Capturing the Transplant: U.S. Antitrust Law in the EU

Silvia Beltrametti, University of Chicago

Available at: https://works.bepress.com/silvia_beltrametti/3/
Capturing the Transplant: U.S. Antitrust Law in the EU
Silvia Beltrametti

The scholarly literature on the movement of legal norms focuses almost exclusively on transfers from one jurisdiction to another. It largely ignores transfers into new regulatory regimes. Drawing on a case study of the transplantation of U.S. antitrust law into the nascent entity that was to become the European Community, and analyzing its evolution from a public choice perspective, this Article suggests that transfers into new regulatory regimes are more likely to be effective when the lack of established institutions creates opportunities for stakeholders. The endorsement of a new law will enable stakeholders to influence its application and to capture positions of the regulatory agency in charge of its administration. An enhanced understanding of this transplant and the impact of a German stakeholder on the development of EU competition law explains why, if today the EU and the U.S. investigate the same transaction, the competition law standards set by the EU will prevail.

INTRODUCTION ................................................................................................................. 2
I. CAPTURING LEGAL TRANSPLANTS ............................................................................. 6
   A. Transfers into New Regulatory Regimes............................................................... 6
   B. The Role of Stakeholders....................................................................................... 11
II. THE CASE STUDY: U.S. ANTITRUST IN EUROPE............................................. 16
   A. The Harvard School and Structuralism............................................................... 20
   B. Europe and the Ordoliberal School...................................................................... 24
   C. Capturing the U.S. Antitrust Transplant............................................................... 29
III. TODAY’S DIVERGENCE AND PROTECTIONISM IN THE EU............................. 32
CONCLUSION ..................................................................................................................... 37

* J.S.D Fellow, University of Chicago Law School. I am thankful to Lisa Bernstein, Anu Bradford, Daniel Crane, Tom Ginsburg, Saul Levmore, Randy Picker, Katharina Pistor, Eric Posner for their guidance, ideas, comments and criticism. I am also grateful to Gerorge Bermann, Alexander Bevilacqua, Harry First, Agnieszka Janczuk-Gorywoda, and seminar and workshop participants at Columbia Law School and the University of Chicago Law School for their helpful suggestions, time and cooperation.
INTRODUCTION

The wave of regional and global economic integration that started in the 50s with the formation of the European Community (EC) called for the definition of supranational rules and policies to regulate trade in newly integrated markets. Key among these policies was the promotion of a competitive market, which promised to attract capital inflows and spur economic growth. Familiarity with competition law was however not widespread when the integration movement started, and the negotiators of the newly formed EC had to refer to the U.S. example, the only country that had a comprehensive system of competition law in place at the time. The Sherman Act thus became a model for the competition laws of the ECSC, the entity that laid the foundations for the EC.

The definition of new rules through transfers or imitation is by no means a new phenomenon in the scholarship on integration, convergence, and more generally the movement of legal norms, but this Article explores a different and underestimated angle of this literature: the transfer of rules in new regulatory systems. Drawing on the transfer of U.S. antitrust law to the EC, this Article asks, how are transfers to new regulatory regimes different? How is this difference relevant to the globalization of competition? To what extent did U.S. antitrust influence the formation of competition policies in the EU?

These questions have become more and more relevant since European antitrust authorities began making it increasingly difficult for U.S. firms to operate in Europe. Over the past decade the European Commission has fined Microsoft more than $3 billion and ordered the company to change the products it sold in Europe in response to its antitrust abuses, even though such behavior had previously been cleared by U.S. authorities. The same is now happening to Google, which is accused of abusing its dominance in the online search market. Whereas the U.S. Federal Trade Commission

---

3 ECSC, European Coal and Steal Community. See infra discussion at II.
(FTC) dropped its charges against Google in 2013, the European Commission’s ongoing investigation is causing much agitation in Congress, since a recent resolution by the European Parliament called for the “unbundling [of] search engines from other commercial practices.” This would require Google to split its operations, and the impact of the split would fundamentally alter the way Google operates in Europe as well as worldwide. The regulatory leverage that European competition law is exerting on the companies that come under its jurisdiction, including U.S. firms, is perplexing insofar as EU competition laws were originally modeled on U.S. antitrust provisions in an attempt to integrate international competition.

This Article introduces a framework for the evaluation of legal transfers to new regulatory regimes that explains how the transfer of U.S. antitrust to the Europe led to the current situation, as well as the general implications underlying the development of laws in forming legal systems. The framework shows that transfers into forming legal systems are more likely to be effective when the lack of established institutions creates opportunities for stakeholders to assert themselves within a new regulatory regime. No such opportunities emerge if the institutional setting of an importing body is tightly entrenched and has already determined the role the transplanted measure would have. The discussion makes specific reference to the transfer of U.S. antitrust to Japan, which occurred at the same time and under similar circumstances as the transfer to the EC, but where existing bureaucracies refused to integrate the law. The focus of the existing literature on the role of institutions at integrating new laws fails to explain transfers into nascent entities, where the introduction of a law occurs just as the institutional and normative settings of the receiving system are forming. As institutional constraints diminish, the bargaining power of stakeholders becomes predictive of the effectiveness of the transfer – the two parameters are inversely proportional.

---


10 ELEANOR HADLEY, ANTITRUST IN JAPAN 359 (1970).

By applying public choice theory to the context of formation of laws, the analytical core of the framework explores the role of stakeholders when the transfers into new regulatory regimes occur. At present, public choice explanations in this context are limited to stating that transferred laws are likely to reflect the normative preferences of local advocates, but such an argument has never been fully explored. This Article claims that interest group theory is fundamental to understanding and evaluating the development of laws in new legal orders, and that it carries significant implications for regional integration and regulatory globalization in general. The metric that determines the effective development of a law in a newborn system is connected to the bargaining power of stakeholders that can benefit from the introduction of a new law – elements such as a strong belief in the law’s attainments, familiarity with its theoretical basis, articulate strategies to implement it, and alignment with the exporter’s interpretative preferences, especially if there is outside pressure to introduce the law, will increase the bargaining power of a given stakeholder vis-à-vis its opposition. The payoffs are significant. The winning stakeholder will play a direct role in shaping the policies used to apply the new law and capture positions within the regulatory agency in charge of its administration. This will help the group secure stable outcomes, durable benefits and long-lasting power.

The argument is supported by a case study that shows that a self-interested stakeholder used the introduction of U.S. antitrust laws to its favor during the formation of the EC. The analysis directly engages with the intellectual disciplines governing competition policy in the U.S. and in Europe at the time of transfer, and uncovers the importance of a German liberal movement that emerged as the winning stakeholder because it could define the transplanted provisions in a way that would benefit its own constituency as well as the U.S. The U.S. had a keen interest that the laws in Europe be used to break up concentrations and prohibit anticompetitive behavior, and the approach to competition of the German Ordoliberal movement could accommodate these goals.

---


14 See infra discussion at I.B.

15 See infra discussion at II.C.
Harvard School, also known as Structuralism, with the discipline of the Ordoliberal School. It shows that the vision of the Ordoliberals was not just the key to integrate the U.S. approach to antitrust in Europe, but also explains how competition policies are applied by the European Commission today.\textsuperscript{16}

Finally, the dominance of the U.S. approach to antitrust ties the present case study to the literature on state power and “Americanization” to the extent that the influence of hegemonic U.S. ideas provoked a shift in the European system.\textsuperscript{17} This Article argues that the transplant of antitrust into the ECSC was accepted because it created an opportunity for certain constituencies that were sophisticated and organized enough to use it to their advantage. This interpretation differs from the conventional narrative that defends the transplant as an assertion of American power.\textsuperscript{18} Once the Ordoliberal School had affirmed itself as a major influence on the development of European competition law, the importance of the American antitrust model diminished – and when the approach to antitrust in the U.S. changed from rigorous enforcement to the more laissez-faire attitude endorsed by the Chicago School, this change was not reflected in Europe, where rigorous enforcement remained the norm.\textsuperscript{19} These diverging paths have led to a reversal of the conventional story: in recent case law, European antitrust regulations have come to define the standards under which large corporations operate, and U.S. companies are more and more uncomfortable about it. The divergent opinions of the FTC and the European Commission on Google’s case merely illustrate this trend.

This work has broader implications for the globalization of competition policy. The present discussion draws attention to the antagonism between current approaches to antitrust in the U.S. and the EU, two major players in the global economy. Which approach other key participants decide to adopt will have fundamental consequences for

\textsuperscript{16} DAVID J. GERBER, LAW AND COMPETITION IN TWENTIETH CENTURY EUROPE: PROTECTING PROMETHEUS (1998). Gerber acknowledges the importance of the Ordoliberal School on the formation of European competition policy, but does not connect it to the U.S. experience. See also Nicola Giocoli, Competition vs. Property Rights: American Antitrust Law, the Freiburg School and the Early Years of European Competition Policy, 5 (4) J. COMP. L. & ECON. 747 (2009).


\textsuperscript{18} Giocoli, supra note __.

the evolution of transnational competition law and the operation of international corporations. By highlighting the role of stakeholders when the formation of regulatory regimes is at stake, this study provides guidance for regional entities in Latin America, Africa and the Caribbean that are currently in the process of developing supranational competition policies to integrate their markets. Lessons on stakeholders’ bargaining power may also have significant relevance for China, whose new antitrust laws have been influenced by U.S. and European competition policy, but also specifically followed German patterns. If China and other key players in today’s global economy follow the European Commission’s aggressive lead in pursuing antitrust abuses, as evidence suggests that they are, global companies will be inhibited from operating globally.

The Article proceeds as follows. Section I discusses transfers into new regulatory regimes and shows how the present scholarship has failed at explaining when such transfers are effective. In order to bridge this gap it develops a framework that relies on the presence of a stakeholder within the importing entity that endorses the transplant because it can benefit from it. Section II applies the framework to the transfer of the U.S. antitrust provisions to Europe. This section includes the comparative analysis of Structuralism and Ordoliberalism. Section III ties the influence of the Ordoliberal tradition to modern-day antitrust developments.

I. CAPTURING LEGAL TRANSPLANTS

A. Transplants into New Regulatory Regimes

Transfers into new regulatory regimes present a little explored scenario. The scholarly literature on the movement of legal rules has almost exclusively focused on the transfer of norms from one jurisdiction to another. This section explains how a transplant into a new legal order differs from other transplants, and it also shows that

21 DAVID J. GERBER, GLOBAL COMPETITION: LAW, MARKETS AND GLOBALIZATION, 228-33 (2010).
23 NELKEN, supra note_; Graziaidei, supra note. See also Jonathan M. Miller, A Typology of Legal Transplants: Using Sociology, Legal History and Argentine Examples to Explain the Transplant Process, 51 AM. J. COMP. L. 839 (2003). Examples of case studies are contained in edited collections, e.g., TRANSFRONTIER MOBILITY OF LAW (Jagtenberg, Ürücü & de Roo, 1995); COMPARING LEGAL CULTURES (David Nelken, 1995); ADAPTING LEGAL CULTURES (David Nelken, 2001); COMPARATIVE LAW IN THE 21ST CENTURY, (Harding, Ürücü, 2002); THE MIGRATION OF CONSTITUTIONAL IDEAS, (Choudhry, 2006); and journal special issues, e.g. Symposium: Constitutional Borrowing: Histories of Legal Transplantations, 10 (2) Theoretical Inq. L. (2009).
existing models that inspect what determinants make a transfer effective cannot account for transplants into forming systems.

