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The Bureau of Economics at the US Federal Trade Commission

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The Bureau of Economics (BE) at the US Federal Trade Commission (FTC) has a proud tradition of providing scientifically sound, data-driven economic analysis that informs antitrust, consumer protection, and business regulation policy in the United States. With 70 PhD applied microeconomists, it plays an essential role in virtually all aspects of the FTC's mission while striving to maintain a quality of economic analysis that rivals major university departments of economics.

To understand BE and its role at the FTC, some background on the FTC is required. The FTC has two central missions – antitrust and consumer protection. It is an independent commission with five voting Commissioners, no more than three of whom can be from one political party. The FTC has approximately 1000 employees, about half of whom are attorneys.

One legal bureau is devoted to each mission, with approximately 200 attorneys devoted to the Competition mission and 250 pursing the Consumer Protection mission. The Bureau of Economics provides economic support for both missions. A substantial part of the theoretical and empirical work in economics straddles both the competition and consumer protection work. For example, work in the sub-fields of industrial organisation, occupational regulation, regulation, information economics, law and economics, and costbenefit analysis can be applied to either mission. The Bureau of Economics interacts with the FTC's General Counsel's office (the Commission's attorneys) and the Office of Policy Planning (which concentrates the Commission's advocacies on behalf of consumers in both state and federal regulatory proceedings).

When the Commission considers major matters for a vote, the members typically receive separate recommendations from the relevant legal bureau and from the Bureau of Economics. Thus, the Bureau plays a dual role in cases. It provides attorneys with economic support work and it provides Commissioners with a separate assessment of the strengths and weaknesses of a case.

In addition to the 70 PhD economists, BE houses 15 to 20 research analysts (normally newly minted bachelor's degree students), five accountants/financial analysts, and several administrative and support personnel all located in Washington, DC. Occasionally, organisations in the FTC other than the Bureau of Economics hire economists. For example, currently, the planning divisions of the competition legal bureau, and the Office of Policy Planning each have one PhD economist. For the past 40 years, the budget of the Bureau of Economics has accounted for between seven and 11 per cent of the FTC budget, being closer to 7 per cent in the past decade. About 45 economists and direct economist managers work in two similarly sized groups devoted to competition matters. The two antitrust groups undertake similar types of competition analyses, but they are somewhat specialised by industry to take advantage of institutional memory and expertise in industries that are a repeated focus of Commission concerns (eg petroleum, health care services, pharmaceuticals, and supermarkets). Fifteen economists are engaged in a separate division focused on consumer protection issues, such as credit availability, privacy and ID Theft, and deceptive practices in the marketing of food, drugs, and nutrition supplements.

The head of BE is the bureau director, who is appointed by the chairman (subject to a Commission vote) and serves at her pleasure. Recent bureau directors have been academic economists on leave from university professorships. The remainder of the BE front office team is comprised of three or more senior career economists who oversee the antitrust and consumer protection groups and handle various special projects. The direct staff managers assign economists to various cases and tasks, and manage the work on most economic projects or analyses. Subject to review by the chairman, BE controls its own hiring of staff, performance evaluations, and promotions subject to FTC budgets and government hiring regulations.

The interests of consumers are sometimes not wellrepresented in legislative and regulatory forums.

Consumers are not always able to effectively oppose anticompetitive actions in such venues because they individually lose relatively little from most regulations (even if the aggregate loss is large) and they have high costs of organising compared to the various groups who have a direct and substantial stake in the outcome.

Consequently, laws or regulations are sometimes proposed that

The Bureau has participated in dozens of visits to foreign lands and hosted numerous visitors to the US in the recent past. The reach of this activity is truly global, encompassing short-term missions to countries from Croatia to Vietnam and visits from delegations hailing from five continents. Programmes included training sessions on abuse of dominance, electricity sector competition, the economics of consumer protection, conglomerate merger effects, merger investigation techniques, and merger retrospective studies. One of the more common requests for training is to explain how we incorporate empirical analysis into antitrust investigations. In response, we share our experience with econometric methods of demand estimation and quantitative techniques for measuring merger effects.

Conclusion

Sound antitrust and consumer protection policy requires sound economic analysis. The organisational design of enforcement agencies can affect whether agency leaders receive the analysis they need. The number and quality of economists employed at the FTC and their organisation within a distinct Bureau of Economics have been crucial factors in giving economics a central role in US antitrust and consumer protection policy.