Horizontal Restraints

Antitrust
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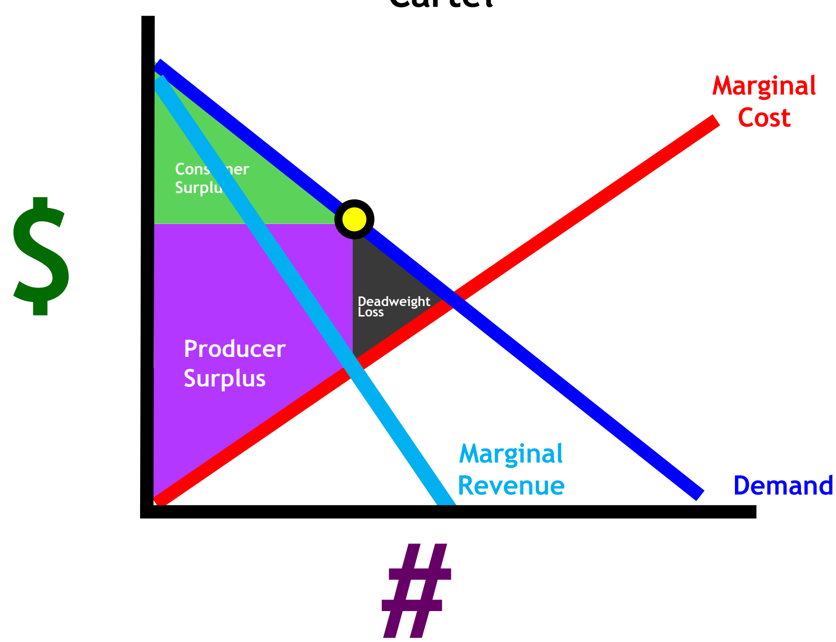
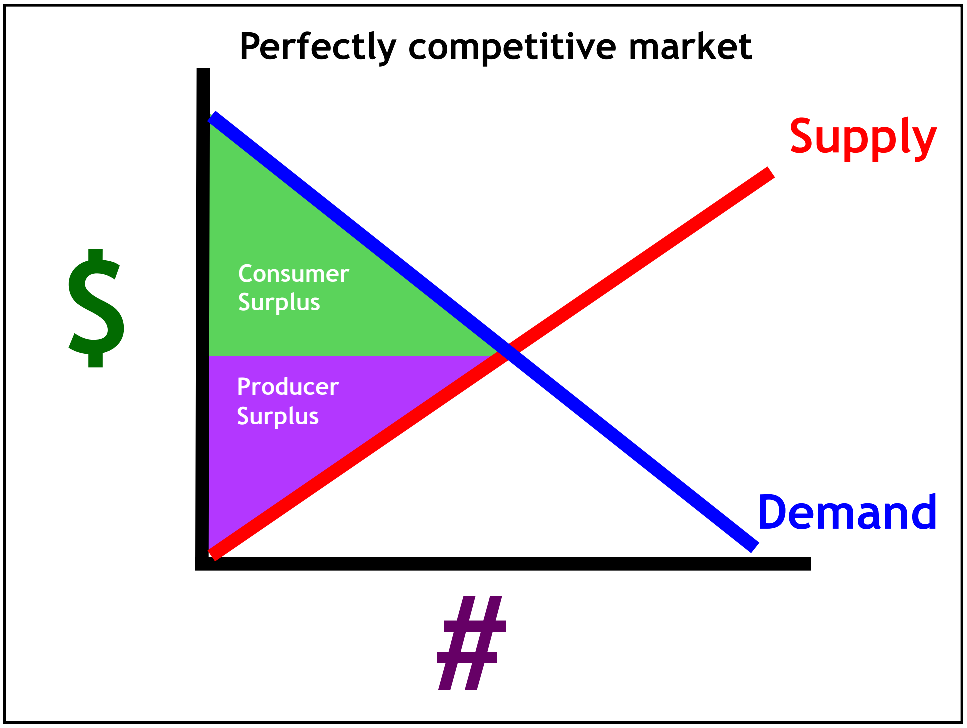
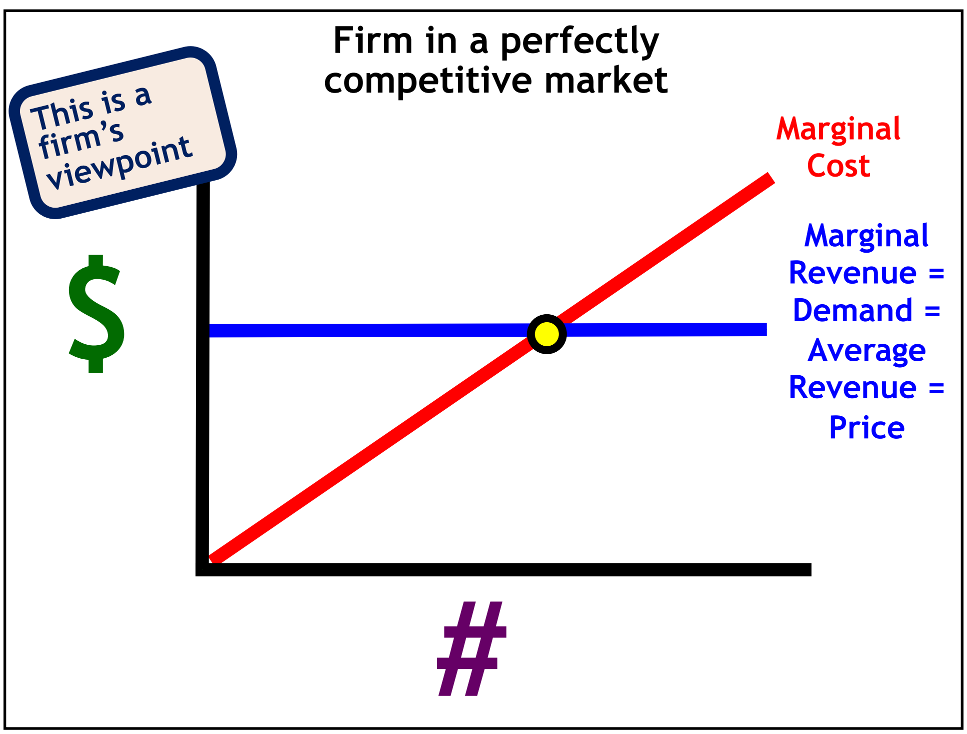
