Vertical relations in cartel theory: managerial incentives, buyer groups & antitrust damages

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Martijn’s research is on the economics of competition, with a focus on cartels. This dissertation was written from 2007 – 2011 at the Amsterdam Center for Law & Economics and during a research visit at the Tufts University School of Economics. Chapter 2 was awarded the 2011 Robert F. Lulekoff Prize for the best paper in antitrust economics at the annual International Industrial Organization Conference (IIO) organized in Boston, April 2011.

In the summers of 2007 and 2008, Martijn worked as an Assistant Economist at the U.K. Competition Commission and as an Economic Summer Intern at the U.K. Office of Fair Trading. He also assisted in several private economic consultancy projects.

In addition to his theoretical interest in competition economics, Martijn is an active market competitor himself. He co-created a small fish-tart label, runs an online shop in lamps, and recently founded a_G&M fast-food preparation agency. Martijn enjoys applying economic theory to his ventures, which, in turn, serve as an inspiring source for academic research.

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Background material to this dissertation is available at carteltheory.com. You can find my research and papers in their most updated form, as well as media files on cartels, such as a Netherlands Competition Authority (NMa) film on leniency programs; the trailer of cartel movie _The Informant_ featuring Matt Damon; and undercover FBI footage of the Lysine Cartel’s secret hotel meetings (_Lysine Tapes_).

**Vertically related**

**cartel**

A cartel is a group of firms collectively attempting to restrict competition among them. Cartel members most commonly do so by fixing prices, sharing markets, or rigging bids.

**competition policy**

Competition policy is the set of legal measures to fight cartels and to protect fair competition in the market. This dissertation aims to contribute to the theoretical basis of competition policy.

**vertical relations**

I extend the basic horizontal model of cartels by allowing for vertical relations within (part I) and among (parts II & III) firms.

**cartel theory**

The horizontal model in cartel theory assumes that firms interact as profit-maximizing black boxes on the market.

**PART I**

**managerial incentives**

Virtualy all discovered cartels are operated by managers whose incentives may not be fully aligned with those of the owners. Part I investigates the impact of managerial incentives on the stability and behavior of cartels.

**PARTS II & III**

**buyer groups & antitrust damages**

> Well-designed _corporate compliance programs_ can complement leniency programs by triggering a “vertical race to the courthouse”

> Short-term employment contracts can _facilitate cartels_

> Intra-firm _strategic delegation_ can _improve cartel stability_

> A _buyer group_ on the input market can _induce cartel profits_ on the output market without engaging in per se illegal interaction

> The _overcharge_ imposed by a cartel on its direct purchasers is an _imprecise proxy_ for antitrust harm suffered by indirect purchasers

**Vertically related in cartel theory**

**Managerial Incentives, Buyer Groups & Antitrust Damages**

UNIVERSITET VAN AMSTERDAM

Amsterdam Centre for Law & Economics

**Cartel Theory**