actual utility, convenience, and implications of the good in question. The fact that would-be consumers/users of a given good have the possibility of knowing or estimating the outcome reasonably expected from contracting it is a required technical condition for the abovementioned virtues of competition to be actually so. This is a technical condition that most professional economists, both orthodox and heterodox, will coincide in underlining.

However, what appears to have become a problem in this regard, in certain academic and political instances, is the mythification of *Competition*: to tacitly consider it as *an end in itself* instead of as *a means* to improve social wellbeing.

"... competition is a business behaviour, not a market structure". (Blaug, 1998: 15).

Thus, the problem does not arise regarding *competition* in itself, as an observable entrepreneurial behaviour (product differentiation via innovation, cost minimising, dynamics of the struggle for customers' purchases, etc.) but regarding taking *Competition* as an abstract concept raised to the category of supreme-indisputable value in public decisions: i.e., *Competition* as something thaumaturgical, as an end in itself; as a mantra on what is 'socially optimum' whenever it is the case of prescribing a certain type of economic policies. Here are some examples in this regard.

- Public TVs in some OECD countries stopped broadcasting advertisements by the last decade of the 20<sup>th</sup> century, as a result of new laws passed in this regard. Consequently, they no longer had commercials as a source of funding. The main argument in the private companies' demands and political pressures for passing a legal regulation in this respect was that Public TV commercials constituted *unfair competition* concerning the brand-new private TV channels, newly established in the country (since the repeal of the public monopoly on TV broadcasting, some years before).

The argument of unfair competition was accompanied by invoking the fact that public TV in some countries had not broadcast commercials since its very beginning. This 'unfair competition' would consist of the fact that, in so far as public TV channels were partially funded by state subsidies, this, it was argued, allowed them to contract commercials with advertising firms or agencies at a somewhat lower price than that applied by private TV channels, which meant that the latter lost advertising contracts.

[This argument clashes, however, with the, then already customary, practice in the TV commercial spots market: the price per minute of broadcast tended (tends) to be established according to the audience rating of the specific (private or public) TV channel; and more specifically, to that of each time slot or particular programme].

In any event, once the corresponding ban on broadcasting commercials on public TV in this or that country was decreed, such a political decision was inevitably followed by an increase in public subsidy, i.e., a certain increase in public expenditure.

To argue that the existing regulation of public TV (which allowed it to be partially funded by advertising) represents 'unfair competition' is tantamount to subverting the terms of the matter regarding the relationship between *politics* and the *economy*, in the sense of placing the latter before the former. Historically, in a market economy, private enterprise define their activity and market transactions by taking into account the laws and rules that the corresponding society has politically adopted, as well as some socially established customs (e.g., festivities). In short, there is a certain social-legal framework agreed upon through political institutions. And private enterprises take their decisions within it, trying to obtain profits. In contrast, the above argument on *unfair competition* is in some ways equivalent to reversing the terms: for private enterprises (TV channels) to have greater opportunities for turnover and profits, it was argued that the established legislation should be modified; a legal change that, moreover, will have a recurrent cost for public powers in terms of an increase in public expenditure. All this claimed in the name of 'Competition', taken it as an absolute principle in social life. This constitutes an example of mystification/ mythification of the concept, with the overall result of positioning *politics as dependent on the* (private enterprises) *economy*. Here follows another example in this regard.

■ **New digital business.** (Extracted from a corporate statement): The firm is one of the *new economy's* multinational 'companies/platforms' (the reader may think of Cabify, Uber, Deliveroo, Glovo, and the likes). A company that employs people under the formula that they register as 'independent contractors' (and other people call 'false self-employed'), and establish with them a relationship basically through a mobile application. The referred corporate statement was submitted by such a firm to the US's SEC (in April 2019, with the occasion of the company asking to be admitted to public trade on the Stock Exchange<sup>1</sup>). Under the document's heading 'Legal and Regulatory Risks Related to Our Business' (p. 54) the company asserts its "... willingness to extend its activity to specific countries (Argentina, Germany, Italy, Japan, South Korea, and Spain) (where) our ... (xxx) ... business model has been blocked, capped, or suspended, (...), due primarily to laws and significant regulatory restrictions". In another point it specifies: "*Our business would be adversely affected if (workers) were classified as employees instead of independent contractors*".(p. 28). The firm underlines its intention to "*face regulatory obstacles ...*", and concludes with "*We have incurred, and expect that we will continue to incur, significant costs in defending our right to operate in accordance with our business model ...*".

