The unkindest cuts?

The Economist

2009.8.22
追求利潤的方法

- 聯合行為, 例如, 聯合漲價 (collusion, cartel)
- A 廠商以不法手段打擊 B 廠商
- 何謂不法手段?
- 例如, Microsoft 的 IE browser
A monopoly explanation

• In the early 1970s Ronald Coase complained: an economist faced with a business practice that he cannot fathom “look for a monopoly explanation”

• A lot has changed in the 37 years since the lament

• Monopoly explanations now compete with the theories that see the same behavior as helpful to consumer
Antitrust against Intel

- The EU in May 2009 fined Intel US$1.44 billion for illegally using predatory pricing against AMD
- **predatory pricing**: Setting an artificially low price, e.g., below cost, so as to damage rival firms
- Intel rejects the charge and plans a court appeal
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Regulations

- U.S.: The Sherman Antitrust Act of 1890
- Low prices are one of the fruits of competition, so penalizing business giants for price cuts would be perverse
- Establishing that a firm is guilty of predation is difficult
- Even where a reliable price-cost test is feasible, failing it need not imply sinister intent
Reasons to forgo short-term profit

- Firms with a new product may wish to pick a loss-making price.
- Firms may expect their own costs to fall as they perfect the production process.
- So losses would be a licit investment in future profits.
• Predation is even trickier to uncover when goods are sold together
Rebates

- Firm may offer rebates to customers that reach certain sales targets
- This reflects suppliers’ **economies of scale**
- **Economies of scale**: long-run average total cost falls as the quantity of output increases
- Suppliers want retailers to promote their products and keep plentiful stocks
- Retailer’s profits are bigger once the target is met
Intel’s rebates

- EU reckons that Intel’s use of such rebates was nefarious (unlawful)
- For example: $1 for up to 9 units, and a unit price of 80 cents for sales of ten items or more. Hence the price of the tenth unit is minus one
- A smaller rival might not be able to offer a similar rebates
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Trustbuster

- EU’s trustbusters cannot feel too sure of themselves
- AMD is still alive and kicking
- Trustbusters have moved away from the practice that so concerned Mr Coase in the early 1970s, but there is a long way to go