The broad debate in the literature on legal transfers focuses on whether and when laws can be successfully transferred from one system to another. Some scholars, notably Alan Watson, are convinced that transplantations prove the autonomy of law, while others argue that the law is embedded in society, and that transfers can only survive if they can fit the social and economic conditions of the society into which they are being transplanted. Since the debate was introduced, transfers have been examined from a variety of perspectives, ranging from the causes of legal changes, to the identification of elements that make a transplant effective. The present discussion focuses on this latter point and relies on a study by Pistor (and others) that argues that the key to a successful transfer is localization.

24 The theory of legal transplantation was first articulated by Alan Watson in the midst of the process of legal, political and economic integration of European nations. See generally ALAN WATSON, LEGAL TRANSPLANTS: AN APPROACH TO COMPARATIVE LAW (1974), and LEGAL TRANSPLANTS, 96-108 (1993) “the picture that emerge[s] [j]s of continual massive borrowing [...] of rules”; Otto Kahn-Freund, On Uses and Misuses of Comparative Law, 37 MOD. L. REV. 1 (1974). Kahn-Freund is one of many scholars who argue that the viability of a transplant is related to the social and political environment of both the donor and receiving state. See also Pierre LeGrand, The Impossibility of Legal Transplants, 4 MAASTRICHT J. EUR. & COMP. L. 111 (1997). Legrand argues that legal transplants are never possible because during the process of transplantation every reform becomes localized: the product of moving a rule elsewhere is always something else, “not the same rule.”

25 Id. WATSON.

26 Eric Agostini, La Circulation des Modeles Juridiques, REV. INT. DR. COMP. 461 (1990). Agostini distinguishes between importers and exporters and between assimilation and adaptation in the latter category. See also Rodolfo Sacco, Legal Formants: A Dynamic Approach to Comparative Law, 37 AM. J. COMP. L. 1 (1991). Sacco develops a theory of legal change based on “legal formants”, which shifts away from the static approach of outlining the differences between legal families and instead examines changes within the major legal systems as a process of constant evolution: “In any case, history provides no evidence that uniformity is achieved through comparative legal study. In the Middle Ages, Roman law spread throughout Continental Europe because the other systems of rules with which it had to compete lacked its quality and prestige. The jurists who turned to Roman law instead of to local rules did not do so because they had compared the two. In most cases, the Roman rules were the only ones they really knew, and their choice was more the result of ignorance than of comparative study.” See also Graziadei, supra note_ at 441. Graziadei claims that theories that propose unified theories fail to provide accurate descriptions of the complexity and multidimensionality of the world of legal transplants. In Germany, see the work of Reinhard Zimmermann, Reiner Schulze and Elmar Wadle. In the United States Edward Wise, James Gordley. In Italy, besides Sacco, see Gorla. In Great Britain see Simpson and Markesinis.

27 See Berkowitz, Pistor, and Richard, supra note _ at 163. Their primary aim was to develop an empirical exercise showing that the way in which a law is transplanted is a more important determinant of effective transfer than the belonging to a compatible legal family, to counter the argument made by La Porta and others (1997) who argue that legal families are important determinants of financial market development.
for use so that it can be developed by existing or newly formed institutions in a way that is responsive to the local demand for that law.\textsuperscript{28}

The central claim in Pistor’s model is that ultimately it is upon the institutional system in the receiving state to integrate the new law.\textsuperscript{29} Institutional receptiveness is measured by inspecting two factors: first, the familiarity of the importer with the legal system of the exporter (i.e. legal tradition, common history, the legal concepts being introduced) and second, the importer’s voluntary adaptation of the foreign law to the local conditions during the importation process (i.e. this happens when there is demand for the law).\textsuperscript{30} Both concepts are closely connected to the institutional set up of the receiving country, familiarity refers to the compatibility of the regulatory cultures present in both countries, and the voluntary adoption is a response to the internal demand for legal innovation in a certain area of law.\textsuperscript{31} If there is an institutional setting in the receiving country, assessing familiarity and voluntary adaptation revolves around testing the regulatory culture of such institutions or predicting the development of new institutions based on the shape of the existing ones. This assessment will suggest whether the importing body can accommodate the transplanted law.

Often transplants fail because it is difficult to uproot established institutions. The transfer of U.S. antitrust law to Japan, which provides a valuable example because it occurred at approximately the same time and under similar circumstances as the transfer to the ECSC, is illustrative of the force of such institutional barriers in preventing an effective transplant.\textsuperscript{32} Before the transfer, in Japan, antitrust was one of many instruments used by bureaucrats to guide and foster the national economy, at times through the active promotion of cartels.\textsuperscript{33} The role that the Japanese government had

\begin{flushleft}
\textsuperscript{28} Id. at 167 Berkowitz, Pistor, & Richard express this requirement as follows: “For the law to be effective, it must be meaningful in the context in which it is applied so citizens have an incentive to use the law and to demand institutions that work to enforce and develop the law.”
\textsuperscript{29} Id. at 167-168.
\textsuperscript{30} Id. at 184.
\textsuperscript{31} Id. at 177 “But even for professionals to apply a special rule, they must not only grasp the wording of that rule, but also the concept behind it, the value judgments on which its rests, and its position within the overall legal order. Even a seemingly clear law - do not steal! - raises a host of interpretative problems when applied to real world cases...An identical rule like this one will be interpreted differently by those charged with applying it and their understanding of the underlying values on which this norm rests.” See also Hideki Kand & Curtis Milhaup, \textit{Re-Examining Legal Transplants: The Director’s Fiduciary Duty in Japanese Corporate Law,} 51 (4) AM. J. COMP. L. 887 (2003); Curtis Milhaup, \textit{In the Shadow of Delaware? The Rise of Hostile Takeovers in Japan,} 105 COLUMBIA L. REV. 2171 (2005).
\textsuperscript{32} HADLEY, supra note ; Harry First, \textit{Antitrust In Japan: The Original Intent,} 9 PAC. RIM L. & POL’Y J. 21-22 (2000) and \textit{Antitrust Enforcement in Japan,} 64 ANTITRUST L. J. 137 (1995-1996).
\end{flushleft}
assigned to antitrust policies did not sit well with the focus of U.S. antitrust on the advancement of competition and individual freedom, and such tensions affected the negotiations over the content of the Japanese Antimonopoly Act, when it was adopted in 1947 under the pressure of the U.S. occupation.\textsuperscript{34} Even though the substantive legal provisions of the Act were very similar to the Sherman Act, and an independent enforcement agency similar to the FTC was introduced to apply them, the U.S. provisions were not developed into effective law. The Japanese regulatory culture was not used to having independent agencies that were not subject to established economic policies and the direct control of an existing ministry.

The institutional structure of existing bureaucracies ultimately constrained the integration of the U.S. antitrust model in Japan. The agency created by the Americans was unable to assert its power within an existing bureaucracy that was accustomed to controlling every angle the economy. The other ministries, especially the MITI (Ministry of Internal Trade and Industry), did not let the agency operate freely by reserving the power to be involved in certain matters, and by exerting pressure to keep the level of antitrust enforcement low.\textsuperscript{35} Its functionality was also limited by the allocation of meager funds for its operations.\textsuperscript{36} The few cases brought to the agency were disposed of bureaucratically, almost exclusively through private settlements and only rarely litigated in courts.\textsuperscript{37} This strategy to keep the courts uninvolved and to restrain the doctrinal development of the Act was purposeful: it left the bureaucracy with the power to control antitrust decisions by not having to abide to preexisting legal requirements.\textsuperscript{38} The result was a system of weak enforcement where the laws remained ambiguous and executive bodies maintained full discretion in what concerned the administrative guidance of antitrust. In short, Japan accepted the law into its system, but used its institutions to limit its usefulness.

The above discussion suggests that the effectiveness of a legal transplant has less to do with the substantive provisions than with the internal logic of existing institutions. The antitrust transplant from the U.S. to Japan was largely ineffective because there was no familiarity with the American regulatory culture, and there was no effort on the Japanese side to accommodate the American legalistic tradition within its bureaucratic structure. Familiarity and voluntary adaptation are useful concepts to think about transplants, but they seem to be more easily applicable to a situation that involves a transfer from one jurisdiction to another, where both, the exporting and the receiving

\begin{itemize}
\item \textsuperscript{34} Id. First at 148.
\item \textsuperscript{35} Id at 154,155.
\item \textsuperscript{36} Id.
\item \textsuperscript{37} Id.
\item \textsuperscript{38} Id. at 176 -177. First provides examples: “in the area of joint conduct it is not clear what, beyond the most overt behavior, constitutes an “agreement” nor is it clear under what circumstances competitor agreements on price may be justified.... ”
\end{itemize}
country, have an institutionalized legal system in place. In a situation where the importing body does not yet have established institutions, the localization model becomes insufficient and the evaluation of criteria such as familiarity and voluntary adaptation loses importance because even if there is neither familiarity with the imported law, nor a sign of voluntary reception, a transplant can still be effective. When inspecting a transplant into a new regulatory regime it is the lack of an institutional structure itself that becomes the predictor of legal development.

The localization model is not immediately applicable to the transplant of U.S. antitrust to the EC, because it cannot account for the fact that at the time of the transplant the EC was a nascent entity without an institutionalized setup. The dynamics of the EC transplant will be examined in detail below, for present purposes may it suffice to say that the main way in which the European antitrust transplant case differed from the Japanese one, was that it involved a transplant to a supranational entity, at the point in time when its laws and institutions had yet to be decided upon. In the Japan case, the U.S. antitrust laws were transferred into an established context accustomed to a different set of rules, in the EC the same rules were transplanted into a not yet formed context that was in course of framing its rules and institutions. There was no preexisting institutional system to adapt the foreign law to – the U.S. provisions were to regulate the internal market of a newly born supranational community of states that was in the process of being formed.

