Incomplete cartels and antitrust policy : incidence and detection

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Publication date
2009

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Incomplete Cartels and Antitrust Policy

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Incidence and Detection

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A common assumption in the literature on cartels is that the cartel is all-inclusive. However, many known cartels did not include all firms in the relevant market. This thesis is about such incomplete cartels. It is organized around four main research questions: What explains optimal cartel size to be less than all-inclusive? What are the traits of firms that join the cartel? What is the relationship between industry structure and optimal cartel size? and, How can economics be used to detect (incomplete) cartels? It is found that the optimal cartel size is all-inclusive when colluding is costless, but less than all-inclusive when colluding is costly and the smallest firms in the industry are sufficiently small. Moreover, the incentive to take part in a cartel is positively correlated with firm size. We therefore should not expect full collusion in an industry with one or more relatively small suppliers. In addition, the thesis discusses how economics can be used to detect (incomplete) cartels. The main focus is on basing-point pricing; a pricing method that is known to have been abused by incomplete cartels to protect local markets against distant competitors. It is shown that the basing-points applied by a cartel differ from that of competitive firms and that collusive basing-point pricing is difficult to detect with known methods. Based on this, a novel detection test is developed that is hard to beat for cartels using this otherwise elusive form of price-fixing.

Iwan Bos holds Master's degrees in Economics, Mathematical Economics and Philosophy of Law from Maastricht University. He worked as junior lecturer at this university in the academic year 2003-2004. In August 2004, he started with his Ph.D. project at the Amsterdam Center for Law and Economics at the University of Amsterdam. He is currently employed as assistant professor at Maastricht University. His main area of research is cartel theory and antitrust policy.

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