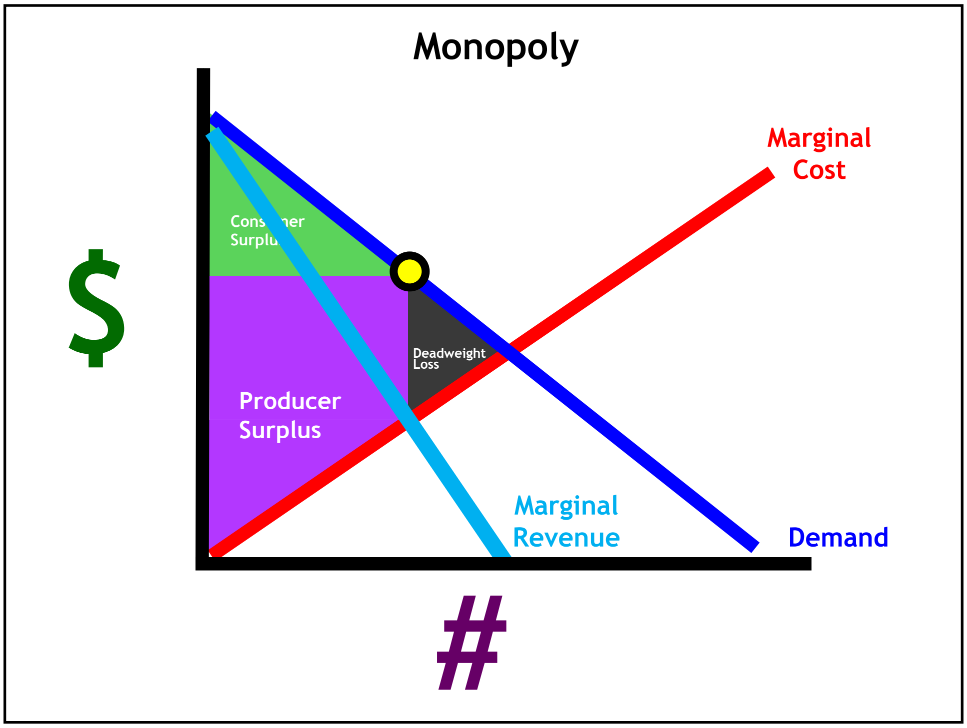
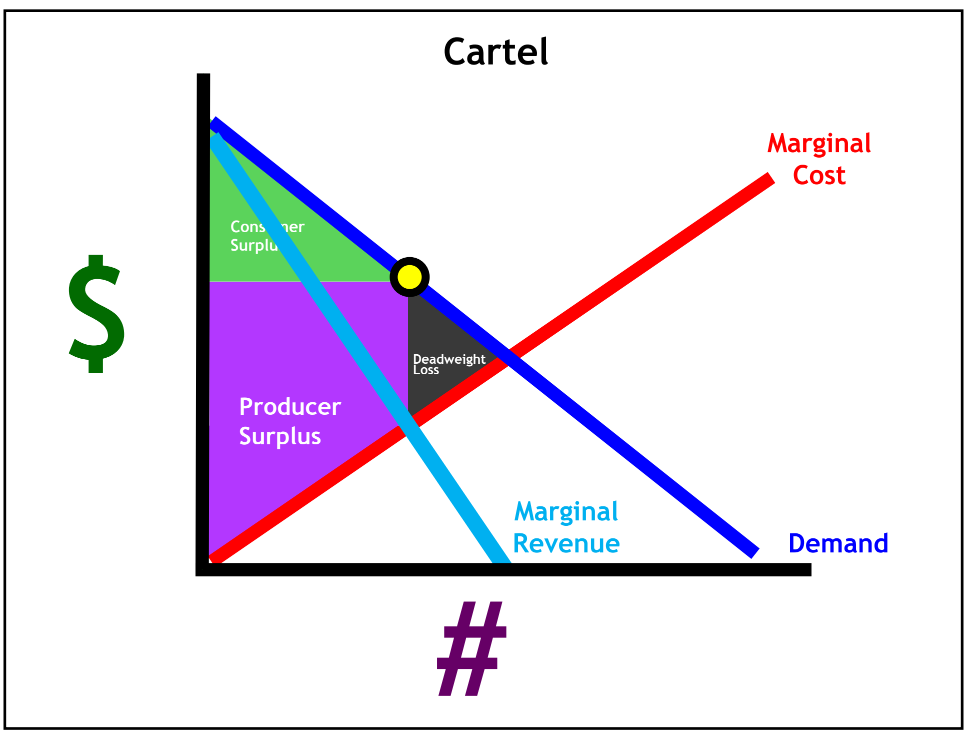
Cartel



