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

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Martijn A. Han 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 (2005), and a preparaedium in Cultural studies (2002) 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 Tsuut’ina School of Economics. Chapter 2 was awarded the 2011 Robert P. Litanoff 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 and 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 GMT 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 like on the cartel theory and antitrust damages.

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 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).

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

Part II develops a model of buyer groups effectively functioning as cartels. Part III studies how the economic damages resulting from a cartel are distributed along a vertical production chain.

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**Cartel Theory**

**PART I**

**Managerial Incentives**

**Firm 1**

**Firm 2**

**Customers**

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**PART II & III**

**Buyer Groups & Antitrust Damages**

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**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 imprecise proxy for antitrust harm suffered by indirect purchasers

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