

**Quantifying Cartel formation and Cartel Success Using DG Comp Case
Reports: Preliminary Evidence**

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Abstract

The objective of this paper is to explore two key research questions. First, what factors instigate the firms to form agreement among them? Secondly how can we evaluate the success of such agreement? To elaborate on the first question, the focus of attention is on what precedes cartel formation such as entry, merger, cost, demand or capacity shock, breakdown of tacit collusion etc. Evaluation of cartel success is an unresolved issue in the empirical literature, especially in the case of prosecuted cartels which may represent failure of the agreement. For the purpose of this study, we restrict our scope to different definitions of duration that have come out of data and stability of the agreement across the cartel life span to evaluate cartel success. In accordance with theoretical literature, it takes into account both internal structure of the market and external shock in investigating this question. Directorate General for Competition of the European Commission's published decisions on horizontal agreements including published judgments of Court of First Instance (CFI) and European Court of Justice (ECJ) are used for this study. Data from some relevant outside sources such as industry level data; data from trade associations etc. are also used. The database of 86 prosecuted cartels by DG Competition are analyzed and categorized according to different patterns observed within the sample. Detailed observations are also made on the methodological issues involved.

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