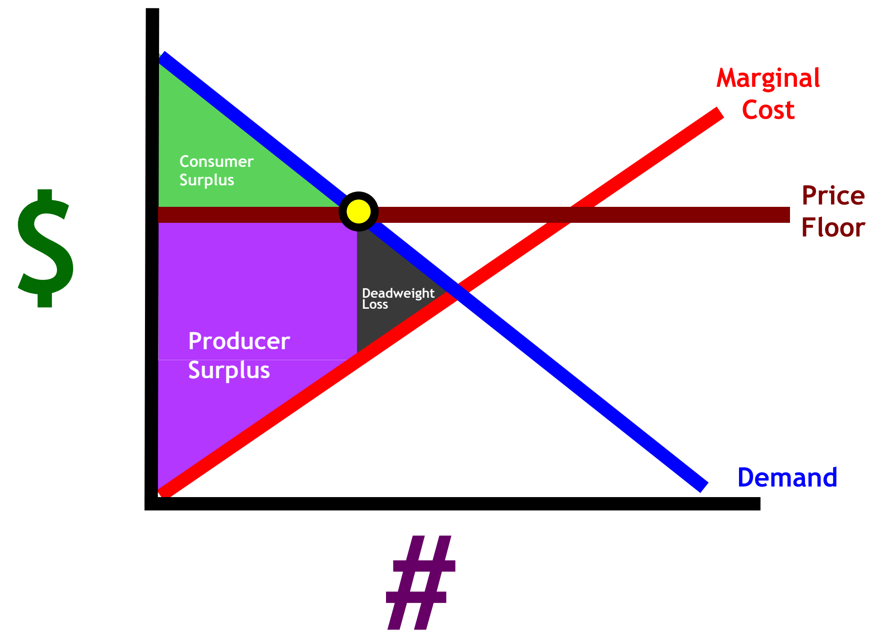

Perfectly competitive market
Supply
$
Consumer
Surplus
Producer
Surplus
Demand
#


Firm in a perfectly
competitive market
This is a
firm's
viewpoint
Marginal
Cost
Marginal
Revenue =
Demand =
Average
Revenue =
Price
$
#


Monopoly
$
Producer
Surplus
Deadweight
Loss
Marginal
Cost
Marginal
Revenue
Demand
#


Cartel
$
Producer
Surplus
Deadweight
Loss
Marginal
Cost
Marginal
Revenue
Demand
#

Price floor market

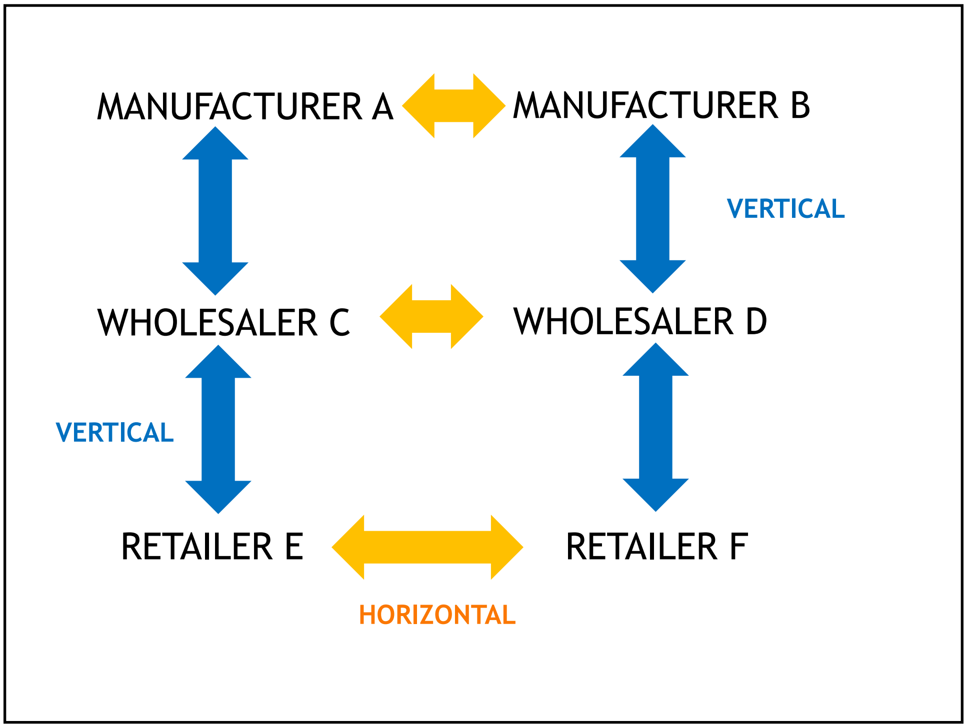


Per se, quick look, and rule of reason

Per se categories (solid)
- Horizontal price fixing
- Horizontal output caps
  - because of demand curve, fixing output generally has same effect as fixing price
  - sometimes easier for a cartel to coordinate (police)
- Horizontal market division
  - allows mini-monopolies such that participants can set price or output at profit maximizing level
  - sometimes easier for a cartel to coordinate (police)

