## Contents

Pre	face	page xiii
1	Introduction	1
	1.1 Introduction	1
	1.2 Some Recent Examples	2
	1.2.1 Bid Rigging at Antique Auctions	2
	1.2.2 Information Sharing at Treasury Auctions	3
	1.2.3 American Express and the Boston Fee Par	
	1.2.4 Collusion on Campus: Financial Aid	6
	1.2.5 Collusion in Baseball's Free Agent Market	8
	1.2.6 The Market for College Athletes and Coac	
	1.2.7 Monopsony and Agriculture	11
	1.2.8 Upheaval in Health Care Markets	12
	1.3 Plan of the Book	14
2	The Antitrust Laws and Monopsonistic Forms of Co	nduct 16
	2.1 Introduction	16
	2.2 The Sherman Act	17
	2.2.1 Agreements in Restraint of Trade	17
	2.2.2 Monopolization and Attempts to Monopo	olize 20
	2.3 The Clayton Act	22
	2.3.1 Price Discrimination	23
	2.3.2 Tying and Exclusive Dealing	24
	2.3.3 Mergers	27
	2.4 A Taxonomy of Monopsony Cases	29
	2.4.1 Collusive Monopsony	30
	2.4.2 Single-Firm Conduct	36
	2.4.3 Mergers	40
	2.5 Concluding Remarks	40

viii Contents

Eco	onomic Theory of Monopsony	41
3.1	Introduction	41
3.2	A Simple Model of Monopsony	41
	3.2.1 The Welfare Effects of Monopsony	43
	3.2.2 The Effect of Monopsony on Output Price	45
3.3	Collusive Monopsony	48
	3.3.1 The Economics	48
	3.3.2 Conditions Conducive to Collusive Monopsony	49
	3.3.3 Organizing and Implementing a Buyer Cartel	50
	3.3.4 Problems for Collusive Buyers	51
3.4	Measuring Buying Power	53
	3.4.1 The Measurement of Buying Power	54
	3.4.2 The Buying Power Index: Pure Monopsony	54
	3.4.3 The Buying Power Index: The Dominant Buyer	55
	3.4.4 The BPI and the Department of Justice Threshold	60
3.5	Market Definition and the BPI	61
3.6	The Buying Power Index in Practice	64
3.7	Concluding Remarks	67
The	Antitrust Response to Monopsony and Collusive Monopsony	68
		68
4.2	Judicial Assessment of Market Power	69
		70
		78
	* *	78
	4.4.1.1 Classical Model	78
	4.4.1.2 Inelastic Supply and Perishable Commodities	79
		81
	·	
		82
		83
	'	85
	•	85
		86
	66 6	88
		91
4.5		93
		93
	e e e e e e e e e e e e e e e e e e e	96
4.6	e e	99
	3.1 3.2 3.3 3.4 3.5 3.6 3.7 The 4.1 4.2 4.3 4.4	<ul> <li>3.2.2 The Effect of Monopsony on Output Price</li> <li>3.3 Collusive Monopsony</li> <li>3.3.1 The Economics</li> <li>3.3.2 Conditions Conducive to Collusive Monopsony</li> <li>3.3.3 Organizing and Implementing a Buyer Cartel</li> <li>3.3.4 Problems for Collusive Buyers</li> <li>3.4 Measuring Buying Power</li> <li>3.4.1 The Measurement of Buying Power</li> <li>3.4.2 The Buying Power Index: Pure Monopsony</li> <li>3.4.3 The Buying Power Index: The Dominant Buyer</li> <li>3.4.4 The BPI and the Department of Justice Threshold</li> <li>3.5 Market Definition and the BPI</li> <li>3.6 The Buying Power Index in Practice</li> <li>3.7 Concluding Remarks</li> <li>The Antitrust Response to Monopsony and Collusive Monopsony</li> <li>4.1 Introduction</li> <li>4.2 Judicial Assessment of Market Power</li> <li>4.3 Monopsony Pricing</li> <li>4.4 Abuses of Monopsony Power</li> <li>4.4.1 Price Effects</li> </ul>

