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Current Competition Issues
in the International Context of Inflation

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Abstract

The current international context of inflation has triggered changes in the economic behaviour of individuals and of undertakings. The specific literature has already evaluated the possible effects of competition on inflation. The present paper brings a new perspective, dealing with the consequences of inflation in the field of competition, assessing anticompetitive behaviour of undertakings occurring in the current context of inflation at global level. Increasing prices are nowadays a major problem for consumers as well as for producers. Undertakings have explained the increased prices as related to the high inflation rates. Competition authorities have nevertheless investigated whether such price increases are really inflation-related or if there are anticompetitive agreements on increased prices using the general context of inflation and aiming at enhanced profits for undertakings. Such an investigation is presented in the present paper as a case study based on the information from the Romanian Competition Authority. The paper brings in question to what extent the increase in price levels is related to inflation and to what extent it can be assessed as an anti-competitive agreement between actors with market power. As a research method, the present paper uses metadata, data from National Competition Authorities as well as from the European Commission as a Supranational Competition Authority, case studies, and economic indicators provided by Eurostat. The research approach is based on an international, multidisciplinary perspective, presenting possible measures and solutions to avoid anticompetitive behaviour in the given economic context of inflation.

Keywords: competition, inflation, anti-competitive behaviour, market power.

JEL Classification: G15, G41, O16, O52.

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1. Introduction

In the current global context of inflation, changes occurred in the economic behaviour of both individuals and undertakings. Increasing prices in the current inflation context is nowadays a major problem for consumers and producers. Competition usually contributes to ensuring fair prices for consumers. Competition policy, as well as competition law enforcement, may play an important role in trying to mitigate the negative consequences of inflation.

In this inflationary context, a research question to be addressed is to what extent the increasing prices are related to the market situation and if there is the possibility that some important market actors with market power use this context to increase prices in order to make more profit. Undertakings have explained the increase in prices as related to the high inflation rates. In order to clarify this aspect, competition authorities, such as the Competition Council in Romania, have investigated the price increases in several sectors in this context.

The goal of the present paper is to research to what extent the increase of price levels is related to inflation and to what extent it can be assessed as an anticompetitive agreement between actors with market power.

As a research method, the present paper uses case studies (e.g., an investigation of the Romanian Competition Council), metadata, data from National Competition Authorities as well as from the European Commission as a Supranational Competition Authority, case-law of the Court of Justice of the European Union.

Given the international context of inflation, the present paper analyses which authorities may play a role in dealing with the relation between inflation and competition issues. The present paper asks the question which might be the role of National Competition Authorities in this context and if supranational competition authorities, such as the European Commission might as well play a role.

Another question to be addressed is to what extent, in this context, an ex-ante regulation is needed or if an ex-post control should rather be applied.

The research approach is based on an international, multidisciplinary perspective, assessing behaviour in the given economic context of inflation.

The novelty and originality of the present paper is given by the multidisciplinary research approach, combining aspects of law and economics in an international view, with a strong focus on the current global focus of inflation that affects the global economy as well as the consumers worldwide.

2. Problem Statement (Literature Review)

2.1 The Concept of Inflation

Inflation is defined by Gregory Mankiw as an increase in the overall level of prices in the economy. The cause of inflation is growth in the quantity of money. This happens when, for example, government (by its National Bank) creates a too large quantity of money. This idea is also expressed in the principle number 9 formulated by Gregory Mankiw, stating that prices rise when the government prints too much money (Mankiw, 2018).

2.2 The Current Global Inflationary Context

In the current context of increased inflation at global level, the demand increases related to the pandemic and the lockdowns have to be considered. There have been supply shortages as a consequence of the pandemic and there are still shortages as a post-pandemic consequence. The war in Ukraine and the related problems (e.g. increase of energy prices) have increased the inflation trends (OECD, 2022). The increase of energy prices had a domino effect, resulting in increased prices for many categories of goods and services.

2.3 The Relation between Inflation and Competition

In the studied specific literature, the role of competition in mitigating inflation has been assessed. The specific literature has already evaluated the possible effects of competition on inflation. The opinions studied in the literature states the current inflationary episode not connected with the enforcement of competition law enforcement. The inflationary episode did not lead to concentration (European Central Bank, 2022).

There appears to be no correlation between high inflation rates and concentration, according to the studied literature. The inflation rates in the current inflationary context vary from country to country. The inflation rate in the Netherlands in March 2022 was more than twice that of France., but the concentration ratios did not vary accordingly. On the other hand, sectors where energy consumption is important and which have an inelastic demand were affected by the energy crisis. The energy costs caused inflation in these sectors (OECD, 2022).

The present paper is in line with the present research. It brings a complementary view, a new perspective, dealing with the consequences of inflation in the field of competition, assessing anti-competitive behaviour of undertakings occurring in the current context of inflation at global level.