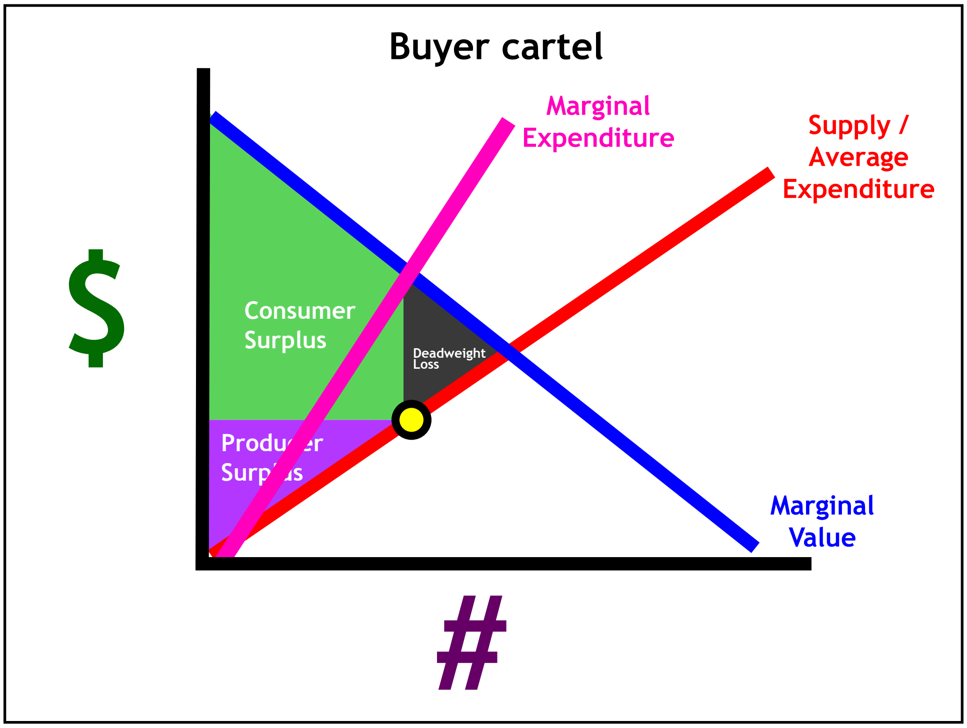
Quick-look rule of reason
- essentially RoR without empirical evidence steps

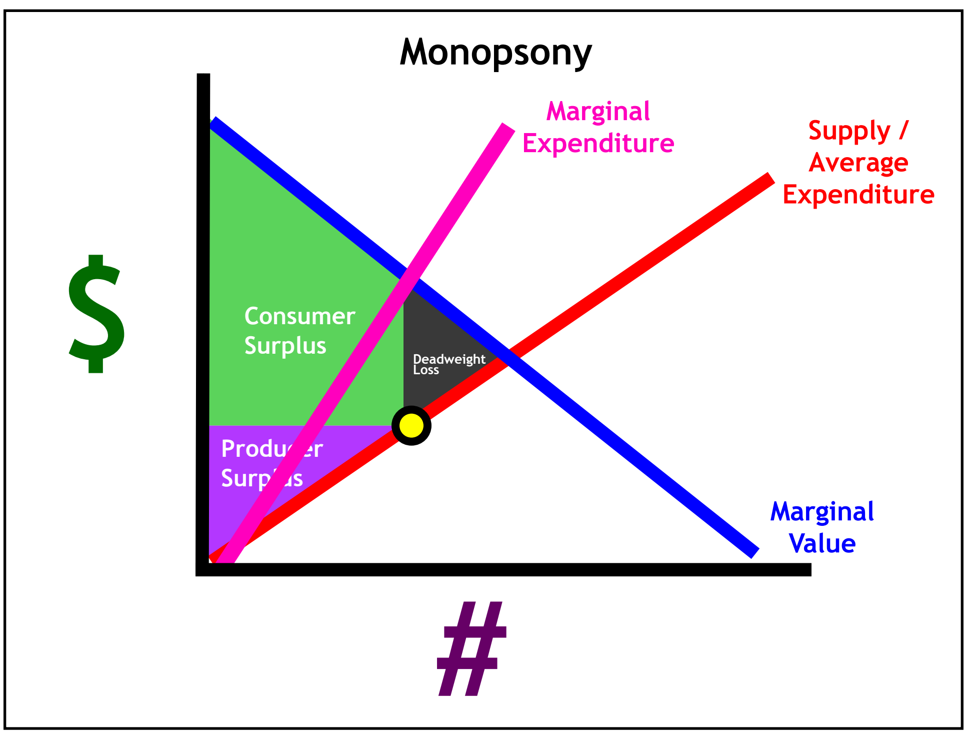
Rule of reason
- the default mode of analysis



