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Antitrust Compliance Programs and the Incentive Effects of Antitrust Policies

Abstract

In this paper we systematically analyze the impact of various antitrust policies including fines regimes for firms and individuals, criminal sanctions, and leniency programs on the incentives to institute both educational antitrust compliance programs as well as systematic antitrust audits. We develop a principal agent problem in which there are incentive conflicts between the firm and a manager that lead to differential responses to antitrust penalties at the firm and individual level. We demonstrate the central role of firm level fines even where high powered incentives at the individual managerial level are possible. In particular, firm level incentives are central in increasing the effective audit rate and thus reducing the level of collusion in markets. We discuss how the basic theoretical framework can be used as a basis for an empirical approach to identify the incentive effects of antitrust policies on the basis of a survey instrument.

(joint with Bruce Lyons)