

WORLD COMPETITION
Law and Economics Review

Published by:

Kluwer Law International B.V.
PO Box 316
2400 AH Alphen aan den Rijn
The Netherlands
Website: www.wklawbusiness.com

Sold and distributed in North, Central and South America by:

Wolters Kluwer Legal & Regulatory U.S.
7201 McKinney Circle
Frederick, MD 21704
United States of America
Email: customer.service@wolterskluwer.com

Sold and distributed in all other countries by:

Turpin Distribution Services Ltd.
Stratton Business Park
Pegasus Drive, Biggleswade
Bedfordshire SG18 8TQ
United Kingdom
Email: kluwerlaw@turpin-distribution.com

World Competition is published quarterly (March, June, September and December).

Print subscription prices, including postage (2016): EUR 725/USD 967/GBP 532.

Online subscription prices (2016): EUR 670/USD 895/GBP 492.

World Competition is indexed/abstracted in the *European Legal Journals Index*.

Printed on acid-free paper.

ISSN 1011-4548

© 2016 Kluwer Law International BV, The Netherlands

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the publisher.

Permission to use this content must be obtained from the copyright owner. Please apply to: Permissions Department, Wolters Kluwer Legal & Regulatory U.S., 76 Ninth Avenue, 7th Floor, New York, NY 10011-5201, USA. Email: permissions@kluwerlaw.com

Printed in the United Kingdom.

Editor José Rivas

Associate Editor Pierre Welch

Book Review Editor Ioannis Lianos & Despoina Mantzari

Publisher Simon Bellamy

US Review Editors Spencer Weber Waller & Maurice E. Stucke

Economics Review

Editor Doris Hildebrand

Advisory Board **Robert Anderson**, World Trade Organization

Sir Christopher Bellamy, President, Appeals Tribunal, United Kingdom Competition Commission

Manuel Conthe, Former Chairman of Spain's Securities Commission

Sir David Edward, Professor, University of Edinburgh; former Judge, Court of Justice of the European Union.

Claus-Dieter Ehlermann, Senior Counsel at Wilmer Cutler Pickering Hale & Dorr LLP

Jonathan Faull, Director General, Internal Market and Services, European Commission, Professor of Law, Vrije Universiteit Brussels

Eleanor M. Fox, Walter J. Derenberg Professor of Trade Regulation, New York University School of Law

Allan Fels, Professor at the Australia and New Zealand School of Government

Nicholas Forwood, Judge, General Court of the European Union

Rafael García-Valdecasas y Fernández, Former Judge, General Court of the European Union

Francisco Enrique González Díaz, Cleary Gottlieb, Steen and Hamilton, Brussels

Barry E. Hawk, Director, Fordham Corporate Law Institute and Partner, Skadden, Arps, Slate, Meagher & Flom LLP

Herbert Hovenkamp, Ben V. & Dorothy Willie Professor of Law and History, University of Iowa, USA

Rafael Illescas Ortiz, Professor of Commercial Law, University Carlos III, Madrid

Frédéric Jenny, Professor of Economics at ESSEC, Chair of the OECD Competition Committee

Koen Lenaerts, Judge, Court of Justice of the European Union

Ignacio de León, Professor, Department of Economics, New York University

Patrick McNutt, Visiting Fellow, Manchester Business School, UK and former Chairman, Competition Authority, Dublin and former Chairman, Jersey Competition & Regulatory Authority, UK.

John L. Murray, Chief Justice of Ireland; former Judge, Court of Justice of the European Union and Visiting Professor, l'Université Catholique de Louvain

David O'Keeffe, Professor, University College London and Visiting Professor, College of Europe, Bruges

Giuseppe Tesouro, Judge, Corte Costituzionale della Repubblica italiana

Spencer Weber Waller, Professor and Director, Institute for Consumer Antitrust Studies, Loyola University Chicago School of Law

Wouter P.J. Wils, Hearing Officer, European Commission, and Visiting Professor, King's College London

Editorial Board **Pinar Akman**, Ralf Bosscheck, Marie Demetriou, Niamh Dunne, Pablo Figueroa, Juan Gutiérrez, Romain Galante, Donogh Hardiman, Maria Ioannidou, Benoît Keane, Aaron Khan, Ali Nikpay, Julian Nowag, Laura Olza- Moreno, Dimosthenis Papakrivopoulos, Sebastian Peyser, Tom Pick, Azza Raslan, J. Matthew Strader, Konstantinos Stylianou, Florence Thépot, Nicoleta Tuominen, Marta Andrés Vaquero, Michael Weiner, Peter Whelan

All correspondence should be addressed to: World Competition
Bird & Bird, Avenue Louise 235 box 1, 1050 Brussels, Belgium.
Tél.: +32 (0)2 282 6070 Fax: +32 (0)2 282 6011
E-mail: world.competition@twobirds.com

© 2016 Kluwer Law International BV, The Netherlands,
All Rights Reserved.