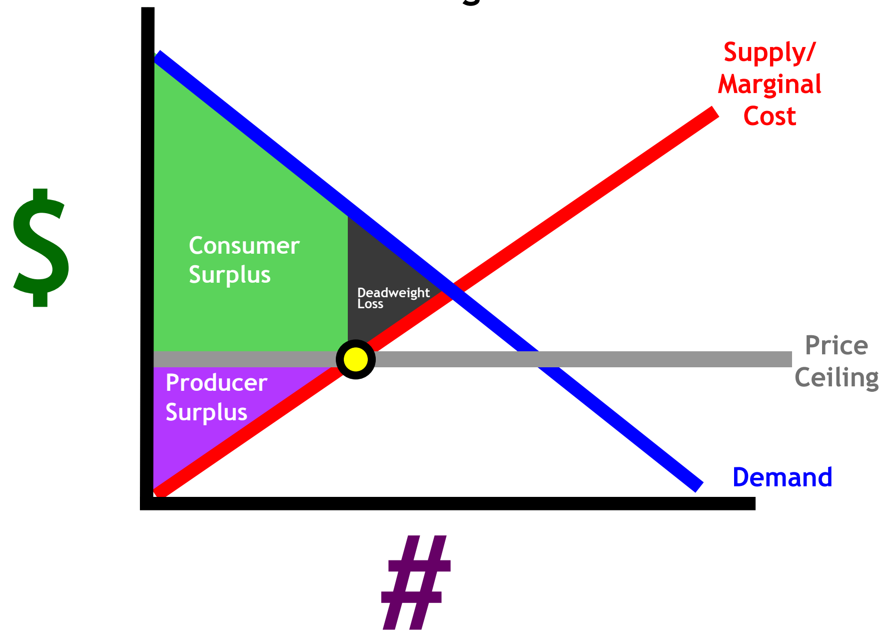
Buyer cartels under the Sherman Act § 1

- Buyer cartels that fix prices are illegal per-se under § 1 like seller cartels that fix prices.
- This is despite the fact that antitrust law is often said to be about enhancing consumer welfare.
- "The statute does not confine its protection to consumers, or to purchasers ... " *Mandeville Inland Farms v. American Crystal Sugar* (U.S. 1948)
- In *Mandeville Inland Farms,* there were only three sugar beet refineries that sugar beet farmers could sell to. All three agreed to purchase pricing according to a formula that was pegged to the average of all three refineries' profits—which set all their offer prices to the same level.
- But bona-fide joint purchasing that allows multiple smaller buyers to obtain advantages that large buyers can get, is actually looked on favorably by antitrust law.


Buyer cartel
Marginal Expenditure
Supply / Average Expenditure
$
Consumer Surplus
Deadweight Loss
Marginal Value
#

