Namibian Competition Commission

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Competition Commission can assist in reducing income inequality

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Whilst reminiscing about developmental efforts at a Board meeting of the African Development Bank, I had that glimpse of time to catch up on my reading and purchase the latest economic thriller, “Capital in the Twenty First Century” by the author, Thomas Piketty.

I pondered on my economic passion of how competition regulation in a small economy such as Namibia can assist in reducing income inequality and poverty reduction. His book talks rightfully about rising inequality in the world and emphasizes the widening disparity between the small sized population of “haves” and the bigger sized population of “have nots” of income and wealth.

It is no secret that the Namibian economy has also one of the unequal incomes in the world measured by what economist call the Gini Co-efficient. Piketty also write about how the world has grown in terms of GDP but such growth has benefitted the small minority of the world population at the top for the past forty years. He alludes that such growth stimulated competition for goods and services such as real estate and luxury items that the rich can afford and marginalized the majority from any opportunity to share in buying such goods and services. Such increase in wealth has however not translated to productive capital to assist in creating a multiplier effect of trickling down incomes to those who don’t have it thereby to increase the measured wealth of the nations thus aiding in reduced income inequality.

Piketty actually raises one fundamental point that the wealth-output ratio has increased overtime for the global economy thus meaning that the minority of the population in the world has actually been getting wealthier but has

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not translate such wealth for productive investments but for consumption goods. Such is the current stark reality of capitalism that it has lost a human face of growing the wealth only to consume material goods and not for the benefit of its population hence keeping the income inequality not only higher but pervasively in the world.

As a competition economist, I beg therefore the question, how did economies grow at the expense of people relying on what Piketty call the positional goods. Well, wealth must have been contained only in those sectors and goods where the wealthy competed amongst themselves to grow such luxury goods. This can only be evident where in today's dollar currency a watch can be sold for a million dollar Namibia dollar or a luxury golf shirt can fetch over twenty Namibia dollar. This untenable situation have the habit of concentrating the wealth and by extension competition only in those sectors and goods whereby money exchanges hands amongst the rich and elite and keeping the monopoly power going and the businesses thriving only for the wealthy at the detriment of the poor, of which the majority ought also to partake as consumers.

This leads to as Piketty calls it the diminution or the devaluation of human capital, which ought to be the majority of the people who yearns for partaking into the economies. That is why I understand why we are calling for additional policy measures such as Black Economic Empowerment in Namibia and Affirmative action employment in USA and welfare state schemes in Europe to try and bring in more people into the mainstream of the economies.

Piketty analysis of income inequality tells us one crucial message, that the market economy as we know it and business competition as we attach value to it does not work. There is therefore a shift orientation needed not just to leave the market to its "invisible hand" but to have "visible hand" of competition regulation to effect behaviours and structure of the markets in the world. That's where we as competition regulators come in where there is need to affect the market economy for ensured reduced income inequality and getting more people on board economically, there is an undeniable fact that competition authorities can have a role to play in structuring the economy thereby structuring the incomes and wealth of its people. In our part of the world such as Namibia and South Africa, such clearly defined need does not need a rocket scientist to understand it.

We can play our role as competition regulators not only to sustain the right behaviour of firms and businesses but to structure their market conduct correcting distortions through competition rules. Thus, Piketty forecast of widened income inequality provides cold comfort to competition authorities that their role is not just to enforce fair competition through the implementation of the Competition Acts but there is a unequivocal need to be developmentally conscious as well to enforce competition law for a broader common good to correct market imperfections that entrenches not only of high levels of income inequality but also high levels of poverty. As competition authorities, we need to be mindful of developmental outcomes that would not only reduce inequality but increase economic opportunities for consumers, producers, and the broader segment of the population.

The main pre-occupation that Piketty is advising us as policy makers and regulators is that political democracies may not rule the future for economies to thrive but it would be the economic democratization of people especially the consumers that would meant a lot for us to at least contribute to the capitalism of the day with a smiling human face. We owe it to our economies and certainly to its citizens as a whole.