Antitrust/Fair Competition
Intro-main concerns
Merger-Varta Bosch
Airline
Monopolization – Microsoft
Mechanics of M&A
Joint Venture
Exemptions

- Antitrust law = default
- If government says you have to do it, then that’s that
- i.e. only one hospital
- Trend in financial services is that gov’t has been pulling back
- US is an outlier in the antitrust realm but EU is shifting towards us.
- Dual system between public and private system
- Who administers the antitrust laws?

Three evils:
1.) Collusion: 2 or more economic players who are supposed to be competing but figure they would do better if they didn’t; agreement to fix prices.
   “Bright line”

2.) Monopolization: the entity that is so big that is can abuse its power.
   - rule of reason” analysis
     - a.) almost never sanctioned by criminal charges
     - b.) “market power”
     - b.) “abuse of monopolization
   - most people are big because of super skills

3.) M&A
   - Before you engage in M&A you have to get approval in advance.
   - More speculative inquiry
   - Forward-looking

Varta Bosch
“Markets”
   product defn.
   geographic
• the party goes in to seek approval will define the market very broadly
• How do you measure market power?
• Look at market share:
• Barriers to entry/ “wing player”
  o This is more complicated in the international area
• Microsoft is a world-wide monopoly
• Collision-Airlines:
  o Some big airlines are floating big prices to see how other companies will react in the future.
  o Signaling behavior: gov’t has a hard time proving this
  o You can follow the market in prices, just not facilitate it.
  o Trade associations is a big problem
  o The very 1st company that comes forward in collusion will get more lenient offenses. (extends to companies not individuals)
• Other collision: somebody has a good lawyer
• In an antitrust case, if the person doing the suing wins, he gets 3 times damages and attorney’s fees.
• The law is designed to keep the bad people away and favors the complaining party “game of chicken”
• Monopolization-Microsoft
• Why would you say that in this case market power = market shower?
  o Network effect (every time a consumer uses the product it makes it more valuable because other people use it.)
  o Market share + network effect = market power
• Example 1: Alcoa steel manufacturer
• Example 2: Studios have bad movies
  o Studios have a monopoly; b/c independent studios can’t sell you a really good movie.
• Example 3: IBM gave colleges computers for really cheap, but competitors said IBM was not being nice by selling cheap mainframes because putting them in college is encouraging people to use computers.