Testing for familiarity and voluntary adaptation in the EC transfer case would have predicted a negative outcome. There was no familiarity with the U.S. system, nor with antitrust and its attainments in general, as only very few countries in Europe had antitrust laws in place, and they were largely ineffective and scarcely enforced. And there was no voluntary adaptation either, as the provisions were initially forced into the ECSC treaty by the occupation forces. The relevant debate in the social sciences, which inspects the processes and mechanisms through which policies, institutions and norms spread around the world, also known as “diffusion”, would categorize this as a coerced transfer and would also predict a negative outcome. There was, if not direct coercion, at least a very strong pressure from the U.S. to decartelize Europe and relationship of

39 GERBER, supra note __ at 166, 167.
40 Sacco, supra note __, Grazziadei, supra note __, at 456. On coercion in this context see Thomas David Jones, supra note __ at 581-582. Jones argues that superpower hegemony imposes legal rules on less powerful nations, because the superpower cannot be denied: “the legal transplant process is generally marked by some form of coercion... states that adapt their laws to conform with the laws of politically powerful states are rewarded.. while those that do not are penalized.” See also Steven R. Ratner & Anne-Marie Slaughter, Appraising the Methods of International Law: A Prospectus for Readers, 93 AM. J. INT'L L. 291, 301 (1999). Slaughter's study of the great influence of the U.S. on the design of the UN administrative apparatus in the aftermath of World War II also fits this model.
dependence between the two places.\textsuperscript{42} However, the demand for the change on the receiving end integrated the laws as part of a reform process instigated by a native stakeholder.

B. The Role of Stakeholders

A transplant into a new regulatory regime calls for the examination of new elements that can account for its effectiveness. This section develops a framework that explains legal transplants using interest group theory. The framework is premised on the argument that if a legal transplant is made effective by inducing an internal process of legislating, there must be a group of stakeholders in the receiving entity that supports the reception of the transplanted law, because it will gain benefits through its use and application.

The transfer of a law into a new context sets into motion different dynamics depending on whether the law is transferred to an existing order or to a new order. If the introduction of a law occurs at the moment in time when the institutional and normative settings of the receiving body are forming, several groups will compete over how to implement the given law, because this will enable them to influence the formation of the institutional structure of the new system and to gain power. This is not expected to happen when the institutional setting of an importing body is tightly entrenched, because such rooted setup will emerge as the strongest stakeholder and dictate the role the transplanted measure will have. That is what happened with the antitrust transplant to Japan, where the government, the leading and unrivaled stakeholder, rendered the new law ineffective by isolating it in a system that could not assimilate it.\textsuperscript{43} In a situation where institutions are in the process of being conceived, there is space for competing meanings of a given legal measure, and such different meanings will benefit different groups. Groups with high stakes in the outcome of the policy are expected to spend substantial effort fighting for the implementation of a new law so that their preferred policy outcomes are implemented, and so they can to assert themselves within the new regulatory framework created for the law’s administration.\textsuperscript{44} This will help the group secure stable outcomes, durable benefits and long-lasting power.

\textsuperscript{42} Wolfgang Wiegand, \textit{supra note}\textsubscript{} and \textit{Americanization of Law: Reception or Convergence?}, in \textit{LEGAL CULTURE AND THE LEGAL PROFESSION} 137 (1996); \textsc{Albert J. Rosenthal \\& Louis Henkin}, \textit{Constitutionalism and Rights: The Influence of the United States Constitution Abroad}, (1990); Joan Davison, \textit{America’s Impact on Constitutional Change in Eastern Europe}, 55 \textsc{Alb. L. Rev.} 793 (1992). \textit{See also Miller, supra note\textsubscript{8} at 842 (2003). Miller argues that externally-dictated transplants are implemented to “satisf[y] the demands of foreign states or entities in order to obtain benefits or avoid penalties for the nation or national interest.”}

\textsuperscript{43} First, \textit{supra note}\textsubscript{\textit{8}}.

\textsuperscript{44} \textsc{Marver H. Bernstein}, \textit{Regulating Business by Independent Commission}, (1955).
Supranational capture in this sense differs from regulatory capture in traditional public choice analysis. Public choice theory assumes that local politicians and bureaucrats are rationally self-interested individuals that will attempt to influence policy to maximize their personal power. The dynamics of regulatory capture within existing jurisdictions have been studied and explained mostly in connection with rent seeking and other benefits that can be obtained by influencing regulation, but not in connection with the development of rules in the absence of established institutions. The presence of established institutions does certainly not inhibit stakeholders or interest groups to lobby for the introduction of rules that would advance their interest, but it limits their scope. Such rules would only be recognized to the extent that they can further the general economic policies advocated by the establishment. The rivalry would take place among constituencies that endorse laws that further previously chosen policy goals – if the constituencies’ preferences do not further those goals, legal change would be limited to isolated innovations disconnected from key policymaking areas.

This type of supranational capture also differs from capture in the context of harmonization, and the creation of international law or global rules, which has been studied in many settings and describes multiparty negotiations that take into account the complex power structure of each country’s government and the interests of other constituencies. The difference lies in the way of legislating. Most of these negotiations do primarily concern standards, as opposed to laws, and the power to administer such standards is usually delegated to supranational institutions that have limited enforcement. This type of supranational capture also differs from capture in the context of harmonization, and the creation of international law or global rules, which has been studied in many settings and describes multiparty negotiations that take into account the complex power structure of each country’s government and the interests of other constituencies. The difference lies in the way of legislating. Most of these negotiations do primarily concern standards, as opposed to laws, and the power to administer such standards is usually delegated to supranational institutions that have limited enforcement. Effective supranational organizations are rare, as states are typically reluctant

to devolve their legislating power to supranational institutions, and resort to charging standard setting bodies with the task to regulate through soft measures.\textsuperscript{49} This study is different. It inspects the horizontal introduction of a foreign law into a supranational entity at its inception, and not a vertical standard it had to comply with. In the present case, the stakeholder was successful because it had expertise in a field that was introduced as a full legal measure, and that the system in charge of enforcing it agreed to comply with the respective commitments.

The next step involves teasing out what factors make a stakeholder successful in its pursuit to influence a newly transplanted law. Public choice theory maintains that successful interest groups are coherent, well organized, and that they have charismatic leaders and articulate strategies and plans.\textsuperscript{50} It also tells us that the likelihood of their success is a function of how (poorly) organized the opposition is.\textsuperscript{51} If the opposition is diffused and not motivated to educate itself on the matter at issue, a stakeholder with an elaborate plan is likely emerge as the winner.\textsuperscript{52} The amount of effort dedicated by a given group to lobby for a specific interpretation of a law is anticipated to be proportional to the profits that can be obtained through its applicability.\textsuperscript{53} In a situation where institutions are being created and power is being allocated among them, substantial extra returns can be gained by capturing positions in agencies charged with the administration of that law because it will enable the group to feed itself and stay powerful.\textsuperscript{54} Furthermore a transplant in a new regulatory body is likely to be captured when an unconstrained constituency within the importing entity is educated and informed enough to interpret a certain transplanted law in a way that endorses, to some extent, the intellectual approach used to apply the same rule in the exporting entity.

The latter argument focuses on the intellectual alignment of the parties to the transfer in what concerns the meaning of a legal rule.\textsuperscript{55} If the exporter maintains some power over the importer, in view of the allocation of such powerful positions, the

\begin{flushleft}
\end{flushleft}
importer’s constituencies will seek to influence a new law in a way that pleases the exporting body. In turn, the exporter is most likely to cooperate with constituencies that support an interpretation of the law that is in line with its goals. In this sense, once a transfer has been identified, an important consideration becomes the assessment of the rational principles used to apply the law in the exporting country. This requires the examination of intellectual connections and political mechanisms that the exporting institution utilizes to shape its policies. If such intellectual determinants and mechanisms find a counterpart in the receiving entity, which is to say that if a given stakeholder in the importing entity shares the rational principles and intellectual preferences as to how to think about and interpret a certain type of law with the exporter such stakeholder will invest resources and effort in order to capture the interpretation and administration of the transferred law, because it will then be able to utilize them to further its own goals and purposes. Agreement on the way a legal rule is to be understood and interpreted presents advantages for both parties, the stakeholder benefits because it can defeat its opposition and gain power, and the exporter for the reasons it induced the transfer of law in the first place, which in the case of antitrust usually involves obtaining market access.

At its core, the framework of the captured transplant aims at identifying the unifying elements in the regimes of the exporter and the importer at the time the transplant in order to predict its significance. The more articulated the instruments used, the easier it is to compare them and make to this prediction. The preferences of interpretative communities in exporting countries are usually more easily discerned than the ones in the receiving entity, especially if the receiving entity is in the process of being formed and several groups with differing preferences are negotiating. In the latter case the way of thinking about the law will come from the elements that form the individual legal orders of many negotiating member states, and reflect their bargaining power. Each of the bargaining states will be conditioned by a series of factors and by a framework of intangible values within which its interpretive communities operates, and which have normative force for these communities, but not necessarily for the supranational entity.

---

56 Id. LeGrand at 114. Legrand argues that rules and meaning are separate concepts, and that “the meaning of a rule, however, is not entirely supplied by the rule itself” and that “meaning is also - and perhaps mostly - a function of the application of the rule by its interpreter, of the concretization or instantiation in the events the rule is meant to govern.”

57 See Watson, supra note ___; Kahn-Freud, supra note ___. See also Sacco, supra note at __. “If, then, we are to compare the rules of the Italian legal system with those of the English system, which rule are we to compare? The constitutional rule, the statutory rule or the judicial rule?”


59 See Sacco, supra note ___ at 346: “To defend their views, the scholars elaborate systematic criteria for the legal method around which “schools” form such as the current law and economics movement. The importance of scholarly activity is perhaps the feature, which most distinguishes American from English law.
Ultimately however one legal tradition will emerge as the winner, and if the social and intellectual contexts of this tradition can lend themselves to the transposition of the intellectual preferences of the exporting country, the transplanted law is likely to be endorsed. The key issue then becomes inspecting what factors are relevant proxies when measuring the compatibility of the interpretative context, because this is what will ultimately make the transfer effective.

The case study of the transfer of U.S. antitrust law to the EC finds evidence to support several of the propositions outlined above. The aim of the Americans with the transfer of their antitrust law to Europe was to enable American businesses to access the European market, and in order to do so existing cartels had to be fragmented. The Americans therefore had a keen interest that antitrust laws in Europe would be used in the same way they were used in the U.S., where, more than at any point in time before, antitrust measures were aggressively enforced to punish anticompetitive practices and excessive market power, and this was in line with the intellectual discipline of the Harvard School, the dominant school on competition policy at the time. A positive outcome would have ultimately depended on the ability of a stakeholder in the EC to give a meaning to the transplanted provisions that would benefit its own constituency as well as the U.S.

The stakeholders in Europe included several groups of representatives of the member states involved in the negotiation of the nascent EC, and they all understood the need to lay the foundations of a new economic system, but their knowledge of antitrust was mostly limited. The case study that follows explains that the German Ordoliberal School emerged as the winning stakeholder that was successful in appropriating the transplanted law because it had a deeper knowledge about antitrust than its opposition, and its vision of a competitive system was compatible with the American perspective. Furthermore, the moment of formation of a new regulatory regime and the absence of institutional constraints helped its members achieve significant power and important positions within the new administration.