3. Research Questions / Aims of the Research

In the current international inflationary context, a research question to be addressed is to what extent the increasing prices are related to the market situation and if there is the possibility that some important market actors with market power use this context to increase prices in order to make more profit. The aim of the research is to find out if the explanation given by undertakings according to which they have increased prices due to the high inflation rates is valid.

The goal of the present paper is to research to what extent the increase of price levels is related to inflation and to what extent it can be assessed as an anticompetitive agreement between actors with market power.

The present paper examines which authorities may play a role in dealing with the relation between inflation and competition issues. It asks the question which might be the role of National Competition Authorities in this context and if supranational competition authorities, such as the European Commission might as well play a role.

Another question to be addressed is to what extent, in this context, an ex-ante regulation is needed or if an ex-post control should rather be applied.

An overview of the studied topic with practical application in Romania is presented.

4. Methodology

The present paper is mainly a theoretical review article, so that it relies on opinions stated in the studied specific literature. The theoretical aspects are complemented by a case study from Romania that reflects the topic studied on the Romanian market.

As a research method, the present paper uses case studies (e.g. an investigation of the Romanian Competition Council), metadata, data from National Competition Authorities as well as from the European Commission as a Supranational Competition Authority, case-law of the Court of Justice of the European Union.

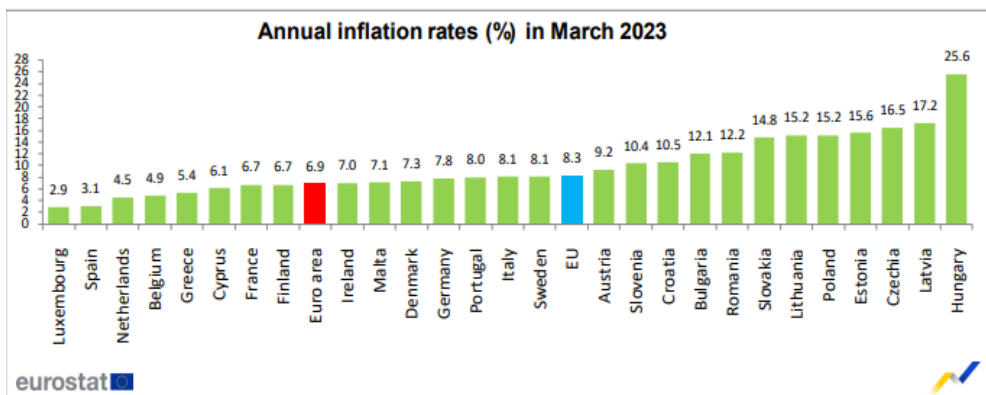
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5. Findings – Results and Discussions

Due to the current inflationary context, very high inflation rates have been registered worldwide. According to the data provided by Eurostat, the situation regarding inflation in the European Union is presented in Figure 1.

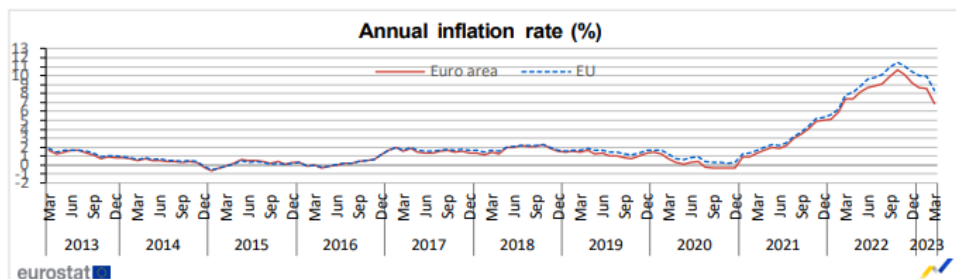
Figure 1. Inflation in the European Union



Source: Eurostat, 2023.

Changes in inflation rates are reflected in Figure 2, where the current inflationary context is clearly represented.

Figure 2. Development of the annual inflation rate in the European Union



eurostat

Source: Eurostat, 2023.

The detailed data regarding inflation in the European Union which reflect the current inflationary context is reflected in Table 1.

