

Other Issues

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

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Cartel

A Cartel

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- Economists stress the instability of cartels.
 - Incentives to cheat.
 - Entry

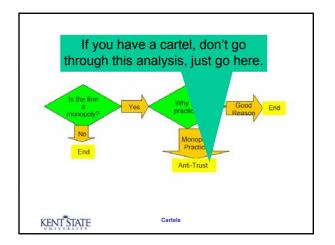
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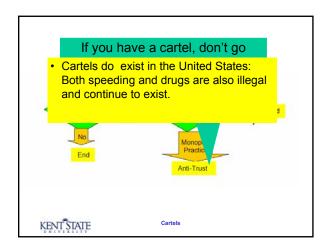
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- In the United States, a cartel is a per se violation of the Sherman Act.

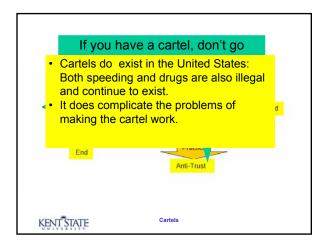
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The Electrical Equipment Manufacturers Conspiracy

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 - Seven officials went to jail for 30 days each, and the companies paid damages of over \$4 billion in current prices.
 - The arrangement grew out of a 1930's arrangement set up by the federal government, under the theory that the Depression would end if prices increased.



Cartels

The Electrical Equipment Manufacturers Conspiracy

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

Depression would end it prices increased.

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Cartels

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The Electrical Equipment Manufacturers Conspiracy

- 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.



Cartel

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- What caused the breakdown?

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- · What caused the breakdown?
 - Was government action necessary?
 - Would the cartel have collapsed on its own weight?

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The Electrical Equipment Manufacturers Conspiracy

- The system came to a complete halt when a DOJ investigation began.
- What caused the breakdown?
 - Was government action necessary?
 - Would the cartel have collapsed on its own weight?
- We will never fully know, but the evidence suggests that the cartel was barely surviving.



