

*Dominant Firm Conduct:  
Lessons from Early Antitrust  
Enforcement*

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DOJ/FTC Hearings on Single Firm  
Conduct and Antitrust Law

# *Overview*

- ◆ First dominant firms arose out of Trust movement and merger to monopoly
- ◆ Comparative case studies on
  - ◆ Standard Oil
  - ◆ U.S. Steel
  - ◆ American Sugar Refining Corporation
- ◆ Lessons on dominant firm behavior and effect of antitrust prosecution and remedy.

# *Standard Oil*

- ◆ An aggressive competitor.
- ◆ Supreme Court found Standard Oil guilty, ordered dissolution.
- ◆ Comanor and Scherer (1995) argue that dissolution improved long term industry performance.
- ◆ Dissolution of formerly independent entities aided success of remedy, Kovacic (1999).

# *United States Steel*

- ◆ U.S. Steel a price umbrella for fringe firms, gradually lost market share
- ◆ Supreme Court found in favor of U.S. Steel.
- ◆ Dissolution would have lowered steel prices, Mullin, Mullin, and Mullin, 1995.
- ◆ US Steel's acquisition by long term lease of Hill iron ore properties viewed as anti-competitive by contemporary antitrust authorities.

# *U.S. Steel Enforcement Lessons*

- ◆ Antitrust law protects competition, not competitors.
- ◆ Supreme Court's 1920 acquittal seemed influenced by competitor praise.
- ◆ New contractual arrangements may have efficiency motivations.
- ◆ Hill ore lease best explained as efficiency enhancing rather than vertical foreclosure, Mullin and Mullin, 1997.

# *American Sugar Refining Corporation*

- ◆ Profitably engaged in predatory pricing, Genesove and Mullin, 2006.
- ◆ Department of Justice prosecution resulted in a consent decree.
- ◆ Antitrust serves as a deterrent
- ◆ Government victories in American Tobacco and Standard Oil cases helped induce partial “voluntary” divestiture.