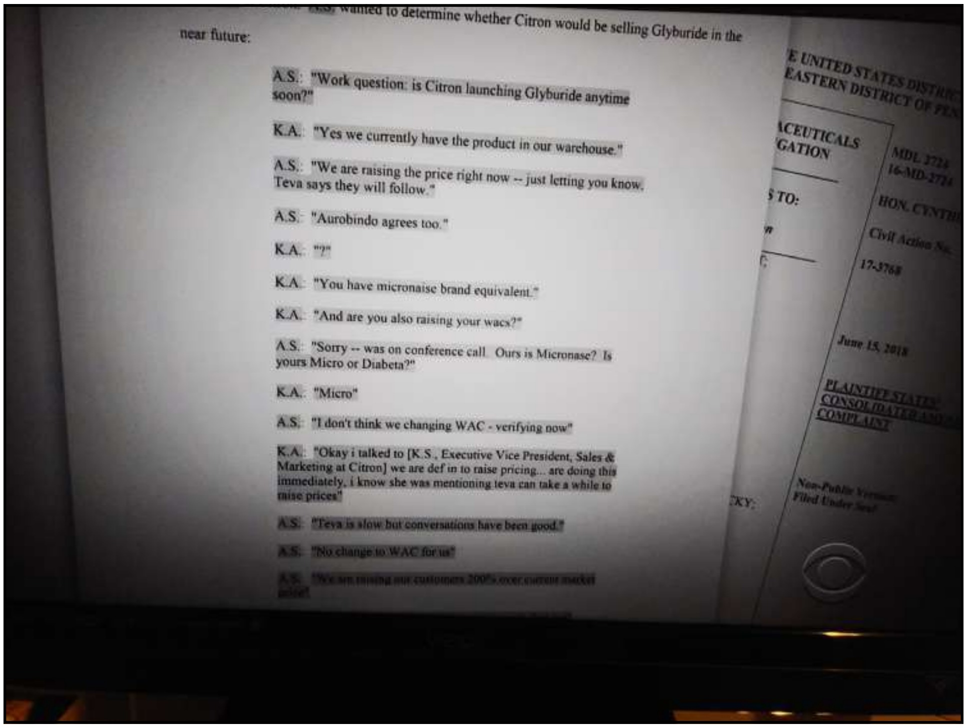

Monopsony
Marginal Expenditure
Supply / Average Expenditure
$
Consumer Surplus
Deadweight Loss
Marginal Value
#