In short, a 'new-economy', 'technological', multinational claims for itself the (universal?) right to operate 'its business model' in whatever country, on the grounds of an abstract 'free-market, free-competition' principle. This 'right', the firm claims, would currently be 'limited' by the existing regulations in certain countries –as the ones detailed–, specifically regarding

<sup>1</sup> [https://www.sec.gov/Archives/edgar/data/1543151/000119312519103850/d647752ds1.htm#toc647752\\_2](https://www.sec.gov/Archives/edgar/data/1543151/000119312519103850/d647752ds1.htm#toc647752_2)

the conditions of provision of the company's service and/or the labour relations to apply. Thus, key issues related to political options that have been formally decided by democratic states, regarding the type of market economy and employment relationships, are publicly presented by the multinational in question as 'obstacles' to 'its right' to a 'free market/competition', which is, thus, taken as a superior principle!

- In July 2015 the European Commission (EC) ruled that it was not justified that Spanish local *corner stores* were waived from a specific tax to business-stores in general, as it had been established by three regional parliaments.

“ ... una posible sanción europea a tres autonomías.- La Comisión analiza el impuesto a grandes superficies comerciales.

(como consecuencia) ‘Los pequeños comerciantes (...) puede sufrir dificultades financieras gravísimas’. (...) La Comisión Europea (..) considera justificada la denuncia de la patronal Anged, que tacha de ayuda estatal ilegal los impuestos aplicados por Cataluña, Navarra, Asturias, Aragón, La Rioja y Canarias a las grandes superficies’ (Navarra, Rioja y Canarias, desistieron después). ‘La Comisión no cree justificado que se exima del impuesto a los pequeños comercios, excepción que considera una ayuda ilegal. (...) miles de pequeños y medianos y pequeños comercios podrían verse obligados a pagar el impuesto del que están exentos desde la entrada en vigor del mismo ... ’ (El País, 21-7-2015)

Such a tax exemption responded to the regional governments' political objective of levying the tax mainly from large shopping centres, suburban and peripheral malls, so as to contain the expansion of these peripheral macro-centres, and thus favour small and medium-sized local neighbourhood stores, in municipalities' traditional quarters. Nevertheless, the EC decided that exempting those local commercial establishments from this tax constituted an 'unlawful aid'; and therefore a source of 'unfair competition' (i.e., unfair competition of small corner stores regarding large commercial chains, generally multinational companies).

In short, an EU rule prevents a parliament of a member country from establishing a differentiated tax in its territory, aimed precisely at pursuing a certain policy with respect to the shopping sector; a policy which is related in turn to the desired urban model, to the very concept of a city –and, in a certain way, of social life– that is collectively preferred.

Let us follow with the latter example. The EU's tacit principle on which the mentioned ruling is based, and therefore the referred ban, is that of the absolute virtue of Competition; as a sort of implicitly assumed dogma of faith –which is also perceived in many European Directives–. According to that dogma, business stores in general –like enterprises in any sector– must be allowed to compete freely with each other, so that ‘the best ones’ (the most competitive) survive because this is to the benefit of users or customers. The paradox is that, in this case, the latter coincides with the citizens who have elected the Parliament itself that has legislated on the local policy regarding shopping-establishments in relation to the-model-of-city! Furthermore, free competition among business facilities (companies, chains) that are highly different-in-size is not –or does not have the virtues attributed to– the ‘competition among equals’ that the mainstream economics' approach presupposes: the theoretical idea of ‘free competition’ as an indisputable source of advantages for users/customers, and ultimately for the society.

### *The symmetric myth of ‘(public) unfair competition’*

Taking these examples together shows us how the concept of competition somehow losses its original instrumental meaning of a technical question of business dynamics –i.e., a means, regarding the type of economy/society that is collectively preferred– and how, it distorted, becomes an end in itself, used dialectically as a totem.

It is easy to deduce what are or can be the logical consequences of an uncritical tacit acceptance of this argument, common to the previous examples. Thus, by way of example, according to such argument, it would result that public schools in countries like France or Spain, for example, would be ‘unfairly competing’ with private schools since these public schools are free, or almost free, and offer similar levels of quality. Or, to see it from another perspective, let us think of a certain less-developed country with insufficient provision of schools, in which all or most of the existing ones are private. And that the democratic-representative institutions of the country plan to take a strategic leap forward to solve the deficit of schools, by creating an important network of public schools –looking itself for that at the mirror of, e.g., France–. It would not be surprising that such a political project were strongly opposed by some local economic experts –as well as some others in international organisations–. They could allege that such a political initiative would represent ‘unfair competition’ regarding incumbent private schools in the country; and that, moreover, such a hindrance to competition would translate into inefficiency in the whole educational system, thereby diminishing the general welfare. This is indeed an argument-assertion frequently issued, under the background register of ‘this-is-the-way-things-are’, and from a conviction and professional security anchored on assuming the theoretical paradigm of the ESM and its *general equilibrium of competitive markets* as an indisputable reference framework.

Were this myth/argumentation taken to its logical extreme, we can not rule out hearing a similar assertion about something as normal as public authorities improving roads or building new free motorways. According to the argument derived from competition-as-a-myth, this would also be considered ‘unfair competition’; in this case regarding private toll-road companies.

