

The Effects of Cartel Policy: Evidence from the German Cable Industry

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Abstract

We analyze the effects of cartel policy on the German power-cable producer cartel. Antitrust authorities exempted the cartel from the general cartel prohibition for eleven years, so we can compare cartel behavior under cartel prohibition to the legal phase. In three-stage least-squares regressions of a simultaneous-equations model, we show that the cartel earned significantly higher profits when it was legal. Intended efficiency gains did not materialize during the exemption phase. The cartel was fined twice for violations of cartel law but the penalties failed to lower prices. We argue that fines were too low in the cable industry.