

Democracy, Inequality and Antitrust

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Research Question

Does **democracy** facilitate the regulation of **monopolies**?

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Yes, but...

Overview of Argument

Consumers have **economic** interest in strong competition laws

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Democracy therefore makes the adoption of strong competition laws more likely

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Voters have **political** interest in strong competition laws

Democracy therefore makes the adoption of strong competition laws more likely

But this relationship is moderated by **high levels of inequality** that empower concentrated economic interests

Overview of Evidence

We examine this dynamic through a variety of analyses:

Descriptive evidence of relationship between democracy, inequality and antitrust

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1.

Theory & Data

Democracy & Inequality

Democracy ! Antitrust?

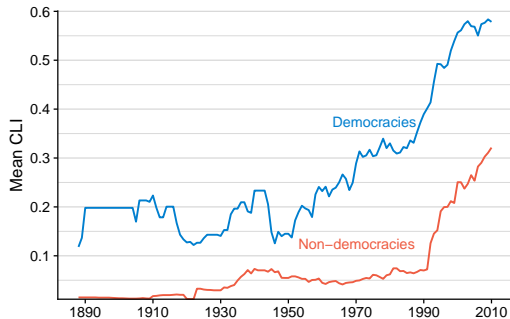
Economic: Concentration drives inequality

Political: Inequality empowers economic elites

Mixed expectations:

Increase popular demand

Decrease ability to legislate



The Comparative Competition Law Dataset

Large scale data collection effort led by Anu Bradford and Adam Chilton

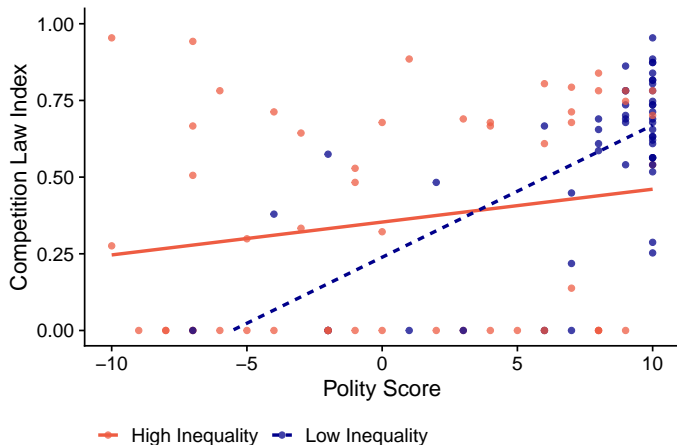
Codes antitrust laws in over **120 countries**

We use the project's aggregated measure, the **Competition Law Index**

- Allows for intertemporal and crossnational comparison

- Runs [0, 1] incorporating 36 distinct dimensions of antitrust laws

Democracy, Inequality & Antitrust in 2010



Predicting the Strength of Antitrust Laws

Estimate how marginal effect of
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Control for...

- GDP

- GDP per cap

- Trade dependence

- Economic crisis

Predicting the Strength of Antitrust Laws

Estimate how marginal effect of **democracy** varies by **inequality**

OLS, two-way fixed effects

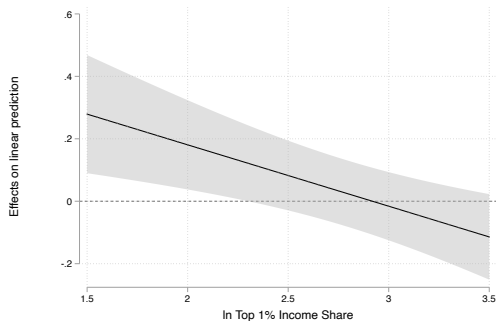
Control for...

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GDP per cap

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Other period lengths

2.