According to this particular logic or idea (more properly, ideology) of ‘unfair competition (by public authorities)’, it may occur that some day an expert economist advising, for instance, a consortium of private hospitals, defends the political argument that ‘the Public Health System of this or that European country should no longer be free of charge because that represents ‘unfair competition’ (with the private sector). Furthermore, s/he could claim that ‘it would be better (more efficient) for the management of the System to be privatised’. Or we could hear a similar political statement regarding another basic element of the welfare state.

This could, indeed, eve go further on: The argument of competition-as-myth could end up being applied to any economic activity/ intervention by public authorities. What could, thus, lead to the absurdity that any (public) *economic policy* –that is, any measure aimed at correcting or complementing certain market results– could be considered as something negative because it *distorts* the functioning of markets; or it to be considered as ‘unfair competition’ regarding both, existing and future, private enterprises. In short, this type of supposedly-neutral economic reasoning illustrates in fact the ideology of *politics subordinated to the economy* (or to a certain conception of it).

The above may sound like an exaggerated extrapolation. Although, ... by way of example:

- In an interview with a senior executive officer of a top European bank, published in a well-known newspaper (2015), when asked about the measures taken at the time by the ECB and other central banks, the following judgment is significant in his response: “... What the ECB, and previously the Fed, is doing now is not harmless; that is, they are distorting the functioning of markets. Nevertheless, markets mean risk and our task is to manage it properly”.

That is, in the face of the economic policy measures by central banks (*monetary easing*) designed precisely to modify/correct market results (lack of liquidity for governments and companies), the perception of a significant financial business manager –which, openly and self-confidently, transmits– is that these measures mean ‘a (negative) distortion of *the*

market'; of the financial market in the first place. This talk takes place at a time (May 2015) when the 'great recession/crisis', unleashed in 2008, precisely from the financial sector, had not yet been overcome in the EU countries where the referred bank mainly operates.

The myth also has a self-convincing function, or by-product. Competition authorities –such as the 'Competition and Markets Authority' (UK), 'Autorité de la Concurrence' (France), 'FTC-Bureau of Competition' (US), 'Comisión Nacional de Mercados y de la Competencia' (Spain), 'Autorità Garante de la Concorrenza e del Mercato' (Italy), 'Bundeskartellamt' (Germany), etc.– have proven to be effective in modern economies to regulate price and access conditions for basic or socially sensitive public services, such as the distribution (last mile) of electricity, gas, and water, as well as telecommunications or passenger transport. Nevertheless, when it is the case of other activities, decisions, and resolutions of such agencies, the matter is rather different: For example, about giving or not the green light to the merger of two large companies of the same sector or activity; or analysing whether to oblige a given big corporation to divided itself into two or more companies, 'to favour competition'. As for these kinds of tasks and decisions, it is difficult avoiding the feeling of witnessing micro-regulatory interventions that are more formal than effective. This, even though they are presented –and probably 'experienced' by their protagonists within the regulatory bodies– as fundamental corrections (of deviations) on a market economy, in order to increase (effective) competition in it. However, looking at the matter from the outlook of the actual workings of the business world, it seems quite obvious that the possibility that a substantive social benefit will be derived from these specific anti-monopolistic decisions (benefit, in terms of final prices? for which buyers? ...) are rather remote. Moreover, such a possible future beneficial effect can never be verified, because in practice it is something that will not be actually observable.

Nevertheless, such 'antitrust' activities and institutional efforts by national (and multinational) agencies contribute to generating a reassuring idea among the involved collectives: that a fundamental institutional lever is available to control 'those possible monopolistic situations that sometimes occur', and thus 'achieve –in a capitalist economic system– that situations of near-perfect competition predominate'. On the other hand, as an external effect of these institutional activities, a message would be collectively self-generated, and acknowledged by mainstream economists: that the referred activities and efforts of the *agencies for the defence of competition* allow 'bringing the economic reality of markets reasonably closer to what the model of the *general equilibrium* of competitive markets describes'. Regarding this, I refer the reader, by way of contrast, to the sections where the statistical landscape about actual market structures/concentration is reviewed (4.2.2 and 7.2).

Furthermore, this mythical character *de facto* assigned to the concept of *Competition* also emerges in the case of an easily observable inconsistency: when a good or service is provided by a foreign company under conditions of quasi-monopoly on an international scale, national –or multinational– competition enforcement agencies rarely act –or they act limitedly. Mainly because they have no proper authority to do so; or this is not clear since in this case 'we are talking about the worldwide market'. There may be, then, a paradox: a situation of dominance over a specific local market (product or service), that makes part of a market-dominance situation at an international level, may, in practice, not be considered a distortion of market competition worthy of attention in this or that country; while in a similar situation played out by a domestic company, attention would likely be paid to it.



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