II. THE CASE STUDY: U.S. ANTITRUST IN EUROPE

---

60 Id. Sacco at 389: “For example, one of the strongest anti-formalist methodological trends relates legal phenomena to economic reality. Most of the representatives of this tendency analyze economic reality in terms of conflicting class interests. We have nothing to say against this way of investigating. However, to reach any sound conclusions one must be able to establish connections between class interest and legal superstructure, legal rules and institutions. To do so one must show that certain legal solutions actually accompany any instance of a given class structure, and that a certain class structure actually correlates with the emergence of a given legal solution. It is incredible that this methodological principle is hardly ever put into practice.”

61 See infra discussion at II.C.
This section will unpack the facts in order to contextualize the transfer. In light of these facts, which narrate the story of the transfer of U.S. antitrust provisions to the entity that was going to become the EC, the present discussion illustrates the approaches underlying competition policy on both sides of the Atlantic in order to show that the transplant was made effective by the presence of a stakeholder that believed in concepts that were similar to those of the American school.

In the 1950s the U.S. was provided with the occasion to directly influence the competition policies of the ECSC, an institution with a cross-national dimension that was later going to develop into the European Community. The ECSC Treaty established a supranational infrastructure designed to manage the integration of European coal, steel and related sectors, and it presented the very start of a European history of supranational competition policy. It was founded by six European countries in 1951: Germany, France, Italy, and the three Benelux states. The U.S. was able to directly influence the negotiations leading to the framing of the competition policy provisions of the ECSC treaty by making reconstruction resources conditional on the deconcentration of major cartelized industries.

While Americans were accustomed to think in terms of competition policy, Europeans did not have much direct experience with competition law and its attainments. Only a few countries in Europe had competition laws in place at that time, and they were mostly of minor relevance. In an effort to leverage the allocation of political powers

---


63 See François Duchene, Jean Monnet: The First Statesman for Independence, (1994). Robert Schuman, Origines et Elaborations du 'Plan Schuman', 272 (1953). "But through these perspectives of an economic kind... we have in particular focused on the advantages immediately achieved in the political domain. To conclude a durable and controlled union regarding each country involved not only from waging but even from preparing for war against the other countries involved." See also Jean Monnet, supra note __, at 342-343 used a pragmatic internationalist approach emphasizing the common interests of participating states.

64 Marie Laure Djelic, Does Europe mean Americanization? The Case of Competition, 6 (3) Competition and Change 245 (2002). Djelic quotes Walter Hallstein to the German government, October 19, 1950 “Monnet’s ideas are probably also influenced by the American desire that all cartel like institutions be rejected, a desire that gains special weight due to the fact that it is supported by the funds that Americans are to provide at a later stage.” See also Monnet, supra note __, at 356; Walter Hallstein, Europe in the Making, (1972); Marie Laure Djelic, Exporting the American Model: The Post War Transformation of European Business, 81-81 (1988); William Diebold, The Schuman Plan: A Study in Economic Cooperation 1950-1959, 363 (1959); Heinrich Karl Bock & Hans Korsch, Decartelization and Deconcentration in the West German economy since 1945, in Anti-Trust Laws: A Comparative Symposium, 138-175 (1956); Gerhard Bebr, Labor and the Schuman Plan, 52 (7) Mich. L. Rev. 1007-1022 (1954). See also Ernst Haas, The Uniting of Europe: Political, Economic and Social Forces 1950-1957, 242 (1958).

65 Gerber, supra note__ (at 43-114, 171. Gerber explains that although the general thinking about competition law in Europe started in the 1890s in Vienna it never translated into applicable provisions until 1923, when the first European competition law was enacted in Germany, where it was however eliminated
within the new union and to overcome this lack of expertise in the field of competition, Jeanne Monnet, the Planning Commissioner of France after the liberation, assigned the task of designing the antitrust provisions of the newborn treaty to a group of antitrust experts from the American Delegation. Robert Bowie, the legal counsel of the U.S. High Commission to Germany, drafted Articles 65 and 66 of the treaty, the main competition law provisions of the nascent community. When Bowie wrote the drafts he drew heavily on the American experience and not surprisingly the articles resembled Sections I and II of the Sherman Act quite closely.

Bowie’s knowledge and background in antitrust are instrumental to the understanding of the new competition law provisions. Before coming to Europe Bowie had been a professor at Harvard Law School specializing in antitrust. At Harvard, he became a supporter of notions of antitrust that strongly condemned excessive market power and anticompetitive practices, such as the excess profits resulting from monopolistic behavior. The idea that deconcentrated markets are more efficient than concentrated ones had been rooted in his mindset since his days as a student, and Bowie thought that the right role of the American establishment in Europe was to introduce policies based on democratic capitalism, liberal political values and free trade, which had proved enormously successful in the US, but in order to do this, aggregations of power had to be broken up first.

The competition policy provisions set out in the ECSC Treaty, in Monnet’s words “Europe’s first major antitrust law,” resembled the American prohibition based approach very closely:

in the 30s. Norway and Sweden enacted competition laws in 1925 and 1926 respectively but such laws were of minor relevance. Most competition legislation was enacted after the World War II.

66 MONNET, supra note _ See also Raymond Vernon, The Schuman Plan, 47 AM. J. INT’L L. 183 97 (1953). Monnet states: “The reasons... [for competition law provisions] are to be found only partly in the drafters adherence to competition as an economic way of life. More important, perhaps was the concern of the drafters that cartels, if permitted to develop, might become the real political power of the Community and might constitute a challenge to the Community’s sovereignty”. GERBER, supra note __ at 338 explains the role of George Ball, a US lawyer who was working in Paris and who was also asked to comment on the drafts “George Ball notes how during the negotiations he left through the backdoor of the building where Monnet was masterminding the drafting and negotiating of the treaty—in case Europeans arrived”. See also GEORGE W. BALL, MéMOIRS, 88-89 (1982).

67 Id. MONNET. See also ROBERT R. BOWIE, RÉFLEXIONS SUR JEAN MONNET IN TÉMOIGNAGES À LA MÉMOIRE DE JEAN MONNET, 81 (1989).

68 Then Arts 85 and 86 of the Treaty of Rome, Arts 80 and 81 of the Treaty of Amsterdam, and now Arts. 101 and 102 of the TFEU, supra note__.

69 Bowie was a Professor at Harvard Law School from 1946-1950 and returned in 1952.

70 Carl Kaysen, Collusion Under the Sherman Act I, 65 (2) Q. J. ECON. 263 (1951) acknowledges the helpful comments of Professor Bowie.

71 Berghan, supra note __. Also, as a 3L Bowie had written a paper on merger policies titled “Section Seven of the Clayton Act, available at http://discovery. lib. harvard. edu/?itemid=library/m/aleph/008702687 (last visited _).
Article 65 (1) prohibited anticompetitive agreements among enterprises or associations of enterprises, and cartels in the form of concerted practices that tended directly or indirectly to “prevent, restrict or distort the normal operation of competition within the common market.” Some examples given are actions tending to fix prices, the restriction or control of production, technical development and investments and the allocation of consumers, markets, products or sources of supply. This provision was widely drafted, it not only encompassed cartels, which are agreements between separate companies in the same line of business that are designed to limit or eliminate competition, but includes a wider spectrum of horizontal as well as vertical agreements between two or more enterprises operating at different levels of the same production-distribution-consumption process.

Article 65 (2) authorized the enforcement body, the High Authority, to permit certain types of agreements prohibited by subsection (1), if specific exceptional circumstances were met. For instance, agreements that furthered product specialization and agreements for joint buying and selling of such products were exempted from the application of subsection 1, provided that they would substantially improve the production and distribution of the products in question and that the agreement was the only way to achieve the same result. Improved market performance was paramount, as long as the agreements were not capable of giving the interested firms power to fix prices, to control output, to stifle competition or simply abuse their dominant position.

The other competition law article of the treaty, Article 66, contained detailed merger control provisions. According to 66 (1) “unreasonable” concentrations were prohibited. Concentrations that had the potential to harm competition were thereafter deemed “unreasonable” and were proscribed, whereas mergers that could be shown to result in efficiencies and enhanced productivity could be authorized. The executive power to enforce all the above provisions was vested in the High Authority, a body composed of nine members out of which eight were appointed and the ninth elected by the governments of member states. In connection with Article 66 (1) a merger would require prior authorization by the High Authority, whose powers in merger control proceedings were, at the time, without precedent.

---

72 ECSC, Title Three: Economic and Social Provisions, Chapter VI: Agreements and Concentrations, Art 65.  
73 Id.  
74 Id.  
75 Id, Art 65(2).  
76 Id.  
77 Id, Art 66.  
78 Id.  
79 Id. Title Two: The Institutions of the Community, Chapter I: The High Authority, Art 8-19.  
80 Id, Art 66 (1).
The new supranational competition law provisions were not only drafted to resemble the competition law provisions of the Shearman Act, but also reflected a prohibition approach to competition that was in line with the Harvard School tradition, at least as far as restrictive practices and cartels were concerned. These provisions were at first only designed to apply to the coal and steel industry, but their scope was widened to include other sectors when the same articles became the relevant antitrust sections of the Treaty of Rome, which paved the way for the creation of the EC.\textsuperscript{81} The Americans had succeeded in transplanting their antitrust laws into Europe at a time when its supranational institutional structure was being negotiated, and the lack of existing power structures facilitated their introduction and assimilation.

A. \textsc{The Harvard School and Structuralism}

The narrative above suggests that there was an almost direct transplant of U.S. antitrust to Europe, and that it was significantly facilitated by the fact that the ECSC was at its inception. The present section examines the approach of the Harvard School to antitrust policy, and the section that follows inspects whether the intellectual discipline that was steering the way the provisions were implemented in the U.S. had a counterpart in Europe, as this would have increased the chances of making the transplant effective.

