

Cartels



Other Issues

- Predatory Pricing
- Refusal to Deal
- Tie-in
- Mergers
- **Cartels**

A Cartel

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- In the United States, a cartel is a per se violation of the Sherman Act.

If you have a cartel, don't go through this analysis, just go here.



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- It does complicate the problems of making the cartel work.
 - You cannot use courts to enforce a cartel contract.
 - If the contract sees the light of day, you can go to jail.

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The law authorizing that arrangement was held unconstitutional, but the firms continued to meet.

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- The “phase of the moon” system.
 - Depending on the phase of the moon, one company was supposed to submit the winning bid.
 - Cheating was rampant.
 - GE was losing market share because the firms were undercutting the firm.

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 - Would the cartel have collapsed on its own weight?
- We will never fully know, but the evidence suggests that the cartel was barely surviving.

End

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