1. MULTINATIONALS , HOMEGROWN CARTELS AND RISING PRICES

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Multinationals, homegrown cartels and rising prices

COMMENTARY | BY MANOS MATSAGANIS *

The Greek prime minister's recent letter to the president of the European Commission addressing the "asymmetric power of some large multinational companies," despite its obvious pre-election purposes (it is reminded that Ursula Von der Leyen will be running for office again in the June 9 European Parliament elections, with Kyriakos Mitsotakis' support), brings an interesting question to the fore: Why are baby formula and other goods produced by a handful of multinationals more expensive in Greece than in, say, Germany? And what is Europe (not) doing about it?

Multinationals (effectively all businesses, regardless of their nationality, which operate in a non-competitive environment) determine their pricing policy depending on what each individual market can take. In technical terms, inversely proportional to the elasticity of demand. Simply put, if a price increase will "drive away" more consumers, proportionally, it will not go ahead with the hike. Otherwise, it will. So, if multinational X believes Greek consumers can "take" baby formula being more expensive than in Germany, then they will raise the price here.

That is, if it can. What prevents a Greek supermarket from buying baby formula from Germany or from some intermediary exploiting the price difference between the two countries? Multinationals compel supermarkets to sign private agreements committing them to buying their products at the rates they determine. As the European Commission says in its response, such agreements constitute "territorial supply constraints" (TSC), which are at odds with European competition rules, and are therefore prohibited if it is found that the supplier holds a dominant position in the market. Something is obviously missing here, which is why the Commission refers to the new "retail ecosystem" that was recently announced. Until this appeared, it urged the different interested parties to engage in negotiations. Given the asymmetry of power between multinationals and consumer groups, our hopes aren't very high.

YANNIS LIAKOS/INTIME NEWS

Who's to blame for the price of pasteurized milk, which also costs 0.58 euros per liter more in Greece than in Germany? An indirect answer to this question has already been provided by the courts, which convicted five Greek dairy companies for forming a cartel and fixing prices, writes Manos Matsaganis.

So is that it? Are mean multinationals to blame for it all? Not quite. Greek consumers can bear to pay more not because they're richer, but because they haven't got any other choice. Let's concede that the whims of multinationals are to blame for the elevated cost of baby formula in Greece. Who's to blame for pasteurized milk, which also costs 0.58 euros per liter more in Greece than in Germany? An indirect answer to this question has already been provided by the courts, which convicted five Greek dairy companies for forming a cartel and fixing prices. In 2001-2007, this cartel compressed the price dairy farmers were getting for raw milk by 0.06 to 0.13 euros per liter. Fresh lawsuits have been filed for its more recent activities. Cartels are punishable by law (with a fine of up to 10% of their turnover) for acting like a single buyer when it comes to suppliers and a single seller for consumers, meaning low prices for the former and high ones for the latter.

Is milk the issue, then? Yes, but it's not the only one. Monopolies are a more widespread phenomenon in the Greek product market. According to the most recent findings of the Organization for Economic Cooperation and Development (OECD), Greece is among the five least friendly countries among its 37 member-states for retailers in terms of competition, ranking way below the average.

Greece's austerity program did indeed liberalize the labor market (leading to low salaries) but it failed to do the same to the product markets (leading to high prices). And the unions – maligned for supposedly serving vested interests, which was true for some, but not all – were defeated. In the meantime, however, various business lobbies did a much better job of safeguarding their interests (at the expense of consumers), so the so-called "internal devaluation" ended up being one-sided. So when are we going to have a conversation about this asymmetry?

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