Since its enactment the Sherman Act has been interpreted in a multitude of ways, ranging from the application of the rule of reason to the strict condemnation of market power, and several other variations, but for most of the 20\textsuperscript{th} century the U.S. antitrust tradition treated most monopolies with distrust.\textsuperscript{82} In 1911 for instance, a landmark decision by the U.S. Supreme Court broke petroleum giant Standard Oil into 34 sub entities after holding that it was abusing its dominant position.\textsuperscript{83} The fear of monopolies reached its peak at the time of the transplant, a point in time when the American antitrust tradition was characterized by Structuralism, an approach to antitrust associated with the Harvard School, that endorsed the aggressive pursuit of antitrust practices, and that was heavily concerned about the structural manifestations of monopolistic power.\textsuperscript{84} The power of big corporations was perceived as a threat to democratic government policies, and antitrust laws were seen as the tools to combat such threat and enhance economic prosperity.\textsuperscript{85}

\textsuperscript{81} Treaty of Rome (1957) Part III, Title I.
\textsuperscript{82} Giocoli, \textit{supra} note \_ at 4; Kenneth Arrow, \textit{Economic Welfare and the Allocation of Resources for Invention}, in \textsc{The Rate and Direction of Inventive Activity: Economic and Social Factors}, (1962); \textsc{Joseph Schumpeter}, \textit{Capitalism, Socialism and Democracy}, 81-106 (1942).
\textsuperscript{83} Standard Oil Co. of New Jersey v. U.S., 221 U.S. 1 (1911).
\textsuperscript{84} Id at 9. \textit{See} also Herbert Hovenkamp, \textit{Antitrust and the Costs of Movement}, 78 (1) \textsc{Antitrust L. J.} 74 (2012).
\textsuperscript{85} Fetter F.A. at AL., \textit{The Economist’s Committee on Anti-trust Law Policy}, 22(3) \textsc{Am. Econ. Rev.} 465-469 (1932) where 127 economists signed a petition attacking cartels and the undaunted economic power yielded by many big corporations. Letter from the President of the United States to the Secretary of State.
This call for the vigorous enforcement of antitrust laws resulted in a number of Supreme Court decisions that manipulated the Sherman Act to introduce new per se prohibitions concerning restraints of trade and monopolization matters. In Interstate Circuit and Socony Vacuum Oil conscious parallelism and price fixing strategies of monopolies were harshly punished. In Alcoa, Judge Learned Hand demonstrated how antitrust laws could be utilized to change business’s existing structure: he argued that even if Alcoa did not actively pursue an industry monopoly, the fact that it was in a position where it could engage in monopolistic behavior was enough to violate the Sherman Act. The focus of competition law had shifted from the inspection of conduct towards structural issues, and that the core of judicial evaluations lay in the consideration of concentration rates and market shares.

From a theoretical perspective, the central tenet of Structuralist thinking lay in the Structure – Conduct – Performance (SCP) paradigm, a method of analyzing competition first introduced by Edward Mason which looked at the market structure of an industry in order to predict conduct and performance in terms of pro- or anticompetitive outcomes. Mason’s theory was advanced by Carl Kaysen and Donald Turner, who argued that the

---

66 HENRY C. SIMONS, A POSITIVE PROGRAM FOR LAISSEZ FAIRE; SOME PROPOSALS FOR A LIBERAL ECONOMIC POLICY INCLUDED IN ECONOMIC POLICY FOR A FREE SOCIETY, (1948). See also Henry C. Simons, The requisites of free competition, 26 (1) AM. ECON. REV. (1936) at 70 Simons called it “an obvious responsibility of the state (…) to maintain the kind of legal and institutional framework with which competition can function effectively” and believed that active control over the size of companies and structure of the market was the most effective way to achieve this: “there (must be vigorous and vigilant prosecution of conspiracy in restraint of trade and, above all, through going reform in corporation law. The right to charter large corporations must be vested exclusively in the federal government; and the powers conferred on these legal creatures must be carefully and narrowly limited”). See also JOHN BATES CLARK & JOHN MAURICE CLARK, THE CONTROL OF TRUSTS, (1912).


goal of antitrust was the protection of the competitive process through the limitation of market power, and explained that antitrust laws correcting conduct could not be enough because they were unable to deal with undue market power that could not be related to distinct anticompetitive practices. 90 In order to assess the market power of a firm Kaysen and Turner employed economic analysis and looked at the breadth of the market, the character of demand, the number and distribution of sellers and buyers, entry barriers and product differentiation. 91

The work of Joe Bain later substantiated their empirical claim by showing that structural situations characterized by high seller concentrations and high barriers to entry were, on the whole, more conducive to a worse performance. 92 Both these factors, whether assessed independently or in combination, tend to be connected with substantially higher rates of excess profits and have therefore an adverse effect on market performance. 93 On the basis of some rudimentary data Bain developed a dichotomy that predicted a worse market performance when at least 70% of the market is controlled by the 8 largest firms. 94 He showed that firms with large market shares have the ability to impose higher prices. 95 Overall Bain developed a model that demonstrated that good

90 CARL KAYSEN & DONALD F. TURNER, ANTITRUST POLICY: AN ECONOMIC AND LEGAL ANALYSIS, (1959) AT 5 “in our democratic, egalitarian society, large areas of uncontrolled private power are not tolerated.” At 44 they concede that some situations make regulated monopolies necessary, for example when the efficiency of scale economies is at stake they look at economies of scale comparatively, in the sense that the scale needed in order to be efficient can be created by many firms together. Also note that Edward Mason wrote the preface.

91 Id at 60, 110. Kaysen and Turner concede that a broad definition of market structure could include the characteristic conduct of firms in a market and the presence of practices that affect the creation or the maintenance of market power. This shows that to a certain extent reflections about conduct infiltrated their definition of structure. See also Almarin Phillips, Competition, Confusion, and Commercial Banking, XIX J. Finance 32 (1964). Phillips explains how the application of the Stucturalist tools impacted even the banking industry, which Kaysen and Turner themselves classed among those industries for which conventional antitrust policy was inapplicable, supra note __ at 42-43. See also U.S. vs. Philadelphia Nat. Bank, 374 US 363 (1963) where the Supreme Court concluded that performance improves as the number of banks increases: “Specifically, we think that a merger which produces a firm controlling an undue percentage share of the relevant market and results in a significant increase in the concentration of firms in that market, is so inherently likely to lessen competition substantially that it must be enjoined in the absence of evidence clearly showing that the merger is not likely to have such anticompetitive effects (…) competition is likely to be the greatest when there are many sellers, none of which has any significant market share.”

92 BAIN, supra note __. Bain argues that both factors, whether assessed independently or in combination, tend to be connected with substantially higher rates of excess profits and have therefore an adverse effect on market performance.

93 Id.

94 Id. George J. Stiegler, Mergers and Preventive Antitrust Policy, 104 U. PA. L. REV. 182,183 (1947). Stiegler suggests that mergers creating market shares of 10% – 20% are big enough to create a threat and should be closely scrutinized by enforcement agencies. See also Giocoli, supra note __ at 11.

95 Id.
performance was positively correlated with unconcentrated markets, and that avoided the transaction costs associated with the inspection of conduct.  

The scholarly debate was able to affect legislation in a direct way. New merger policies were implemented with the 1950 Celler-Kefauver Act. Celler-Kefauver extended the reach of merger controls policies considerably: whereas the old law, Section 7 of the Clayton Act, only covered acquisitions of control by the purchase of shares of stock, Celler-Kefauver also tackled mergers that proceeded via the purchase of assets, thereby covering asset consolidations that fell short of full market dominance. Furthermore, the old legal test required that the anticompetitive effect be between the acquiring and the acquired company, and courts could interpret it as not covering vertical mergers, since the effect of the vertical merger is not on the merging parties. The new legal test inspected the likely impact of a merger on competition “in any line of commerce in any section of the country” and not only the potential impact of the merger on competition between the two merging companies. The first important Supreme Court interpretation of the amended Section confirms a clear commitment to Structuralist thinking: in the Brown Shoe decision the Supreme Court evaluated the merger in terms of market shares and applied economic analysis to analyze the concentration.

The changes effected by Celler-Kefauver were fundamental, they expressed a shift in the philosophy of antitrust: from setting rules of conduct to the proactive control of changes in the market structure. The main concerns behind this shift in attitude did however go beyond market performance and the concentration of economic power effected by the rise of monopolies, there was an acute fear amongst government administrators that large corporations would exploit their power politically and take over

---

96 Id. See also Edward Mason, Market Power and Business Conduct: Some Comments, Report of the Attorney General’s Committee on Antitrust Policy, Papers and Proceedings of the Sixty-eighth Annual Meeting of the American Economic Association, 46 (2) AM. ECON. REV. 471-480 (1956). “That market power is an elusive quantity requires no demonstration before this audience. It is not possible nor will it ever be possible, by calculating market shares, dividing price-minus-marginal-cost by price, or other hocus pocus, to present an unambiguous measure of the degree of monopoly. Market power has many dimensions.. it is probably desirable that these judgments be economically sophisticated.”

97 TNEC, Final Report and Recommendations 38 (1941).

98 Celler-Kefauver Act (1950).


100 Id.


102 ALFRED R. OXENFELDT, INDUSTRIAL PRICING AND MARKET PRACTICES, 406-407 (1951). See also the introduction of The Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U. S. C. § 18a. The act amends the Clayton Act by providing that before certain mergers, tender offers or other acquisition transactions can close, both parties must file a “Notification and Report Form” with the FTC and the notify the Antitrust Division of the Department of Justice. See also Joe Sims & Deborah P. Herman, Effect of Twenty Years of Hart-Scott-Rodino on Merger Practice: A Case Study in the Law of Unintended Consequences Applied to Antitrust Legislation, 65 ANTITRUST L. J. 865 (1996-1997).
the executive role of the state. The concern for the political implications of these agglomerates of economic power was voiced by Senator Kefauver himself:

the history of what has taken place in other nations where mergers and concentrations have placed economic control in the hands of a very few people is too clear to pass over easily (..) It either results in a Fascist state or the nationalization of industries and thereafter a Socialist or Communist state.

Senator Kefauver was concerned with the legitimacy of the system, the need to maintain public faith and to prevent the failure of a democratically elected government. When expressing his concerns he certainly had in mind the outcome of dictatorial policies in Europe.

B. Europe and the Ordoliberal School

It is difficult to imagine the application of American-style competition laws to the European scenario, which had long been dominated by a tradition of cartelization and where the application of competition laws was marginal, because it was thought that government driven industry coordination was a more efficient process – a resolution of the Inter Parliamentary Union defined cartels as “natural phenomena of economic life.” To the very limited extent that there were competition laws in place, rules were vague, the use of administrative power discretionary and the enforcement soft. Most European states had been following abuse based policies, which gave enforcement agencies wide discretion in defining abuse of market power, a concept mainly understood in terms of conduct causing harmful effects. However, the provisions of the ECSC treaty now incorporated the prohibition of cartels, trusts and the restrictive practices of a system that envisaged the aggressive enforcement of antitrust laws, a drastic innovation to the European antitrust setting.

