

Ringleaders in larger numbers, asymmetric cartels

BACKGROUND

- The conventional theoretical wisdom is that collusion is more likely in markets in which firms are few and symmetric, because asymmetry and greater numbers create incentives to deviate in the collusive and punishment phases.
- However, many real world cartels involve relatively large numbers of firms, who often exhibit considerable asymmetries in size.

METHODOLOGY

- The authors explore how far the ringleader can be interpreted as an organisational mechanism enabling cartelists to overcome cartel problems in those instances where they are likely to be most pronounced, that is, when cartels comprise relatively large numbers of asymmetric firms.
- The study draws on a sample of 89 prosecuted European cartels over the period 1990-2008.

KEY FINDINGS

- The EC was able to explicitly identify a ringleader or ringleaders in 19 of the 89 cartels.
- Where the ringleader engages in 'aggressive' activities, it tends to be the largest member or members of the cartel. But where the activities of the ringleader are confined to a more facilitating organisational nature, it is not uncommon to observe a number of ringleaders, some or all of whom are not dominant.
- Ringleaders only occur where the conspiracy involves price fixing or bid rigging. Other forms of agreement do not appear to require a ringleader.
- Ringleaders are less common where an existing Trade Association may be able to fulfil similar roles.
- The European Commission appears to have had an increasing propensity to name ringleaders in the 1990s, but this has been reversed since 2000. This is consistent with a deterrent role from the increasingly asymmetric fines imposed on ringleaders.
- The evidence strongly confirms that ringleaders are statistically more likely in cartels with a relatively large number of members who are asymmetrically sized.

POLICY ISSUES

- Collusion may not be confined to small-number symmetric-size distributions of firms.

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