Contents	1X

	4.6.1 Mono	ppsony and Unexploited Scale Economies	101
	4.6.2 Differ	rent Supply Elasticities	103
	4.7 Concluding	Remarks	104
5	Cooperative Buy	ying Efforts	106
	5.1 Introduction	n	106
	5.2 The Theory	of Joint Purchasing	107
	5.2.1 Efficie	ency-Enhancing Cooperative Buying Ventures	108
	5.2.2 Enhai	nced Efficiency and Increased Buying Power	109
	5.3 Antitrust Re	esponses to Cooperative Buying Efforts	113
	5.3.1 The A	Ancillary Restraints Doctrine	113
	5.3.2 Appli	cation of the Ancillary Restraints Doctrine	
	to Eff	iciency-Producing Buying Agreements	115
	5.3.2.	1 Cooperative Buying	115
	5.3.2.2	2 Product Standardization	117
	5.3.2.3	3 Northwest Wholesale Stationers and	
		U.S. Department of Justice Guidelines	119
	5.3.2.4	4 A Structural Dilemma	121
	5.4 Concluding	Remarks	122
6	Bilateral Monop	oly	123
	6.1 Introduction	n	123
	6.2 Countervail	ling Market Power in Antitrust	124
	6.3 The Bilatera	al Monopoly Muddle	126
	6.4 The Correct	t Solution	127
	6.4.1 A Sim	nple Model of Bilateral Monopoly	128
	6.5 A Formula	Price Contract Solution	131
	6.5.1 Diffic	ulties with Vertical Integration	131
	6.5.2 Vertic	cal Integration by Contract	132
	6.5.3 Form	ula Price Contracts	133
	6.5.4 Perfor	rmance Characteristics	134
	6.6 Limitations	of Countervailing Power Considerations	136
	6.6.1 Trans	action Costs	136
	6.6.2 The R	tisk of Seller Collusion	138
	6.6.3 Oligo	poly and Oligopsony	140
	6.7 Concluding	; Remarks	141
	Appendix: Price	Determination in Bilateral Monopoly	142
7	Monopsony and	Antitrust Enforcement	146
	7.1 Introduction	n	146
	7.2 Private Enfo	orcement	146

x Contents

		7.2.1 Antitrust Injury	150
		7.2.2 Antitrust Standing	152
	7.3	Applying the Standards	156
		7.3.1 Collusive Monopsony	157
		7.3.1.1 Price Fixing	157
		7.3.1.2 Market Division	162
		7.3.1.3 Boycotts	163
		7.3.2 Monopsonization	163
		7.3.2.1 Nonprice Efforts	163
		7.3.2.2 Predatory Pricing	164
	7.4	Mergers	166
	7.5	Price Discrimination	167
	7.6	Concluding Remarks and Measuring Antitrust Damages	168
8	Mo	nopsony in Action: Agricultural Markets	172
	8.1	Introduction	172
	8.2	The Monopsony Problem	173
	8.3	Monopsony Power and Contract Power	174
	8.4	Tying and Reciprocal Dealing	179
	8.5	Alternative Approaches to Agricultural Buying Power	182
	8.6	Concluding Remarks	187
9	Mo	nopsony in Action: The NCAA	188
	9.1	Introduction	188
	9.2	Introduction to the NCAA	188
	9.3	Collusive Monopsony	189
	9.4	The NCAA and Collusive Monopsony	190
		9.4.1 Organizing Limits on Prices and Quantities	191
		9.4.2 Revenue Sharing	194
		9.4.3 Sanctions for Cheating	194
	9.5	Antitrust Challenges to the NCAA Monopsony	196
		9.5.1 Walk-on Athletes: In re NCAA I-A Walk-on	
		Football Players Litigation	197
		9.5.2 Undercompensation: White v. NCAA	198
		9.5.3 Numbers of Coaches: Hennessey v. NCAA	199
		9.5.4 Coaches' Compensation: Law v. NCAA	201
	9.6	Concluding Remarks	204
10		nopsony in Action: Physician Collective	
	Bar	gaining: Monopoly or Bilateral Monopoly	205
		Introduction	205
	10.2	2 Economic Rationale of the State Legislation	207

V1
AI

10.3	The Effect of Cooperative Bargaining	208
10.4	Reaction of the Federal Trade Commission	208
10.5	Economic Rationale of FTC Concerns	211
10.6	State Action Doctrine	211
	10.6.1 Background	212
	10.6.2 Clear Articulation	212
	10.6.3 Active State Supervision	213
	10.6.4 Information Available	215
10.7	Diagnosing Monopsony Power	215
	10.7.1 Statutory Guidance	216
	10.7.2 Monopsony and Monopsony Power	217
	10.7.2.1 Analysis of the Relevant Product	
	(or Service) Market	217
	10.7.2.2 Analysis of the Relevant Geographic Market	218
	10.7.2.3 Measuring Monopsony Power	218
	10.7.2.4 Importance of Entry Barriers	220
	10.7.2.5 Implications of the BPI	220
	10.7.3 Calculating Market Shares	221
10.8	Postnegotiation Review	222
10.9	Concluding Remarks	222
11 Final (	Comments	224
11.1	Introduction	224
11.2	The Evolving Nature of Antitrust Law	224
11.3	Issues of Antitrust Injury and Standing	225
11.4	Cooperative Buying and Bilateral Monopoly	228
11.5	The Pervasiveness of All-or-None Supply	230
11.6	Single-Firm Behavior	231
Bibliograp	hy	233
Index		245