

Jun 25

Google chief economist defends 'standard' behaviour - Rome Lear conference

 PaRR Confirmed

- Google's display of competitors' search results 'appropriate', Varian tells conference
 - Economist criticises EC economic analysis
-

Google's practice of displaying advertised products in picture form corresponds to standard industry behaviour, the search giant's chief economist said.

Google's practice of displaying products in picture form is appropriate, contrary to allegations made by the European Commission (EC) in formal charges against the US giant, Hal Varian told an antitrust conference organised by Lear Economics in Rome on June 25.

"You can hardly argue an abuse of dominance, when a non-dominant company like **Bing** is doing the same," Varian said. **Yahoo** product ads look the same and Chinese search engine **Baidu** has pictures of products and logos of products, he added.

In April, the EC [sent](#) Google a statement of objections for abusing its dominance in online search. Google still has to respond, as the two month deadline starts running from the moment Google could access the EC file, Commissioner Margrethe Vestager told the press on 24 June.

Apart from emphasising that Google's practice of displaying products in picture form is appropriate, Varian said that low entry costs ensured that hundreds of competitors had entered the e-shopping market.

Justus Haucap, economist at the Dusseldorf Institute for Competition Economics, also criticised the economic analysis the EC used in the Google case.

"Why has the EC picked Google shopping as its showcase against Google given the market definition is so difficult?" Haucap asked.

He said that the EC's approach seemed to predefine the number of competitors, and only afterwards calculate market share.

The EC also focused on technical aspects, such as the way the search algorithm and indexing worked, rather than consumer behaviour, Haucap noted. If the EC had looked into consumer behaviour the relevant market would have been broader, he claimed.

The SSNIP (small but significant and non-transitory increase in price) test – generally used to define markets – is difficult to apply in this case, Haucap said. It is difficult to apply in a market where users are not actually paying in at one end, he said, adding: "One could argue that users pay with data, but what happens if the data requirement increases by 5%, you cannot really measure that."

"Unfortunately, I have not seen much of this analysis here yet," Haucap said.

He noted that the EC adopted a more technological rather than a consumer-oriented view, and was sceptical that Google could be considered as an essential facility. “There are many distribution channels where products can be sold,” he said.

An EU official attending the conference asked by *PaRR* to comment on Varian’s arguments declined to do so.

by Claudia Piu in Rome