This section explains that the effectiveness of the transplant depended on the presence of a stakeholder, the Ordoliberal School that was able to integrate the U.S. approach. The Ordoliberals believed in rational principles that were compatible with the American antitrust model. They endorsed liberal political values and the creation of a

103 See John Litner & J. Keith Butters, The effect of Mergers on Industrial Concentration, 1940 – 1947, 32 REV. ECON. & STATS. 30 (1950). See also M. A. Adelmann, The Measurement of Industrial concentration, REV. ECON. & STATS. 269 – 296 (1951) “the extent of concentration shows no tendency to grow, and it may possibly be declining. Any tendency either way, if it does exist, must be the pace of a glacial drift” and GEORGE STIEGLER, FIVE LECTURES ON ECONOMIC PROBLEMS, 46-65 (1949).
104 96 Congressional Record 16452, 1950 – Senator Kefauver.
105 Giocoli, supra note __ at __. The IPU is the International Organization of Parliaments of Sovereign States that was established in 1889, see http://www.ipu.org/english/whatipu.htm (last visited on __).
107 Id.
market economy, and had full confidence in the advantages of a competitive system. These principles could be used to give a meaning to the new laws contained in the ECSC treaty that was in line with the way Americans applied and understood antitrust policy. When the Ordoliberals sought to influence the transplanted law, the timing worked in their favor, the institutions in charge of administering the competition policies of the EC were in the process of being conceived, and that was helpful on two fronts. First, they did not encounter resistance from existing power structures, and second, it enabled them to capture positions within the developing bodies in charge of applying the new law. U.S. officials backed their efforts, because they understood that by supporting Ordoliberal methods and actors they could succeed in their goal of importing a free market system to Europe, and open new avenues for American companies.

Born during the interwar period at the University of Freiburg in Germany, the Ordoliberal School developed into one of the principal schools of thought on competition policy in Europe. The ideas expressed in the Ordoliberal Manifesto of 1936 were intellectually opposed to the centralization of economic power and the way this led to social division and market disintegration that was typical of the Nazi regime, and during the war the Ordoliberal public intellectuals who refused to join Hitler’s political party had their work censured and were forced to leave their positions. With the fall of the Nazi regime there was a widespread need for fundamental changes, and the Ordoliberals that returned to their offices were now in the position to provide a coherent plan for reconstruction. They had regained the political and intellectual liberty to influence policy, and their plans to decentralize economic power in Europe were in alignment with

---


110 Franz Bohm, Walter Eucken & Hans Grossman-Doerth, The Ordo Manifesto of 1936, (1936). Since 1948 Boehm and Eucken also published a journal known as “Ordo: Jahrbuch fuer die Ordnung und Wirtschaft un Gesellschaft” published by Helmut Kuepper, Godesberg, which is still available today. The preface of the first volume (1948) of the “ORDO” journal at 11 (“All we are asking for is the creation of an economic and social order which equally guarantees economic activity and humane living conditions. We call for competition because it can be utilized to reach this goal—in fact the goal cannot be reached without it. It is a means, not an end in itself”). See also Constantin von Dietze, Die Universität Freiburg im Dritten Reich, 3 Mitteilungen der List- Gesellschaft (1961). See also Nils Goldschmidt, Alfred Mueller-Almack and Ludwig Erhard: Social Market Liberalism, Walter Eucken Intitute Discussion Papers 04/12.

those of the Americans, and so was their belief that only once aggregations are broken a system supportive of liberal political values could be put into place.112

The Ordoliberals envisioned the introduction of a fundamentally new model for economic growth in Europe, which aimed at restoring people’s faith in the market and promoting social integration through economic freedom and the belief in competition.113 In agreement with the American perspective, Ordoliberalism sharply rejected monopolistic structures and cartel dominated economies, and drew instead on the basic values of classical liberalism that supported the introduction of a competitive economic system in an effort to enhance prosperity and equity within society.114 Their goal was to give competition policies a constitutional dimension, so that citizens would be constitutionally protected from distortions and abuses and could gain the maximum benefits stemming from a free market.115 Erhard, a committed Ordoliberal, envisaged a system in which the state was responsible for setting up and constitutionally guaranteeing an economic order, but not for controlling the economic process: “what I am aiming at with a market economy policy is (…) to lay down the order and the rules of the game.”116 This way competition policy was transformed into a constitutionally endorsed democratic principle that protected individuals’ freedom to do business.117

The methodological approach of the Ordoliberals was broader in scope than the Structuralist SCP paradigm, the sense that it went beyond the inspection of market structure and the control over size, but similarly it supported the use of interventionist practices to suppress cartels and anticompetitive behavior. Its foundations can be traced back to the work of Walter Eucken, an economist at the University of Freiburg, who was convinced that economic systems must be guided by competition enhancing principles.118 Eucken developed a doctrine named “Ordnungspolitik”, often translated as “thinking in orders”, in which he distinguished two main types of fundamental economic orders. The “centrally administered” economic order ensured that competition policy framed market processes at the institutional level, and the “transaction economy” enabled individuals to

---

113 Id.
114 Id.
115 Leonhard Miksch, Wettbewerb als Aufgabe (1947). See also Gerber supra note __ (Protecting Prometheus) at 256 (“economic knowledge had to be translated into the language of the law”) and Giocoli, supra note __ at 27.
116 Ludwig Erhard, Prosperity through Competition, 102 (1958).
117 On this form of individual freedom see Friedrich A. Hayek, Wahrer un Falscher Individualismus, Ordo 19-55 (1948).
118 Walter Eucken, The Foundations of Economics, History and Theory in the Analysis of Economic Reality, 314 (1939); Kapitaltheoretische Untersuchungen (1934) and Grundsätze der Wirtschaftspolitik (1952).
deal according to their own incentives. Even though individual elements of their respective theories differed, the notions reflecting the classical liberal ideal that competition is necessary for democracy, and the wellbeing of society were in direct alignment with the pro competition belief of the Structuralists.

The main intellectual innovation of the Ordoliberal School lay in the idea of an economic constitution. The Ordoliberals thought that a society’s constitution had to establish the characteristics of its economic order. A useful definition of economic constitution can be found in the Manifesto itself: “a general political decision as to how the economic life of the nation is to be structured.” In a free market economy where competition policy decisions constituted a major pillar, the economic constitution was formed by the political and legal decisions that characterized the market structure of a nation. These constitutional choices were not meant to survive in a vacuum but after being translated into normative guidelines they had to be implemented and made effective by a functional legal system. As one commentator put it: “the principles enshrined in the economic constitution should represent at the same time the source and the constraint for the specific decisions made by governments and legislators.” In short, economic theory was encapsulated in a constitutional framework that was subsequently transformed into enforceable legal norms.

How do constitutionally bounded economic principles regulate economic conduct? Eucken distinguished between constitutive and regulative principles. Constitutive principles were fundamental and had a constitutional dimension; examples are freedom of contract, the recognition of private property and the protection of open markets and competition. More specific regulation follows therefrom in the form of workable legal norms, such as the condemnation of abuses and monopolistic power. Through their invention of the economic concept of constitution, the Ordoliberals had found a coherent way to give a legal foundation to competition policy that minimized governmental discretion. From that moment onwards competition policies would institutionally frame market processes. Legislators had little discretion in writing the law because constitutive principles translated almost directly into legal measures, and government’s role was to enforce them.

119 Id. To better tie the influence of this intellectual thought to what was happening on the European political stage see Nicholls, supra note __. Nicholls explains that Ludwig Erhard was a student of Walter Eucken in Freiburg. Eucken died in 1950 and never personally managed to bring his Ordoliberal ideas to bear in the political scene, this was done by Erhard who pushed through the Ordoliberal thought first from his position as Minister of Economic Affairs and later as Chancellor.
121 Id.
122 Id.
123 Nicola Giocoli, supra note __ at 28.
124 Eucken, supra note __
125 Id.
126 Id.
Ordoliberal theory limited government’s role to that of maintaining conditions under which market prices, freely arrived at, would allocate resources. Heavy handed regulation and the control of prices was abhorred, and competition was perceived as an “instrument for disempowerment.”127 The Ordoliberals reasoned that if governmental discretion was not limited by constitutive principles, its intrusive involvement in controlling private contracts would lead to rent seeking: “Competition would not take place in the market, but in the antechambers of government departments, and attempts at monopoly are also made partly via these antechambers and partly through the concentration of enterprises.”128 Specific reference was made to the dangerous status of cartels that result from the collusion of private and public power.129 According to the Ordoliberals, government’s role was to enforce contracts wherever they reflected individual freedom to trade and to refuse to enforce those inconsistent with free decisions and allocative efficiency. The overriding goal of competition policy was to maintain a constitutionally protected individual freedom and efficiency would follow from agreements of individual parties bargaining in their best interest.130

To sum up, the new system envisioned by the Ordoliberals was characterized by the maximization of individual freedom, confidence in competitive markets and concern for state power, and these principles could accommodate the American experience by reflecting the rational principles and intellectual preferences applied in the interpretation of antitrust laws by the Structuralist movement.

C. Capturing the U.S. Antitrust Transplant

This section explains that the German Ordoliberals emerged as the winning stakeholders in capturing the transplant of U.S. antitrust laws because they could define the transplanted provisions in a way that would benefit its own constituency as well as

127 Franz Böhm, Kartelle und Monopole im modernen Recht, in Demokratie und ökonomische Macht, Institut für ausländisches und internationales Wirtschaftsrecht 22 (1961) and Monopoly and Competition in Western Germany in Monopoly and Competition and Their Regulation, 143 (1954). Böhm states “This mixture of free and controlled prices has great economic disadvantages, particularly as officially controlled prices are at present, in Western Germany, consistently lower than they would be in a free market. As a result, economic planning in factories or in private households is vitiated. The demand for goods with officially controlled prices is artificially inflated, with the result that they are squandered. The profitability of the works producing these goods is artificially lowered, and their equipment neither improved nor renewed. A scarcity of these goods then results, bottleneck appear, and the government sees itself forced to ration such goods. On the other hand, profits are high in the industries where prices are uncontrolled, profits are reinvested in these industries – chiefly those producing consumption goods – whereas the basic industries suffer from a notable lack of capital. Intervention is therefore needed to divert the flow of capital from the consumption industries to the basic ones (…)”
128 Id. Monopoly and Competition in Western Germany at 150.
129 Franz Böhm, Eine Untersuchung zur Frage des wirtschaftlichen Kampfrechts und zur Frage der rechtlichen Struktur der geltenden Wirtschaftsordnung in XI Wettbewerb und Monopolkampf (1933) and Das Problem der privaten Macht. Ein Beitrag zur Monopolfrage, 3 Die Justiz 324 (1928).
the U.S. In addition the moment of formation of the EC and the flexibility of its institutional structure enabled the Ordoliberal to assert themselves within a new regulatory framework thereby securing long-term power and durable returns.

The present version of capture differs from modern capture theory which postulates that groups capture governmental positions in order to maximize their wealth. Ordoliberal actors were eager to use their power for ideological rather than wealth-transferring purposes. The benefits in the present case were not associated with pecuniary gains or private benefits, but rather with the power associated with holding office and bringing ideas to bear in public practice. The thirst for power was deeper than self-gratification, the Ordoliberals had an ideological agenda that was silenced by the advent to power of Hitler’s party and throughout the war, and now that they had gained back their positions their main goal was to increase their ability to influence public policy in a direct way.

