

Research Networks as a Collusive Tool: An Empirical Assessment

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Abstract: We derive in an oligopolistic setting, where firms can participate in research networks to lower production costs and/or collude in product markets, a sufficient condition for identifying collusive behaviour -which is also a necessary and sufficient condition for a decrease in consumer welfare. In particular, collusion dominates when participating firms' market share declines. The size of the research network is an important determinant for identifying collusion and easily observable in reality. We therefore empirically implement our collusion test by estimating a reduced-form market share equation as a function of a research network's size. We apply this test to firms that form research networks through participating in research joint ventures (RJVs) which are filed under the US National Cooperation Research Act. We find robust evidence that large research networks are conducive to collusive outcomes that reduce consumer welfare.

Keywords: Collusion, Research Joint Ventures, Network, NCRA

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