**Antitrust after Democratic
Transition**

Democratization

Narrow focus onto periods of **democratic transition** under conditions of high and low inequality

Estimate effect of democratization on antitrust using semi-parametric differences-in-differences estimator

Persson & Tabellini 2007; Imai, Kim & Wang forthcoming

Panel Matching

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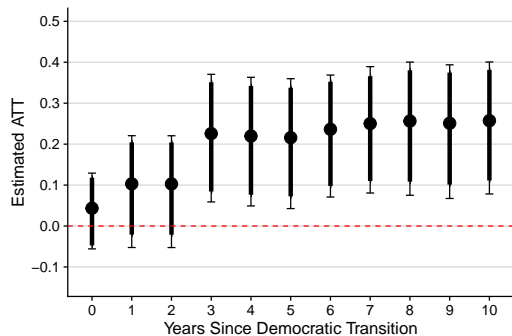
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4. Calculate average change in CLI for the democratizing countries and the weighted control groups from $t - 1$ to $t + [0; 10]$.

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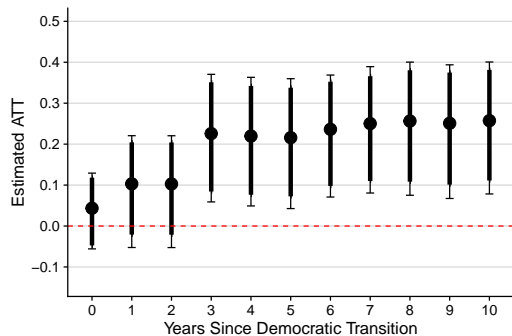
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5. Take the difference between average change of treated and control groups for each time period.

Results

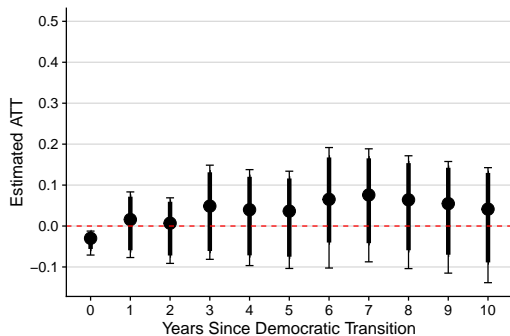


(a) Low Inequality Sample

Results



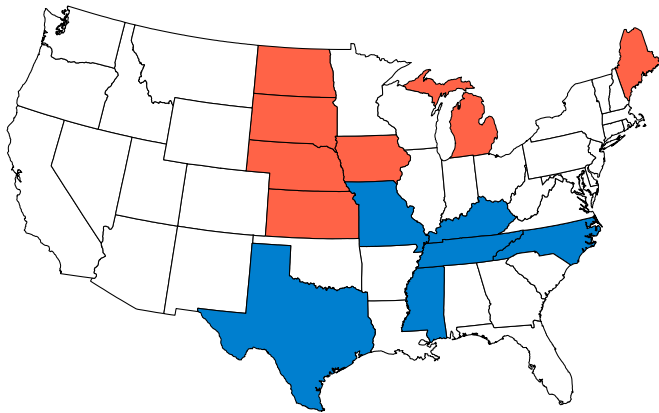
(a) Low Inequality Sample



(b) High Inequality Sample

3.
Antitrust in High Inequality
United States,
1888-1918

State Antitrust Laws prior to the Sherman Act



The Sherman Act (1890): Inauspicious Origin?

Sherman Act weak by contemporary standards:

Options not taken:

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- House amendments voted down by the Senate

Elite opposition

- Weak federal enforcement

- Narrow judicial construction

Progressive Era Antitrust Reforms

Clayton Act (1914)

Strengthened antitrust laws

OF THAT STATUTE FOR THE PAST DECADE.
* "I was approached by both men and women lobbyists while the Clayton bill was before the Senate," said Mr. Nelson. "Never before have I seen such lobbying during my experience in Congress. But it has become mild, indeed, since this conference report was made public. The conferees weakened the bill very much and played into the hands of the trusts."
"Have you not been approached and

("ATTACK CLAYTON BILL." * LE < y 5§ L%October 1, 1914.)

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Webb-Pomerene Act

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Selected by leg.	0.69 (0.43)		0.81 (0.43)	0.82 (0.44)	0.85 (0.43)
In Top 1% Inc. Share ₁₉₁₇		2.14 (0.91)	2.41 (1.07)	2.31 (1.21)	2.13 (1.05)
In Manufac. Prod.				0.03 (0.18)	0.06 (0.18)
Democrat					0.21 (0.38)
Observations	65	65	65	65	65
Log-likelihood	-28.12	-26.68	-25.06	-25.05	-24.94