Antitrust
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AMALGAMATED PRACTICE QUESTIONS - MULTIPLE CHOICE

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PARTIAL LIST OF TYPICAL INSTRUCTIONS:
1. Unless expressly stated otherwise, assume that the facts recited herein occur within the United States in a hypothetical state.
2. Unless directed otherwise, base your answer on the federal law and other relevant law in the United States, including all rules, procedures, and cases as presented in class and in the assigned readings, as well as, where appropriate, the theory and history discussed in class, plus any hypothetical laws presented in the facts.
3. A reference to “can sue,” “can bring an action,” “has a claim,” etc., refers to a plaintiff’s or prosecutor’s ability to properly allege and plead a claim with some substantial promise of success on the merits.
4. Each question has one correct answer. Choose the correct answer based on the materials assigned and information presented in class.
5. Each correct answer is worth one point. There is no penalty for incorrect answers.
NOTE THE FOLLOWING FOR QUESTIONS 1 THROUGH 3:
The following diagram is a standard supply-and-demand diagram. The vertical axis represents price, which increases going upward. The horizontal axis represents quantity, which increases going to the right. Assume that the assignment of the letters A, B, C, D, and E is arbitrary. Assume also that the colors on the graph are arbitrary.

1. In the diagram, what represents deadweight loss, and what is deadweight loss?

   (A) A represents deadweight loss. Deadweight loss is any quantifiable decrease in productive efficiency.
   (B) B represents deadweight loss. Deadweight loss is the reduction in surplus caused by a market distortion—representing unrealized transactions that would have been mutually beneficial for producers (sellers) and consumers (buyers).
   (C) C represents deadweight loss. Deadweight loss is surplus that is transferred from producers (sellers) to consumers (buyers) because of a constraint on the market—in this case a price ceiling, which moves the point of equilibrium downward.
   (D) D represents deadweight loss. Deadweight loss is a decrease in equilibrium caused by a fixed market restraint.
   (E) E represents deadweight loss. Deadweight loss is any quantifiable decrease in allocative efficiency.

2. In the diagram, what represents consumer surplus?

   (A) A is consumer surplus.
   (B) B is consumer surplus.
   (C) C is consumer surplus.
   (D) D is consumer surplus.
   (E) E is consumer surplus.
3. Assume, for the purposes of this question only, that the diagram relates to U.S. production and sales of potatoes by potato farmers as well as the purchase of potatoes from potato farmers in the United States. Also assume that there are thousands of potato farmers in the United States each producing a tiny portion of the overall U.S. potato crop. Given those assumptions, how can the graph be accurately described? For instance, does the diagram appear to depict a market-wide view, showing the overall market for potatoes including all potato farmers and all potato purchasers? Or does the diagram appear to depict a single-farm view, showing the situation faced by a single potato farmer in making decisions such as whether to raise the price she or he charges for potatoes and whether to produce more or fewer potatoes?

(A) The diagram represents a single-farm view because the assumptions describe a market of monopolistic competition, in which case demand and average prices are equivalent concepts.

(B) The diagram represents both a single-farm view and a market-wide view because it depicts the occurrence of allocative inefficiency, such as is associated with monopoly, cartel, or, in this case, an imposed price ceiling.

(C) The diagram represents a single-farm view because what is described in the assumptions is a market of monopolistic competition, thus demand is somewhat inelastic.

(D) The diagram represents a market-wide view because, according to the given assumptions, the market is one of monopolistic competition, which explains why demand would be almost perfectly inelastic.

(E) The diagram represents a market-wide view because the assumptions imply the market is one of essentially perfect competition, and if that is the case, then the demand faced by a single small farmer would be perfectly elastic.

4. Which appears most plausible under current law?

(A) A timber company brings a private civil action under Sherman Act §1 against a farming cooperative in Madagascar that admittedly has no substantial or palpable effect on U.S. commerce.

(B) The California state attorney general, as parens patriae, brings a Sherman Act §1 civil claim in California state court against owners of truck stops for naked price-fixing of the retail price of diesel fuel.

(C) The FTC brings a criminal action under the Sherman Act §1 against owners of truck stops for naked price-fixing of the retail price of diesel fuel.

(D) The DOJ brings a criminal action against members of a labor union under the Sherman Act §1 for fixing the price of wages for factory work by threatening to go on strike against any factory that pays any worker less than $25 per hour.