The Ordoliberal School was very influential in postwar Europe in its efforts to put a new and workable system of competition into place. One of the keys to the success of the Ordoliberal thought was its sharpness and depth: all policy recommendations were given intellectual strength and appeal by a novel and solid theoretical basis. Another reason for their achievements has to do with a structural advantage in the political process, the transplant of U.S. antitrust law occurred at the point in time when the institutions of the EC were being conceived by a number of participants that were not familiar with antitrust theory, and who therefore tried to secure power by other means. This enabled the Ordoliberal School to seize the opportunity to translate its principles into the new law and to capture positions within the developing institutions to apply and guide its application.

An additional factor that explains the influence of the Ordoliberals was their deviation from other approaches to antitrust present in Europe. The Ordoliberal thought on competition was very different from the other mainstream approach to competition policy in Europe, which placed more importance on the control of abuses of big corporations. The “abuse control” approach, which was dominant in most European countries, and which allowed for the existence of cartels as long as no abusive practice could be discerned, was not compatible with the Structuralist model. It lost to the

133 Gerber (1987), supra note_.
134 Id.
Ordoliberal counterpart mostly because its reliance on the discretion of authorities to find and regulate abuse was unsatisfactory in view of systematically breaking up existing concentrations. The interventionist approach of the Ordoliberals, on the other hand, could meet those goals. Given the symmetry between the Ordoliberal approach and the American model, the Ordoliberals had higher stakes in transposing their principles into the new law than its opposition. And it is not surprising that the Americans chose to cooperate with the constituency that supported an interpretation of antitrust that was in line with their goals.

Further, the Ordoliberal School was the one stakeholder within the importing body that was able to understand and interpret the transplanted law in a way that endorsed, to a significant extent, the intellectual approach to antitrust applied in the U.S. The Ordoliberal view that competition laws were to be used to prevent the creation of monopolistic power did fit well with the prohibition based approach of the ECSC articles, and so did their keenness to prohibit cartels and other power creating agreements. Overall, the Structuralist and the Ordoliberal model had much in common: both believed in no-fault standards and in the legal prohibition of aggregations that yielded economic power. Both approaches supported interventions towards dangerous concentrations, and both stood against the abuse approach in that the keystone of their analysis lay in the mere presence of aggregations, not their behavior.

Such intellectual alignment made it possible for Americans as well as the Ordoliberals to directly benefit from the transfer. Both movements could sustain similar goals, namely dismantling the steel cartels in the German Ruhrgebiet, which was in line with the goals that the U.S. administration had in mind for postwar Europe, and also with the Ordoliberal philosophy of breaking up monopolies. In addition, the Americans aimed to import their free market system to Europe to facilitate the entry of U.S. business in the European market, and Ordoliberal values and principles could be easily used and adapted to that end. The promotion of a market driven economy was in the interest of both, Europe and the U.S., and it was endorsed by the liberal principles enshrined in the Ordoliberal economic constitution. In many ways the deal worked on a quid pro quo basis, U.S. officials were in a position to use the Ordoliberal ideas in order to further their ends, and the same way the ability to influence the transplanted law gave the Ordoliberals the opportunity to achieve their own goals and purposes.

Even if the intended outcomes of a working competition law model were similar, Ordoliberal principles were intellectually closer to the European situation than the American ones. The American understanding of competition law could not fully account

135 Gerber, supra note __, at 258. Gerber argues that besides of an outlet for business, the U.S. also sought stability in view of the Cold war “The rupture of co-operation between the Soviet Union and the other occupation authorities that led to the ‘Cold War’ further intensified United States support for Ordoliberal proposals, as economic structure and policy quickly became part of the East-West conflict.”
for one of the major features of the European situation, the integration of a European common market. The U.S. model could provide a satisfactory intellectual tool in that direction only partially, and this was through its faith in a free market economy – and that was important with respect to the unified Europe that Schuman and Monnet had in mind, but not sufficient. The goal of the nascent European competition laws was the elimination of restraints of trade across national borders and although the idea of European integration did not come from the Ordoliberals, but from the group of negotiators of the ECSC, their model provided a comprehensive and well-grounded framework that could be applied to give form to legal principles and institutions of the new union according to the general political goals envisioned by its founders. Integration could further be met by the constitutional dimension to competition law endorsed by the Ordoliberals, as it would be conducive to an economic system designed to prevent the creation of monopolistic power.

The other claim that this case study makes is that the absence of institutional power structures in Europe enabled the Ordoliberal stakeholders to capture positions created for the law’s administration and influence policy. The intellectual background of the key actors of the integration process initiated by the ECSC proves the point. German Chancellor Ludwig Erhard, a committed Ordoliberal, was a one of the architects of postwar economic policy as well as one of the driving forces behind the reform of competition law. He was particularly important because the Americans liked him and this facilitated their interactions. Furthermore, the negotiations that led the way to the Treaty of Rome, and that later established the EC, were also guided by strong supporters of the Ordoliberal intellectual force: Walter Hallstein, who was appointed first president of the European Commission, and Hans Von der Groben, who became EC Competition Commissioner in 1963. From his position as EC Competition Commissioner Von der Groben highlighted three purposes of competition law: first, the prevention to create barriers of trade within the common market, second, the creation of an economic and social order based on the individual freedom of workers, businesses and consumers, and, third, the promotion of market integration as a result of business decisions as opposed to government directives. The interaction of these three goals was intended to stimulate economic activity and create a system of free competition in which supply and demand would adjust automatically to technological development within an integrated market

137 See Nicholls, supra note __
138 Id. “[the Americans] were impressed by Erhard’s enthusiasm and clean record.”
139 Hallstein (1972), supra note __ at 28. See also Spaak Report – Comité Intergouvernemental créé par la Conférence de Messine rapport des Chefs de Délégation aux Ministres des Affaires Étrangères (1956).
place.\textsuperscript{141} The strong emphasis on individual freedom of action in a competitive environment reflected the impact of the Ordoliberal thought on EC competition law.

Overall, the new version of liberalism articulated in the Ordoliberal model was instrumental to the successful formation of competition policy in a new economic order. By placing economic doctrine at the center of its intellectual framework, Ordoliberalism succeeded in enhancing the value of competition rules, which up to that moment in history had played a very minimal role in Europe, and put them at center stage of European integration. The European competition policy provisions were successful for two reasons: first it was clear that the adherence of the major European countries to policies committed to the creation of a common market would bring about greater efficiency and more rapid growth, and second, these laws reached a constitutional level by setting out general overreaching principles that could be absorbed gradually on two levels: by the Commission and the European Court of Justice on one level, and by the individual competition laws of member states that were progressively converging toward Community competition law.\textsuperscript{142} Both processes played a central role in the advent of European integration.

III. TODAY’S DIVERGENCE AND PROTECTIONISM IN THE EU

At present U.S. antitrust and EC competition law operate quite differently. U.S. antitrust policies influenced the development of its European counterpart at its origin, but once the law was transplanted, the Ordoliberals arose to turn the law in their favor and guide its application and development.\textsuperscript{143} This last section will emphasize the importance that the Ordoliberal movement still has in connection with the application of present day competition policy in the EC. The recent decisions in Microsoft and Google have shown that when it comes to antitrust policy the European Commission can be very harsh towards the anticompetitive practices of American companies – and there is a certain irony in this, given that the very purpose of the introduction of U.S. antitrust laws in Europe was to open up market platforms to facilitate the business of U.S. companies.

In the past decade U.S. antitrust authorities have been relatively lenient in connection with antitrust enforcement. The change in attitude, from vigorous enforcement to a more laissez-faire disposition to antitrust disputes, can be traced to the

\begin{thebibliography}{9}
\bibitem{}\textsuperscript{141} Id. \textit{See also} EC Commission, First Report on Competition Policy 11 (1972).
\bibitem{}\textsuperscript{142} EC Regulation No 1/2003 makes Arts 101 and 102 TFEU directly applicable in member states.
\end{thebibliography}
1970s, when the Chicago approach to competition policy substituted Structuralism, and
the distrust towards monopolies was replaced by economic efficiency arguments.\textsuperscript{144} The
Chicago approach rested on the fact that markets exhibit a spontaneous tendency to reach
Pareto efficient results, provided they are not interfered with by exogenous factors, like
antitrust actions.\textsuperscript{145} Today the U.S. approach to antitrust relies on a more nuanced form
of the Chicago approach, introduced by the so-called post Chicago scholars, who
continue to base their arguments on efficiency, but also take into account game theory,
innovation, consumer choice and the ability of regulators to intervene in the presence of
market failure.\textsuperscript{146} However, since Nobel Laureate Ronald Coase articulated the damage
that can be caused by courts’ erroneous conclusions that given practices are anticompetitive (when in fact they are not), authorities became more deferential to
antitrust issues, especially in connection with novel business practices or products whose
scope is not yet evident.\textsuperscript{147}

On the other hand the approach to competition policy in the EC never abandoned
the inclination to control competition practices through the regulatory process, and by
doing so it maintained a strong belief in the principles inherited from the Ordoliberal
theory. When the U.S. started to place greater faith in markets and refrained from
regulating the so-called “false positive” practices, the EC continued to show greater
confidence towards interventionist procedures.\textsuperscript{148} At times it exposed itself to the costs
of erroneously regulating behavior that may have led to positive results, the so-called
“false negatives”.\textsuperscript{149} The continued commitment to shape competition through
intervention confirms that Ordoliberal principles were not just instrumental in shaping the
policies of the nascent European Union, but that they account for much of the way
European competition policy is still understood and applied to this day – and this in turn
explains why, when the European Commission and the FTC investigate the same
transaction, most times the application of EC competition standards will result in stricter
sentences and penalties, regardless of whether the transaction deals with mergers or abuse
issues.

