

## A Legal and Economic Analysis of Firms' Boycott Behavior

Chen, Feng-Chin, Chen, Wen-Sheng and Chen, Chia-Yon \*

### Abstract

Rests on the 19<sup>th</sup> clause 1st section stipulation of the Fair Trade Law, it must, basically, have the initiators, participants and victims of boycotts and then that can establish the boycotts behavior. The boycotts behavior, an unfair mean, will be able to create the effect of competition restraints to the competitor. The nature of boycotts behavior itself includes both unfair competition and competition restraints. For maintaining the fair competition of the market, it must legislate against the boycotts behavior. The purpose of the legislation is to prevent the victims of boycotts from being boycotted and to assure the participants of boycotts that they can free to decide and choose their counterparties.

As per Economics, the market can be classified into monopoly, monopolistic competition and oligopoly. In addition, depending on the state of the market that the initiators, participants and victims of boycotts encounter, boycotts behavior can be further categorized into eight types under single, concerted, horizontal and vertical boycotts. By the economic analysis, we found that boycotts contributes to a disadvantageous economic effect, such as a price-rising, a decline in consumer surplus and a leveling down of social welfare, no matter what it is in a competitive market structure or in a dominant firm market structure. The cases of the administrative disciplinary actions by Fair Trade Commission indicate that any unfair boycott should be censured and prohibited. For maintaining the fair-trading competition, the boycotts behavior should be forbidden in

---

Date submitted: July 31, 2008

Date accepted: December 19, 2008

\* Chen, Feng-Chin, Lecturer, Department of Innovation Management, Aletheia University; Chen, Wen-Sheng, Lecturer, Department of Business Administration, National Kaohsiung University of Applied Sciences; Ph.D. Candidate, Department of Resources Engineering, National Cheng Kung University; Chen, Chia-Yon, Professor, Department of Resources Engineering, National Cheng Kung University.