Cartel birth and death dynamics: empirical evidence

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Abstract

This paper examines how the legal and macroeconomic environment impact cartel births and deaths. We exploit the gradual tightening of Swedish competition law to study how cartels react to an increase in competition pressure. To avoid the inherent sample selection bias in prosecuted cartel studies, we use a unique dataset covering the population of Swedish legal cartels registered between 1947 and 1993. We apply two modeling frameworks: a count model that considers the observed, registered cartels, and a hidden Markov model, which TBA. We find that strengthening the competition law overall had a deterrent effect, but new industries became collusive after the law of 1982. In addition, we provide new insights on how the macroeconomic environment impacts cartels.

Keywords: Cartels, Legal contracts, Competition policy, Antitrust
JEL classification codes: C14, C41, K21, K42, L41

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