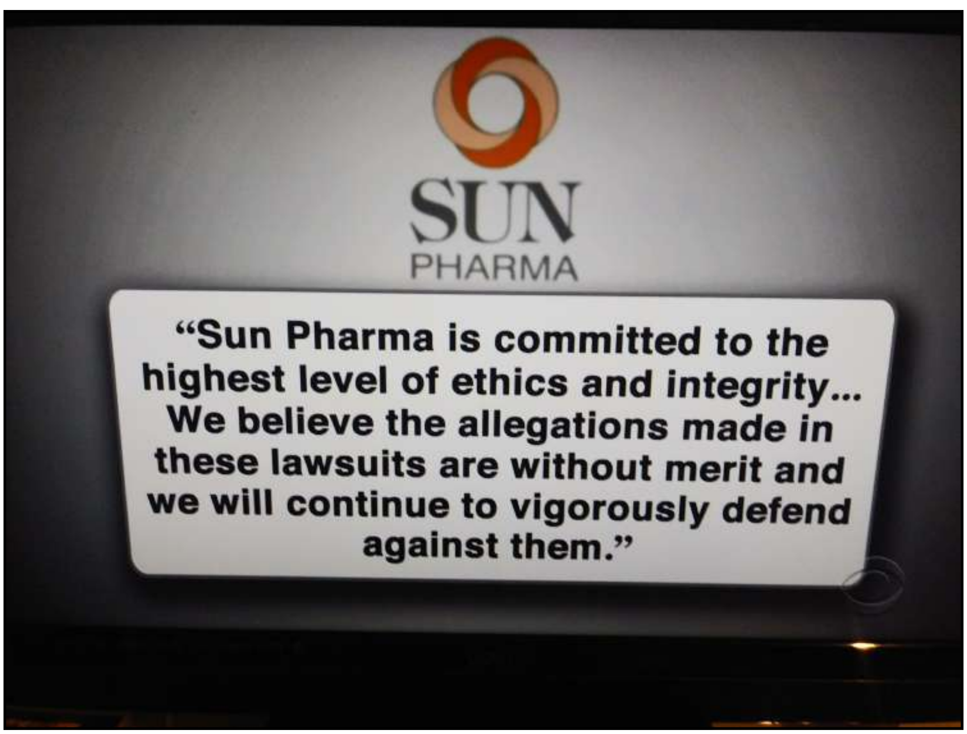
Price ceiling market



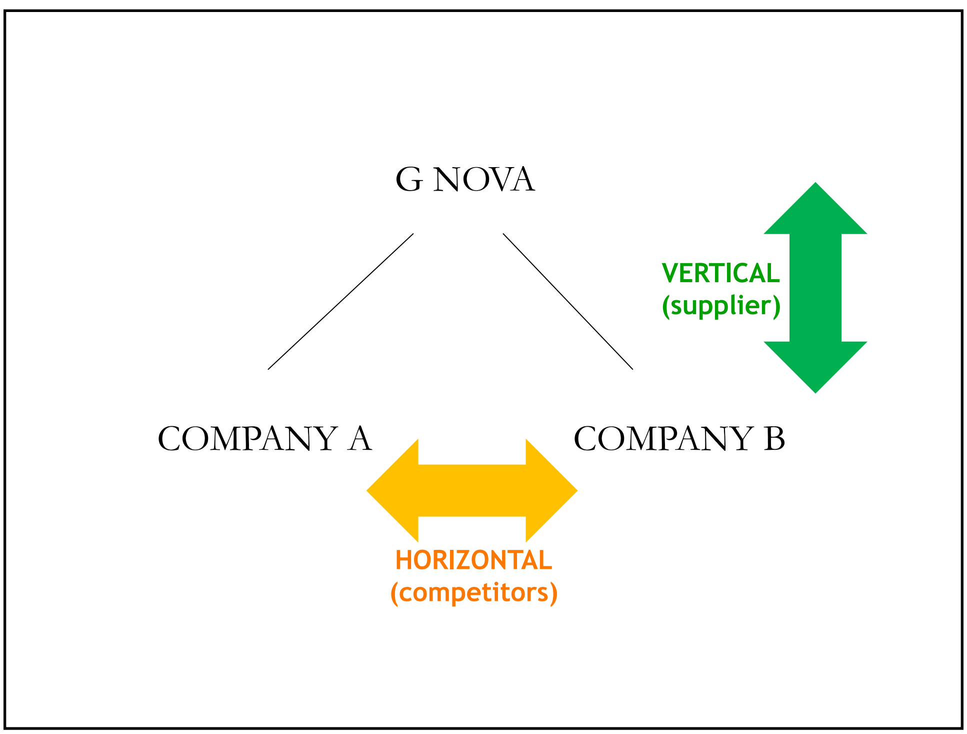
Bid rigging as per-se illegal under § 1

- Bid rigging is a form of per-se illegal price fixing, where price is determined by competitive bidding.
- Bid rigging can be on the seller side (e.g., construction companies taking turns on who will submit the winning bid for construction contracts, essentially market division)
- Bid rigging can also be on the buyer side, esp. in auctions.
- Bid rigging is a frequent focus for federal prosecutions.
- Bid rigging by real-estate speculators at foreclosure auctions in CA, GA, NC, & AL has resulted in more than 130 prosecutions since 2010 through a joint DOJ-Antitrust-Division/FBI task force.
- Aubrey McClendon (co-founder and former CEO of Chesapeake) was indicted in 2016 for a bid rigging conspiracy to buy oil and gas leases. (He died the next day in a single-vehicle collision.)


wanted to determine whether Citron would be selling Glyburide in the near future:
A.S.: "Work question: is Citron launching Glyburide anytime soon?"
K.A.: "Yes we currently have the product in our warehouse."
A.S.: "We are raising the price right now -- just letting you know. Teva says they will follow."
A.S.: "Aurobindo agrees too."
K.A.: "?"
K.A.: "You have micronaise brand equivalent."
K.A.: "And are you also raising your wacs?"
A.S.: "Sorry -- was on conference call. Ours is Micronase? Is yours Micro or Diabeta?"
K.A.: "Micro"
A.S.: "I don't think we changing WAC - verifying now"
K.A.: "Okay i talked to [K.S., Executive Vice President, Sales & Marketing at Citron] we are def in to raise pricing... are doing this immediately, i know she was mentioning teva can take a while to raise prices"
A.S.: "Teva is slow but conversations have been good."
A.S.: "No change to WAC for us"


SUN
PHARMA
"Sun Pharma is committed to the highest level of ethics and integrity... We believe the allegations made in these lawsuits are without merit and we will continue to vigorously defend against them."


Diesel


G NOVA
VERTICAL
(supplier)
COMPANY A
COMPANY B
HORIZONTAL
(competitors)