

## Video transcript of the Firms and Markets department film: Markets need clear rules

Tomaso Duso, head of the Firms and Markets department:

Just like in sports, such as soccer, markets also need rules. And we have these rules. That is competition law. We also need authorities to enforce these rules, because companies want to maximize their profits and sometimes they may try to rip off consumers. That is exactly what we investigate in our research.

Functioning competition ensures competitiveness and prosperity—especially in times of crisis. But does competition really work? How do companies make their decisions? What drives consumers, and does the state set the right framework conditions? Our research provides answers for an efficient, competitive, and resilient economy, evidence-based policy, and satisfied consumers. Our research focuses on the role of information and preferences in decision-making. In a project for the European Research Council, we were able to investigate how AI-supported market interventions on the demand side can help mitigate the risk of dangerous antibiotic resistance in the healthcare sector. For example, we found that AI can be a useful addition to existing policy instruments such as taxes.

Every day, we make countless decisions. We shop, order online, sign contracts. Most of the time, we trust that the market will create fair conditions. But that is not always the case. Despite clear competition rules, companies often have incentives to circumvent them in order to maximize their profits. The state must intervene to limit market power or correct market failures. But only if we truly understand markets can we design policy measures such as competition and industrial policy in a targeted and efficient manner. This is exactly what we are working on with an international team of young top researchers from all over the world, using the latest empirical methods and innovative data sets.

Global supply chains form the backbone of modern economies, connecting millions of producers, traders, and consumers around the world. However, they are increasingly vulnerable to disruptions caused by climate change, geopolitical tensions, and crises such as the pandemic. My research examines these supply chains using highly detailed data on companies and their global trade relationships. By mapping these complex trade networks and understanding how they evolve over time, we can develop smarter strategies for economic resilience, competitiveness, and growth.

We then use our findings to advise the European Commission and the German federal government. It is precisely this fact-based policy advice that makes the work in the department so exciting and inspiring. The major challenges of our time, from digitalization to the transformation to a climate-neutral economy, require profound changes throughout society. The key question is how competition and government measures can be designed to

accompany this change in a targeted, efficient, and effective manner. Our research and policy advice provide the basis for this.