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Panelists say Guppi is a useful tool, but no safe harbor

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IN BRIEF

The Gross Upward Pricing Pressure Index, or Guppi, is a useful economic indicator to help regulators calculate the potential of a merged company to increase prices, but it doesn't create a rigid presumption of harm and it is unclear where it fits relative to other tools used to measure the potential for harm, former regulators said Wednesday.

The Gross Upward Pricing Pressure Index, or Guppi, is a useful economic indicator to help regulators calculate the potential of a merged company to increase prices, but it doesn't create a rigid presumption of harm and it is unclear where it fits relative to other tools used to measure the potential for harm, former regulators said Wednesday.

"Where Guppi substitutes for other things like drawing circles on a map and counting with our fingers, this is better," Joshua Wright, a former commissioner of the Federal Trade Commission, said at a conference.* "But we don't have a Guppi safe harbor. It's a good guide, but it can't be used as a safe harbor."

Carl Shapiro, the former top economist in the Department of Justice's antitrust division, and Joseph Farrell, onetime director of the FTC's Bureau of Economics, champion Guppi as a way to measure the ability of a merged company to raise prices on its own.

In making the calculation, the regulator determines how many sales a retailer being acquired diverts from the company buying it, and then sees if the deal would give the merged company the power to raise prices.

The Guppi is easy to use in retail mergers because of the availability of data, but panelists said it is likely to spread to other data-heavy industries in the future.

Henry Su, an attorney and advisor to FTC Chairwoman Edith Ramirez, said it's important to understand the context within which the Guppi is used.

"Are you talking about an investigation or putting on a case to a judge?" he said. "It's good to frame the dialogue in talking to the agencies to see where there could be problems, but using it to make a case in court, that could require more."

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