

networks. On the other hand, the use of courts and lawyers may entail hefty costs.

● Corporate governance

The longer-term profit horizon under communitarianism requires that firms ensure their survival well into the future. Higher short-term profits are sacrificed in favour of corporate survival. In contrast, under individualism the company is a black-box that stands apart from, and may not perceive any obligation to, the community.

The shorter-term and narrower outlook of the individualist can lead to a focus on profit maximization over a shorter period. Shareholders under individualism stress performance evaluation on a quarterly basis. In contrast, corporate managers may accept, at best, a trade-off between lower profits in the next couple of quarters against higher profits in the future on the basis of more complex circumstances and/or technical information that are not well appreciated by the stock market.³⁶ Such a project would have a higher chance of getting approval under communitarian thinking than under individualism.³⁷

3.5 The evolution of competition philosophies

Competition policy regimes adjust to changes coming from factors such as economic, social, political and religious thinking. Although both Europe and Japan share a history of partly using individualistic competition philosophy, they have developed national competition regimes to suit their markets and society.

In the U.S., as we argue in section 4, competition policy evolved from the objective of equity protection to efficiency promotion, but retained its individualistic bias throughout. In Europe, the individualist ethic had to give

³⁶For theoretical comments on corporate income smoothing in a longer time horizon model, see Drew Fudenberg and Jean Tirole, "A Theory of Income and Dividend Smoothing Based on Incumbency Rents", *Journal of Political Economy*, February 1995 (103): 75-93.

³⁷This is not to say, however, that corporations under communitarianism normally outperform those under individualism. Different philosophical approaches have an impact on corporate strategies; they do not guarantee results in practice. Judging results is entirely an empirical matter.