ISSN 1011-4548

Mode of citation: 39 W.Comp. 1

Calixto Salomão Filho, *Monopolies and Underdevelopment* (Edward Elgar, 2015), ISBN: 9781784718725, 163 pp., in col. *New Horizons in Competition Law and Economics*

The main thesis of the book is that underdevelopment was caused and is associated with monopoly market structures. Previous to our review we have to be clear on the definition of a monopoly: it is a market structure where there is only one firm. Thus, it is a structure referring always to a given market – for a product or service, defined by a geographical domain and time. There seems to be confusion in the book about the concept. For example, the author characterizes slavery as an import monopoly. The market is the provision of labour, but as a structure there may be a lot of suppliers and demanders of the service, and there is no evidence that it was a monopoly structure. In our view, slavery is a social and political institution. In the author's view, underdevelopment started with colonial

monopolies from the XVI through the early XX centuries. He places the origins of underdevelopment (pages 47–89) in the creation of the private monopolies in Asian economies (East Indian Company and Dutch East India Company) in the XVI to the XVIII centuries. These were trade monopolies granted by royal decree and formed by stock companies. They traded spices, beverages, textiles, precious metals and ceramics from Asia against textiles and other manufactured goods from Europe, besides promoting intra-Asian trade in metals, textiles and other products. As the author recognizes a large part of these products were produced by artisans and small framers. It was only later that plantations were introduced for rubber, tea and other products. Thus, the reference market is the specific global trade and regional trade routes that were monopolized. There were at least two companies (or more, with Portuguese and Spanish) competing in these markets having London and Amsterdam as destination. The wars and conflicts between them showed a high level of rivalry. There were even price wars that led to temporary bankruptcy of some of them.

To measure the impact of the monopolization of these markets on the Asian economies we have to consider the counterfactual. The first one would be no global trade. And this scenario leads us to also a crucial definition for the main thesis of the book: what is underdevelopment? In mainstream economics an economy is underdeveloped if it is characterized by low standards of living, in simple terms a low income per capita. Now, all economies in the world had low income per capita up to the Industrial Revolution that originated a self-sustained development process, with technological progress at its root, but also accompanied by a process of human and physical capital accumulation. To say that colonial monopolies ‘caused’ underdevelopment of Asian economies is in our view not correct. Would Asian economies experience a process of self-sustained growth by, e.g., the early spread of the Industrial Revolution? We doubt it. There were not the local conditions of critical levels of human and physical capital and knowledge of the technological innovations for the take-off to occur. Asian economies were underdeveloped because of the long historical process of low levels of technology and social and political structures that did not led to a process of self-sustained growth. These conditions were only created in the last decades of the XX century.

The other counterfactual is would a more competitive market structure in global trade lead to faster development of Asia? The problem is that the transport infrastructure required for this trade required large fixed and sunk costs. It required large ships equipped with large crews, the average time of a round-trip was two years and the risks involved were quite substantial, due to storms, piracy and others. Thus, the market structure would be concentrated. It is interesting that in the case of Portugal, in the XVI century, the crown liberalized the trade routes with Asia but it had to revert to ‘concessions’ because no firms entered the market.

We could say that colonial monopoly simply delayed development. However, as we argue above, the conditions for self-sustained economic growth were not there, so it is difficult to accept that the global trade created by the companies led to lower living standards. On the contrary, the larger market created by trade improved incomes.

This is only a case that illustrates the need to carry out a deeper analysis in order to reach the conclusions that the author claims. The case of Latin America is obviously quite different, with large migrations of Europeans and the transplant of European institutions. In these regions, the impact of inequality and discrimination was quite severe and was certainly one of the main reasons for the delay in the process of development.

Did colonialism retard development? 'Deep roots' – geography, natural endowments, and institutions – are important determinants of prosperity differences across countries. But current policies are also important – especially the broad range of policies that shape the business environment and the sophistication of companies – and they are affected but not determined by the past. While in North America there was a transplant of European human capital and institutions with low levels of indigenous populations, in Latin America the process of colonization and *encomiendas* created a very skewed wealth distribution. These factors are the main part of the thesis of the book, largely based on the contributions of Celso Furtado in the 1960s. The structuralist school claims that skewed income distribution led to a small domestic market, but the success cases of the Asian economies like Japan, Korea and China show the importance of an export-oriented strategy. If we look at a developing economy as an open economy with access to the global market importing successive waves of technological change, exporting successively goods with higher technological level, with a balanced distribution of income, the problems raised by the structuralists can be surpassed.

