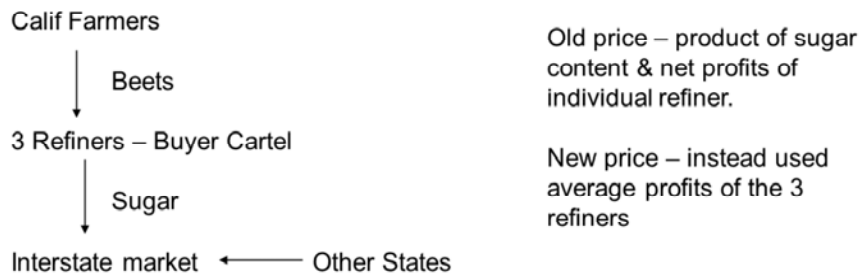
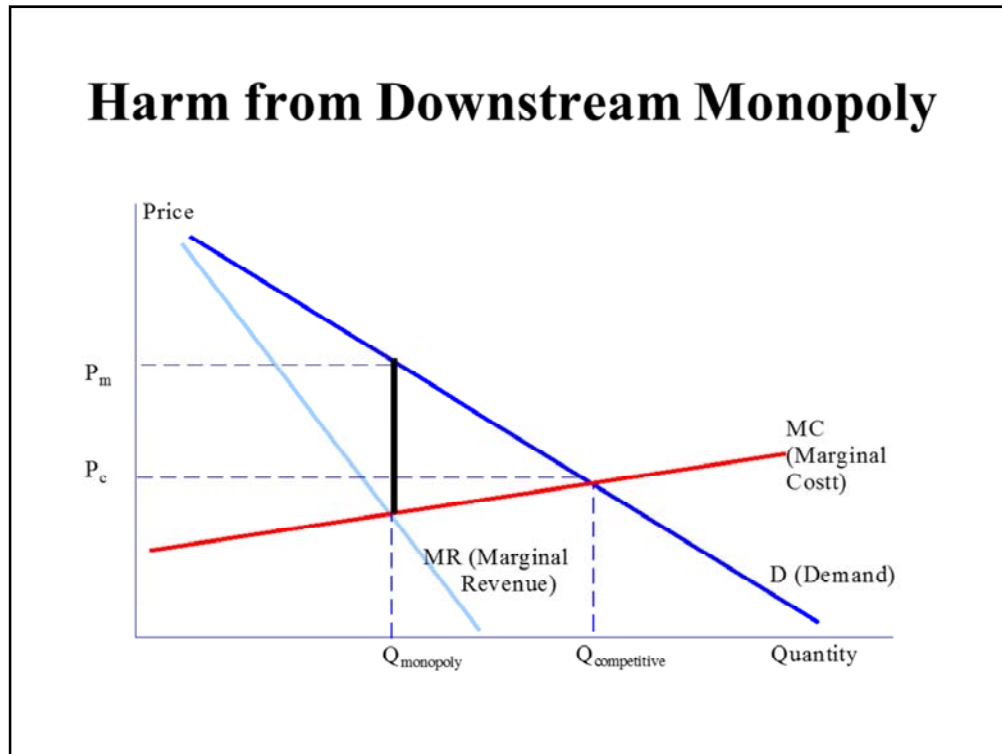