(E) The DOJ brings a Sherman Act §1 civil claim against makers of vehicle airbags for agreeing amongst themselves to adhere to privately adopted safety standards.
5. In the state of Floribama, three bills have been introduced in the state legislature regarding minimum retail prices for gasoline.

A bill introduced by Rep. Xiang would create a State Commission on Gasoline Pricing, which would be composed of five state employees selected by the governor for staggered five-year terms. The Commission would consider arguments made and evidence submitted by gasoline retailers, consumer groups, and other stakeholders. After consideration of these arguments, on a weekly basis, the Commission would set the minimum price at which it is legal to sell gasoline in the state of Floribama for the following week.

A bill introduced by Rep. Yacano would create a Floribama Department of Fuel Commerce (FDFC), a state agency, to call and oversee twice-weekly meetings of gasoline retailers to discuss minimum prices for gasoline and make recommendations to the FDFC director, who may then adopt the recommendations without hearing additional stakeholder input. The FDFC director is a state employee who is appointed for a four-year term by a three-member panel consisting of the governor, the lieutenant governor, and the speaker of the Floribama House of Representatives. Once appointed, the FDFC director cannot be fired, but may only be removed from office on the basis of criminal activity or mental incompetence by legislative impeachment proceedings.

A bill introduced by Rep. Zabrowski would require a weekly meeting of gasoline retailers to set minimum retail prices. The meeting would be run by a private industry association whose membership would be made up of the state’s gasoline retailers. The management of the association would be elected by the membership. Once the private association has set a minimum price in this way, such price would be the minimum price at which it is legal to sell gasoline in the state of Floribama until the minimum price is changed by the association.

Which of the following is most accurate regarding what would happen if the bills were to become law?

(A) Gasoline retailers are likely to be immune from federal antitrust liability under the bills introduced by Rep. Xiang, Rep. Yacano, and Rep. Zabrowski.

(B) Gasoline retailers are likely to be immune from federal antitrust liability under the bills introduced by Rep. Xiang and Rep. Yacano, but would be likely be subject to federal antitrust liability for acting pursuant to the bill introduced by Rep. Zabrowski.

(C) Gasoline retailers are likely to be immune from federal antitrust liability under the bill introduced by Rep. Xiang, but would be likely be subject to federal antitrust liability for acting pursuant to the bills introduced by Rep. Yacano and Rep. Zabrowski.

(D) Gasoline retailers are likely to be immune from federal antitrust liability under the bill introduced by Rep. Yacano, but would be likely be subject to federal antitrust liability for acting pursuant to the bills introduced by Rep. Xiang and Rep. Zabrowski.

(E) Gasoline retailers are likely not to be immune from federal antitrust liability for acting pursuant to any of the bills introduced by Rep. Xiang, Rep. Yacano, or Rep. Zabrowski.
6. Which describes conduct of Hexetron that is most likely not to be deemed exclusionary conduct with regard to DNA sequencers under the second prong of a monopolization claim under §2 of the Sherman Act?

(A) Hexetron began refusing to license a patent to rivals, where the technology covered by the patent was necessary for rivals to offer DNA sequencers that, like Hexetron DNA sequencers, are interoperable with Hexetron automated lab equipment.

(B) Hexetron began refusing to work with any distributors who are also distributors of rivals’ DNA sequencers.

(C) Hexetron has made deals with 47 of the top 50 buyers of DNA sequencers that Hexetron will be their exclusive DNA sequencer supplier for the next five years. The group of 47 buyers includes most of the major universities, government agencies, diagnostic services providers, and private research companies that are the heaviest users of DNA sequencers.

(D) Hexetron dropped the prices on their fifth-generation real-time whole-genome DNA sequencers from $250,000 per unit to $75,000 per unit. This is below the marginal cost of rival Nakatomi Genomics, which is $125,000 per unit, but it is above Hexetron’s per-unit marginal cost, which is $50,000.

(E) Hexetron previously certified maintenance technicians for working with Hexetron DNA sequencers regardless of whether those technicians were also certified to work on DNA sequencers made by other manufacturers. Hexetron has now, however, started refusing to certify maintenance technicians unless they agree not to be certified by any other manufacturer.