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

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Citation for published version (APA):

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Martijn Alexander Han (1982) holds an MSc in Econometrics & Mathematical Economics (2007, “with distinction”) from the London School of Economics & Political Science. He also obtained a BSc in Econometrics (2006, “cum laude”), an MSc in Medicine (2008), and a prejudice/diseases in Cultural studies (2009) from the University of Amsterdam.

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 Toatese School of Economics. Chapter 2 was awarded the 2011 Robert F. Lurieft Prize for the best paper in antitrust economics at the annual International Industrial Organization Conference (IIOC) 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 t-shirt label, runs an online shop in lamps, and recently founded a G75K test preparation agency. Martijn enjoys applying economic theory to his ventures, which, in turn, serve as an inspiring source for academic research.

The Amsterdam Center for Law & Economics is a joint initiative of the Amsterdam School of Economics and the Law School at the University of Amsterdam. The objective of the ACLE is to promote research in the fields at the interface of law and economics.

ACLE Dissertation, Series No. 4 ISBN 978 90 817645 0 6

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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 like on cartels, such as a Netherlends 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).

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 extended 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**

**key results**

- 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 impredicacy proxy for antitrust harm suffered by indirect purchasers

**PART II & III Buyer groups & antitrust damages**

**Firm 1**

**Firm 2**

**Cartel**

**PART I Managerial incentives**

**PART II & III Buyer groups & antitrust damages**

**Firm 1**

**Firm 2**

**Cartel**

**PART I Managerial incentives**

**PART II & III Buyer groups & antitrust damages**

**Firm 1**

**Firm 2**

**Cartel**

**PART I Managerial incentives**

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