

ABSTRACT:

EXPERIMENTS ON THE ROLE OF LENIENCY RULE WITH OPEN COMMUNICATION

MAXIMILIAN ANDRES

UNIVERSITY OF POTSDAM

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Campus Griebnitzsee, house 1, room 2.31

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Cartels can severely harm social welfare. Antitrust authorities introduced leniency rules to destabilize existing cartels and hinder the formation of new ones. Empirically, it is difficult to judge the success of these measures because the number of functioning cartels is unobservable. Previous experimental studies have simplified the decision framework in many aspects so that it is hard to draw conclusions about the effects of the leniency rule on real cartels from their results. This paper analyzes the effectiveness of leniency policies when a) firms communicate in free form, b) players in the role of the competition authority conduct controls and decide on fines, c) fines are based on cumulative profits during collusive spells. Surprisingly, our results indicate that the availability of a leniency rule does not affect cartel activity, the number of self-reports, and average market prices and may suggest that in an experimental design without a voting stage the anticipated effect of a leniency rule disappears.

(with Lisa Bruttel and Jana Friedrichsen)