\textsuperscript{145}Id. \ See also Melvin Reder, \textit{Chicago Economics: Permanence and Change}, 20 (1) J. ECON. LIT, 1-38
(1982).
OPPORTUNITIES IN INDUSTRIAL ORGANIZATION}, 69 (1972). “One important result of this preoccupation
with the monopoly problem is that if an economist finds something -- a business practice of one sort or
other--that he does not understand, he looks for a monopoly explanation. And as in this field we are very
ignorant, the number of ununderstandable practices tends to be very large, and the reliance on a monopoly
explanation, frequent.”
\textsuperscript{148}Easterbrook, \textit{supra} note __. Judge Easterbrook articulates the limits of antitrust and the damage that can
be caused by courts’ erroneous conclusions that a given practice is anticompetitive when in fact it is not.
\textit{See} also Anu Bradford, \textit{supra} note __.
\textsuperscript{149}Id.
In terms of mergers, on several occasions EC authorities intervened to stop mergers that had previously been approved by U.S. authorities. Boeing and McDonnell Douglas was one such case.\textsuperscript{150} Even though the Department of Justice had already cleared the merger, the European Commission expressed serious concerns about the strengthening of Boeing’s existing position, and imposed a considerable number of conditions before granting its approval.\textsuperscript{151} In other cases the Commission blocked mergers between US companies altogether. This happened for instance when it denied General Electric’s request to merge with Honeywell International, holding that the short-term efficiencies that the merger would create would drive out European competitors and enable the merged entity to extract higher prices for consumers in the longer term.\textsuperscript{152} Also in this case the transaction had previously been cleared by U.S. authorities.\textsuperscript{153} This particular decision was held to be legally non-divisible because General Electric saw no benefit in merging with Honeywell and restrict its operations to the US market.\textsuperscript{154} These rulings shows how the Commission’s decision affected the operations of U.S. companies not just in Europe, but globally.\textsuperscript{155}

Also in connection with abuse of dominance cases, the Commission’s rulings have had a significant impact on the way U.S. companies conduct their business.\textsuperscript{156} The landmark case where the Commission forced a US company to adjust its conduct to European competition law standards is the Microsoft decision.\textsuperscript{157} Holding that Microsoft was abusing its dominant position by not sharing its programming interface with third companies, the Commission ordered Microsoft to pay fines amounting to more than 2.3 billion, in addition to changing key elements of its operating software to enable interoperability with other systems.\textsuperscript{158} The Commission hit the company again in 2009,

\textsuperscript{151} Id.
\textsuperscript{152} Commission Decision of 03/07/2001 declaring a concentration to be incompatible with the common market and the EEA Agreement, Case No COMP/M. 2220 â€“ General Electric/Honeywell.
\textsuperscript{154} See Bradford, supra note __
\textsuperscript{156} Microsoft COMP/C-3/37.792. See also Intel COMP/C-3/37.990. The European Commission found that Intel was abusing its dominant position in the computer chip market by giving rebates to manufacturers on condition that they exclusively bought their processing unit. The decision imposed a fine of $1.45 billion, and obliged Intel to cease the identified illegal practices. Intel reached a separate settlement with the FTC in 2010 where they agreed not to give computer makers discounts or other inducements in exchange for promises they will buy chips exclusively from Intel.
\textsuperscript{157} Id. Case COMP/C-3/37.792.
\textsuperscript{158} Id. Microsoft had to pay an initial fine of $794 million in 2004 followed by $448.58 million in 2006, and $1.1 billion in 2008 for non-compliance with the ruling, see European Commission Press Release: Commission concludes on Microsoft investigation, imposes conduct remedies and a fine, March 2004, available at \texttt{http://europa.eu/rapid/press-releaseIP-04-382en.htm} (last visited on __); European Commission
this time claiming that by tying Internet Explorer to Windows Microsoft failed to give Europeans a browser choice, and fined the company additional $751 million. The tying of Internet Explorer to Windows was at the core of the Microsoft case when it was first brought in the U.S. Whereas a federal district court judge dealt with Microsoft’s violations harshly by ordering the breakup of the company into two entities, an appellate decision overturned the order and required Microsoft to commit to sharing its application programming interfaces with third party companies.

The Microsoft case suggests that the Commission is likely to intervene when it fears that the extension of monopolies from one platform to another will foreclose the entry of potential competitors. In particular, the Commission seemed worried that Microsoft was going to leverage its power in the software market into the newly created platform for media players, thereby foreclosing competition in the latter one. Such leveraging practices are dangerous for competition because they enable dominant players to use their market power in one market to break into other distinct markets, thereby foreclosing competing services and raising prices in secondary markets. To counter this prospect in the Microsoft case, the Commission forced the company to provide a version of Windows that did not include Media Player, hoping that by doing so it would stimulate competition in market for digital media players. Even though once the separate products were on the market, consumers continued to prefer the bundled option until alternative ways to consume digital media emerged, the Commission’s decision and the heavy fines had a forceful impact on Microsoft’s worldwide operations.

Google may be the next victim of the Commission’s strict policing efforts. Since 2010 Google has been the subject of active investigations in both the U.S. and the EC, and their respective reasons for concern matched quite closely. The centerpiece of both complaints related to the way Google displays its search results: Google was accused of abusing its dominant position in the online search market by-reserving unfavorable treatment to vertical search service providers compared to Google’s own sponsored


United States v. Microsoft, 253 F.3d 34, supra note__


vertical search results. Google was said to be giving undue preference to its products by highlighting them through biased search results – by for instance displaying its own reviews of restaurants and other services more prominently than the ones of other providers like Yelp, OpenTable and others. Additional concerns related to the way Google was scraping content from those competing providers and using it without permission in its own offerings, and to the way search advertisements were delivered. On January 3rd, 2013 the FTC held that Google’s practices were not anticompetitive. The FTC essentially supported Google’s argument that its system benefitted consumers and that “any negative impact on actual or perceived competitors was incidental to that purpose.” Once Google had made a voluntary commitment to refrain from using content of other websites and agreed to remove some restrictions related to advertising campaigns, the five-member U.S. Commission unanimously voted to close the investigation without bringing charges.

In Europe, after five years, Google’s antitrust investigation is still open. Since 2010 Google proposed three settlements, all of which were rejected. The Commission’s main concern is that Google’s monopoly power in general online searching will carry over to vertical searching and that this will foreclose competition in the latter market. To support the Commission’s position the European Parliament recently passed a resolution calling for the “unbundling [of] search engines from other commercial practices.” What is going to happen next is uncertain, if the Commission files formal charges against Google, the company is likely to face a break-up order and a fine of up to 10% of its global annual revenue. Alternatively Google can submit another settlement hoping that the Commission will accept it. Given the previous rejections, any new settlement would need to quite radically change the way the company

---

165 Id.
166 FTC Press Release: Google Agrees to Change Its Business Practices to Resolve FTC Competition Concerns In the Markets for Devices Like Smart Phones, Games and Tablets, and in Online Search available at http://ftc.gov/opa/2013/01/google.shtm (last visited on __).
167 Id.
168 Id.
170 European Parliament Resolution of 27 November 2014, supra note __.
171 EC Regulation No 1/2003, TFEU Art.103.
operates in Europe.\textsuperscript{172} The Commission and Google’s adversaries will try to extract as many concessions they can, and if a settlement is finally endorsed, Google will have escaped heavy fines and the finding of abuse of its dominant position – it will however still be stuck with the costs of maintaining a different face in Europe, and such costs will have a deep impact on Google’s future operations.\textsuperscript{173}

So far it is unclear whether the actions of the Commission have enhanced competition as they purported to, or if they have tried to protect the operations of local businesses. Balancing efficiency against monopoly when applying antitrust laws is an inherently difficult task, especially when technology companies are at issue, and history as well as the theoretical literature relating to competition and innovation remains insufficient at determining which antitrust practices will ultimately encourage innovation.\textsuperscript{174} In many ways antitrust action has shaped the technology that characterized the dynamic economy of the 21\textsuperscript{st} century, but it is unclear whether innovation could have found a way to express itself without the help of competition laws.\textsuperscript{175} What is clear is that major global payers in the world’s economy had to incur significant costs in order to adjust their standards to the ones set out by the European competition law. By requesting differentiated products it looks as if the Commission is trying to protect the European market from competitive outside forces rather than making European companies competitive at a global level.

\textbf{CONCLUSION}

\textsuperscript{172} See MEMO/14/87.
\textsuperscript{174} Richard J. Gilbert, \textit{Competition and Innovation}, in ISSUES IN COMPETITION LAW AND POLICY, 583 (2008); Michael R. Baye & Joshua D. Wright, \textit{Is Antitrust Too Complicated for Generalist Judges? The Impact of Economic Complexity & Judicial Training on Appeals}, 54 J. L. & ECON. 1 (2011). See also Geoffrey A. Manne & Joshua D. Wright, \textit{Google and the Limits of Antitrust: The Case Against the Case Against Google}, 34 HARV. J. L. & PUB. POL’Y 1 (2011) who argue that Google’s practices should not qualify as anti-competitive because in the online search market alternative engines are “just a click away”. Others maintain that the constant or increasing market shares of Google prove that switching is burdensome as users rarely move on as Google has 68% of online searches in the US and more than 90% in Europe, see \textit{Should Digital Monopolies be Broken Up? European Moves against Google are about Protecting Companies, not Consumers}, THE ECONOMIST, Nov 29th 2014 (last visited on __) and Data on market shares of search engines available at: http://www.statista.com/statistics/216573/worldwide-market-share-of-search-engines/ (last visited __).
\textsuperscript{175} FRANKLIN M. FISHER, JOHN J. MCGOWAN AND JOEN E. GREENWOOD, \textit{Folded, Spindled, and Mutilated: Economic Analysis of U.S. vs. IBM} (1983). Analyzing the 1969 case brought by the US government against IBM alleging that it was violating Sec. 2 of the Shearman Act through its monopoly in the market for general purposes computers. See also Anthony Lewis, \textit{A.T. & T. Settles Antitrust Case; Shares Patents}, THE NEW YORK TIMES, January 25, 1956 at 1. The 1956 settlement that forced AT&T to license its transistor may or may not have enabled the development of the computer industry.
This Article has shown that legal transfers almost never head in a direction the transplanting institution can foresee, and that the fate of a new legal measure in foreign territory remains an uncertain one. Constructions of different legal realities place rules in different settings that do affect their interpretation. This Article has argued that similar legal provisions will hardly ever develop in the same rule, because they will inevitably be influenced by interest groups within the importing body – and that the role of such groups is fundamental to the evaluation of a transfer into a new regulatory system. The transfer discussed in the Article was ultimately effective because it involved a transfer into a new regulatory system at its inception, and also because it was supported by a stakeholder that could utilize it in a way that induced an internal process of law development that was welcome and needed.

The present discussion has also uncovered a protectionist attitude of the European Commission towards the European common market. Sixty five years ago the U.S. transferred their antitrust laws to Europe in order to open up market platforms that would facilitate the business of U.S. companies, but eventually their objectives did not succeed, as modern day EC competition policy is mainly inhibiting the way U.S. companies operate, and U.S. companies are growing more and more uncomfortable about it. Whether and when antitrust laws are used as trade barriers will be the topic of further research, especially since the EC’s protectionist attitude may also be followed by forming regional entities in Latin America, South and East Africa, and the Caribbean where several states are the process of negotiating trade policies and the regulation of competition176 — and by China, who has recently passed its own antitrust laws.177 A closer look at local stakeholders will help articulating in which direction those developing policies are headed, and if the threat to the operation of global companies is a real one.

176 Gerber, supra note _ at 236. See also Philippe Brusick, Ana Maria Alvarez and Lucian Cernat, supra note at __.
177 Id. Gerber at 223 – 236.