Brunswick Bowling

- At height of bowling craze, Brunswick Bowling (BB) installed a number of automatic pinsetters on credit.

Booms pass
- The Bowling Alleys began to fail and BB foreclosed.
- In some cases, BB sold the machines.
- In others, it continued to operate the alleys.

Why? No market for the pinsetters and BB could make more money operating the alleys than it could with the machines sitting in a warehouse.

Competing bowling alleys sued on grounds of restraint of trade. The Supreme Court (Thurgood Marshall) ruled the act protects competition, not competitors.
The Basic Test

The Competitors were surely hurt by BB

But Consumer Plus Producer Surplus was increased

This suggests the modern test: is consumer plus producer surplus increased by allowing the practice? If so, it is OK. If not, then we have an antitrust issue.
Why this part? Our objective is to prevent inefficient monopoly practices. If there is no monopoly, we have no business analyzing the practice.

Many things firms do – even monopolies – hurt competitors but also make the consumer better off. We don’t want to prohibit them.

But not all firm behavior is angelic.

End

©2004 Charles W. Upton