Finally, the book calls the phase of globalization after the 1980s as the age of global monopolies. To equate multinationals with global monopolies is not methodologically correct and the process of globalization is much more than monopolies. It has had large benefits in terms of convergence of developing countries, with India and China standing out. The analysis follows in the Marxist tradition and blames the global monopolies for consumerism, poverty in the form of exclusion and environmental damages. Regarding Microsoft and the impact of the information technological revolution the author affirms: 'We note, therefore, a double negative effect of the monopoly: limitation of information and technology investment aimed at creating incompatibilities and not for improvement of utility' (page 133). There are interesting observations raised by the author, however his

method of analysis seems to us not in line with the mainstream of scientific knowledge.

Abel Mateus
Universidade Nova Lisboa and UCL

[A] Aim of the Journal

World Competition aims to examine all aspects of competition policy from, primarily, a legal perspective, but also from an economic point of view. By taking both disciplines into account, it enables readers to understand competition issues. Its currency and multi-disciplinary approach make it essential reading for practitioners and academics in the field.

[B] Contact Details

Manuscripts should be submitted to the Editor-in-Chief, José Rivas.

E-mail address: jose.rivas@twobirds.com or world.competition@twobirds.com

[C] Submission Guidelines

- [1] Manuscripts should be submitted electronically, in Word format, via e-mail.
- [2] Submitted manuscripts are understood to be final versions. They must not have been published or submitted for publication elsewhere.
- [3] Articles should be between 4,000 and 8,000 words, and never exceed 12,000 words.
- [4] Only articles in English will be considered for publication. Manuscripts should be written in standard English, while using 'ize' and 'ization' instead of 'ise' and 'isation'. The preferred reference source is the Oxford English Dictionary. However, in case of quotations, the original spelling should be maintained.
- [5] The article should contain an abstract, a short summary of about 200 words. This abstract will also be added to the free search zone of the Kluwer Online database.
- [6] A brief biographical note, including both the current affiliation as well as the e-mail address of the author(s), should be provided in the first footnote of the manuscript.
- [7] An article title should be concise, with a maximum of 70 characters.
- [8] Special attention should be paid to quotations, footnotes, and references. All citations and quotations must be verified before submission of the manuscript. The accuracy of the contribution is the responsibility of the author. The journal has adopted the Association of Legal Writing Directors (ALWD) legal citation style to ensure uniformity. Citations should not appear in the text but in the footnotes. Footnotes should be numbered consecutively, using the footnote function in Word so that if any footnotes are added or deleted the others are automatically renumbered.
- [9] Authors are encouraged to make reference to articles on the same or related topics which have been previously published in World Competition.
- [10] Tables should be self-explanatory and their content should not be repeated in the text. Do not tabulate unnecessarily. Tables should be numbered and should include concise titles.
- [11] Heading levels should be clearly indicated.

For further information on style, see the House Style Guide on the website: authors.wolterskluwerblogs.com/#guide

[D] Review Process

- [1] World Competition is a refereed journal. Every manuscript is submitted for peer review for the purpose of maintaining the standards of the journal. Before submission to the publisher, manuscripts will be reviewed by the Board of Editors and may be returned to the author for revision.
- [2] The journal's policy is to provide an initial assessment of the submission within thirty days of receiving the posted submission. In cases where the article is externally referred for review, this period may be extended.
- [3] The editors reserve the right to make alterations as to style, punctuation, grammar etc.
- [4] The author will receive proofs of the article. Proofreading will be taken care of by the Author and minor changes can be made.

[E] Copyright

- [1] Publication in the journal is subject to authors signing a 'Consent to Publish and Transfer of Copyright' form.
- [2] The following rights remain reserved to the author: the right to make copies and distribute copies (including via e-mail) of the contribution for own personal use, including for own classroom teaching use and to research colleagues, for personal use by such colleagues and the right to present the contribution at meetings or conferences and to distribute copies of the contribution to the delegates attending the meeting; the right to post the full contribution on the author's personal or institutional web site or server, at any time, provided the site has protected/restricted access and acknowledgement is given to the original source of publication; the right to post the full contribution on any web site provided 3 months have passed since the contribution was originally published; for the author's employer, if the contribution is a 'work for hire', made within the scope of the author's employment, the right to use all or part of the contribution for other intra-company use (e.g. training), including by posting the contribution on secure, internal corporate intranets; and the right to use the contribution for his/her further career by including the contribution in other publications such as a dissertation and/or a collection of articles provided acknowledgement is given to the original source of publication.
- [3] The author shall receive for the rights granted a free copy of the issue of the journal in which the article is published, plus a PDF file of his/her article.