ASSIGNMENT 7

Answers to this assignment are due back by Friday, April 1, 2016.

1. Antitrust

Section 1 of the Sherman Act of 1890 declared illegal "every contract, in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations". Enforcement is the responsibility of the Antitrust Division of the U.S. Department of Justice.

Pick some recent antitrust action by the DoJ, and
a. Explain what the DoJ did or decided;
b. Explain why it took this action; and
c. Evaluate briefly whether this action is likely to be economically beneficial.

Information can be found on the Web Site of the Antitrust Division under "Antitrust Case Filings": pick one, and click on "Information" or some other relevant term for more information. A Web search will also yield useful information on important cases. Be warned: there are a lot of filings!

2. Cournot Model

a. Suppose the demand for output is given by
   \[ Q = 120 - P \]
   and the marginal (and average) cost of production is constant, at 30. Assuming two firms and Cournot competition, compute the Nash equilibrium outputs, prices, and profits. Graph the reaction curves.
b. Calculate the Lerner index for the typical firm in this market.

1. Cartels

Use the web or other source to find an example of a real cartel. Write a short paragraph (200 words maximum) about it, including (if possible) when it was established, how successful it was, how long it lasted, and what goods or services were involved.