## MANDEVILLE (US 1948)



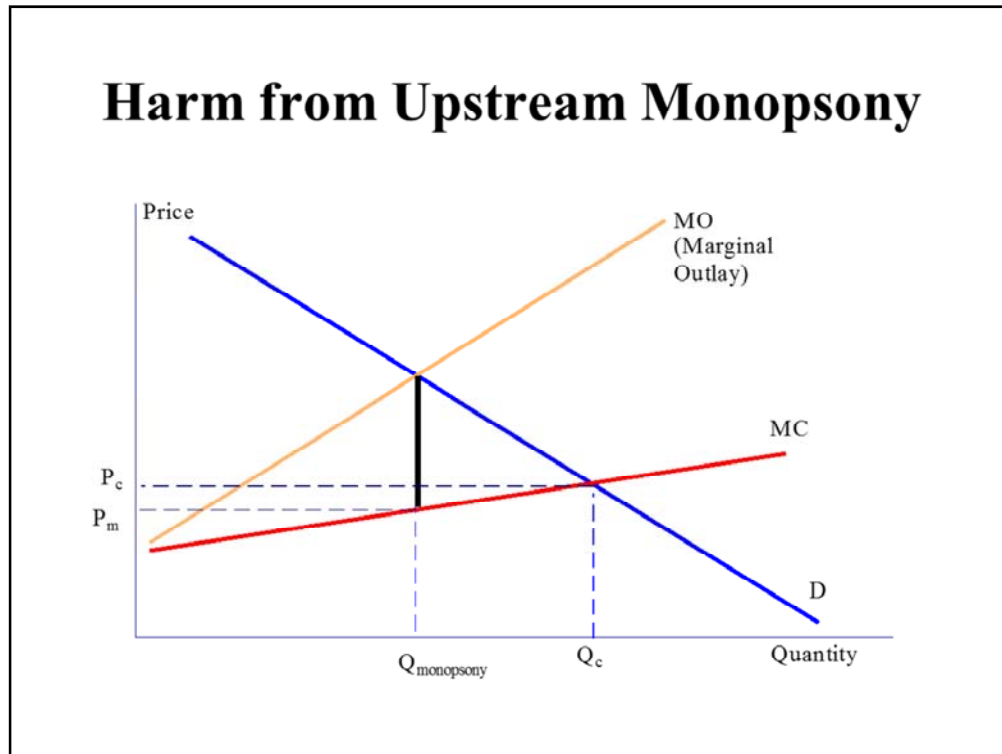
1. Should proving violation require showing downstream harm to consumers?
2. Does fact that beets prices were fixed based on downstream profits require inquiring into effect on downstream prices?
3. Does fact that beets were fixed based on average profits eliminate any adverse effect? Why would the most efficient refiner agree to such a formula for beet price fixing?

## Harm from Downstream Monopoly



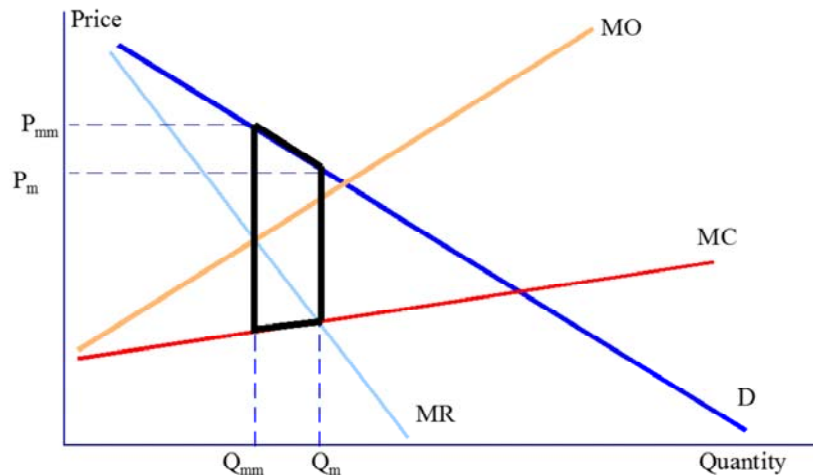
- Why does MR go down faster than price?
- Monopolist
  - \$100 price – 1 customer
  - \$99 price – 2 customers
    - Total revenue \$198
    - Marginal revenue  $\$198 - \$100 = \$98$
  - \$98 price – 3 customers
    - Total revenue -- \$294
    - Marginal revenue  $\$294 - \$198 = \$96$
  - MR drops twice as fast as price when linear
  - Key is has to lower price to both marginal and inframarginal customers

## Harm from Upstream Monopsony



- Why does MO – Marginal Outlay -- go up faster than price?
- Monopsonist
  - \$100 price – 1 beet
  - \$101 price – 2 beets
    - Total outlay \$202
    - Marginal outlay \$102
  - \$102 price – 3 beets
    - Total outlay -- \$306
    - Marginal outlay  $\$306 - \$202 = \$104$
  - MO rises twice as fast as price when linear
  - Key is have to raise price to both marginal and inframarginal inputs

## Double Harm from Upstream Monopsony, Downstream Monopoly



- If increase MC of monopolist, raises price
- If monopsonist upstream, prices by marginal outlay, so similar to increase in marginal cost
- Sets quantity where marginal revenue = marginal outlay
- Rebut intuition that decreasing costs upstream must lower prices to downstream customers
  - 1<sup>st</sup> show reducing prices upstream must reduce output upstream
  - Then reducing output upstream must reduce output downstream
    - Can't make something out of nothing
  - Reducing downstream output must increase prices downstream
  - If monopoly power downstream, then double whammy