Table 1. Inflation rates in the European Union

	Annual rate							Monthly rate
	Mar 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Mar 23
Euro area	7.4	10.6	10.1	9.2	8.6	8.5	6.9	0.9
EU	7.8	11.5	11.1	10.4	10.0	9.9	8.3	0.9
Belgium	9.3	13.1	10.5	10.2	7.4	5.4	4.9	0.2
Bulgaria	10.5	14.8	14.3	14.3	14.3	13.7	12.1	0.6
Czechia	11.9	15.5	17.2	16.8	19.1	18.4	16.5	0.3
Denmark	6.0	11.4	9.7	9.6	8.4	8.3	7.3	-0.2
Germany	7.6	11.6	11.3	9.6	9.2	9.3	7.8	1.1
Estonia	14.8	22.5	21.4	17.5	18.6	17.8	15.6	0.7
Ireland	6.9	9.4	9.0	8.2	7.5	8.1	7.0	0.9
Greece	8.0	9.5	8.8	7.6	7.3	6.5	5.4	1.6
Spain	9.8	7.3	6.7	5.5	5.9	6.0	3.1	1.1
France	5.1	7.1	7.1	6.7	7.0	7.3	6.7	1.0
Croatia	7.3	12.7	13.0	12.7	12.5	11.7	10.5	0.9
Italy	6.8	12.6	12.6	12.3	10.7	9.8	8.1	0.8
Cyprus	6.2	8.6	8.1	7.6	6.8	6.7	6.1	1.3
Latvia	11.5	21.7	21.7	20.7	21.4	20.1	17.2	0.8
Lithuania	15.6	22.1	21.4	20.0	18.5	17.2	15.2	0.7
Luxembourg	7.9	8.8	7.3	6.2	5.8	4.8	2.9	0.2
Hungary	8.6	21.9	23.1	25.0	26.2	25.8	25.6	0.8
Malta	4.5	7.4	7.2	7.3	6.8	7.0	7.1	1.4
Netherlands	11.7	16.8	11.3	11.0	8.4	8.9	4.5	0.2
Austria	6.6	11.6	11.2	10.5	11.6	11.0	9.2	0.6
Poland	10.2	16.4	16.1	15.3	15.9	17.2	15.2	1.1
Portugal	5.5	10.6	10.2	9.8	8.6	8.6	8.0	2.0
Romania	9.6	13.5	14.6	14.1	13.4	13.4	12.2	0.9
Slovenia	6.0	10.3	10.8	10.8	9.9	9.4	10.4	0.5
Slovakia	9.6	14.5	15.1	15.0	15.1	15.4	14.8	1.3
Finland	5.8	8.4	9.1	8.8	7.9	8.0	6.7	0.4
Sweden	6.3	9.8	10.1	10.8	9.6	9.7	8.1	0.5
Iceland	5.0	6.4	7.0	7.2	8.1	8.8	8.6	0.7
Norway	4.7	8.4	7.3	6.3	8.0	7.2	7.3	0.9
Switzerland	2.2	2.9	2.9	2.7	3.2	3.2	2.7	0.0

Source dataset: [prc_hicp_manr](#)

Source: Eurostat, 2023.

Due to the current international inflationary context, prices have increased in the European Union. In Romania, there have been price increases for several products even after the pandemic and even more than in other countries of the European Union. In this context, the Romanian Competition Council started an investigation in March 2023 in order to find out if the explanation given by undertakings according to which they have increased prices due to the high inflation rates is valid. The investigation of the Competition authority aims to investigate if such price increases are really inflation-related or if there are anti-competitive agreements on increased prices using the general context of inflation and aiming at enhanced profits for undertakings. Such an investigation is presented in the present paper as a case study based on the information from the Romanian Competition Authority.

The Competition Council investigates 13 producers of sunflower oil, butter and sugar regarding possible agreements regarding price fixing on the market of these products (sunflower oil, butter, and sugar). There are suspicions regarding the intention of some producers to use the general inflationary context in order to achieve more profit by concluding anticompetitive agreements. This type of anti-competitive behaviour is easier to hide given the international context of increased inflation rate.

The organised dawn-raids were performed at the companies where there were such suspicions of anticompetitive agreements. In the sunflower oil sector, dawn raids have been organised in the following companies: Bunge România SRL, Expur SA, Prutul SA, and Ardealul SA. In the market of butter, dawn raids have been organised in the following companies: Albalact, Covalact, and Dorna Lactate (part of the Lactalis Group), Friesland România SA, Lacto Food SRL and Olympus Milk Producing Factory Braşov. For the sugar market, the following companies have been investigated: Agrana România SRL, Pfeifer & Langen România SRL, and Lucsor Impex SRL (Consiliul Concurenței, 2023).

According to competition regulations (European Union Competition Law – Article 101 TFUE and Romanian Competition Law), agreements which have as their object or effect the prevention, restriction, or distortion of competition within the internal market are incompatible with the internal market (Consolidated Version of the Treaty on the Functioning of the European Union, 2012). Price fixing is prohibited (Legea Concurenței, 1996).

The investigation is still ongoing. If the results of the investigation prove that there have been anticompetitive agreements, sanctions will be applied. The actions are in line with the European Commission (2023). As seen in the presented case study, the Competition Authority has a major role in clarifying this issue.

6. Conclusion

The present paper analyses to what extent the increasing prices in the analysed sectors are related to the market situation of the international inflationary context and if there is the possibility that some important market actors with market power use this context to increase prices in order to make more profit. The investigation conducted by the Romanian Competition Council is still ongoing. The research

results will be updated according to the results of the investigation, when they will be released.

The topic is of great interest and will be further developed. The research results will be used as a basis for further research, which will for sure be needed.

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