THE ECONOMY TODAY 13e

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YouTube READY

YouTube Title: "Archer Daniels Midland Segment from "Fair Fight in the Marketplace"
http://www.youtube.com/watch?v=DPXTsPS-hyw
Video Length: 6:28 minutes

Chapter 25: Oligopoly, p. 559
Topic: Coordination Problems, p. 573
Key Terms: Oligopoly, cartel, anti-trust laws, price-fixing, concentration ratio
Learning Objective 3: How interdependence affects oligopolists' pricing decisions.

Economic Application
This video segment from "Fair Fight in the Marketplace," describes a worldwide price-fixing conspiracy by Archer Daniels Midland (ADM) in the production of an amino acid (L-Lysine, a feed additive) used by ranchers for livestock and poultry. The cartel that was created in the market for amino acids raised an additional $200-250 million in profits through price-fixing and collusive behavior.

Multiple-Choice Question
The cartel depicted in the video segment from "Fair Fight in the Marketplace," engaged in price fixing in order to:

a) keep their customers as their friends.
b) create a situation where more firms will enter the amino acid market.
c) create a situation where the cartel is complying with U.S. anti-trust laws.
d) increase their profits.

Discussion Question
Why did the cartel depicted in the video segment (including Archer Daniels Midland) engage in price-fixing when it is clearly illegal?