

# The Credibility of the Efficiency Claim in European Merger Policy

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1. Introduction
2. The Efficiency Defense
3. The Model
4. Results

Efficiency Defense:

- Merger Regulation 139/2004, No. (29)
- Merger Guidelines, 05.02.2004

No case yet

ex post:

19 cases in 1990–2006 with Art 8(3) prohibition

Seldom Event

More questionable notifications, which refer to the efficiency claim, to be expected.

Systematic assessment may become necessary.

Requirement for clearing a merger due to the efficiency claim:

- benefit to consumers
- merger specificity
- verifiability (!)

Difficulties:

- Firms are better informed than competition authority
- No proofs; Assessment relies on sensible predictions
- No revision

### Idea of the Model:

- Unilateral Effects
- Homogeneous Goods
- technology-related Efficiency Gains:  
marginal cost
- Cournot Oligopoly
- Farrell / Shapiro (1990)



## Merger

- Cournot Competition:  
(2 firms merge and use the more efficient technology)
- supply increases iff target is very inefficient,  
Farrell/Shapiro (1990)
- Heterogeneous Products:  
Quantity effects less pronounced

### Remedies/Divestiture:

- The merged entity sells a technology to a third party on the market
- $\Rightarrow$  cost reduction
- $\Rightarrow$  possible compensation

Cost reduction must be higher, the more inefficient the initial merger is.

### Heterogeneous products:

### Complementarities/Cannibalization

Credibility:

1. efficient mergers
2. profitable divestitures
3. divestiture which necessitate monitoring
4. mergers with non-enforceable remedies