

DISCUSSION PAPER

No 289

Why Factors Facilitating Collusion May Not Predict Cartel Occurrence – Experimental Evidence

Miguel A. Fonseca,
Yan Li,
Hans-Theo Normann

May 2018

IMPRINT

DICE DISCUSSION PAPER

Published by

düsseldorf university press (dup) on behalf of
Heinrich-Heine-Universität Düsseldorf, Faculty of Economics,
Düsseldorf Institute for Competition Economics (DICE), Universitätsstraße 1,
40225 Düsseldorf, Germany
www.dice.hhu.de

Editor:

Prof. Dr. Hans-Theo Normann
Düsseldorf Institute for Competition Economics (DICE)
Phone: +49(0) 211-81-15125, e-mail: normann@dice.hhu.de

DICE DISCUSSION PAPER

All rights reserved. Düsseldorf, Germany, 2018

ISSN 2190-9938 (online) – ISBN 978-3-86304-288-2

The working papers published in the Series constitute work in progress circulated to stimulate discussion and critical comments. Views expressed represent exclusively the authors' own opinions and do not necessarily reflect those of the editor.

Why Factors Facilitating Collusion May Not Predict Cartel Occurrence — Experimental Evidence*

Miguel A. Fonseca[†], Yan Li[‡] and Hans-Theo Normann[§]

May 2018

Abstract

Factors facilitating collusion may not successfully predict cartel occurrence: when a factor predicts that collusion (explicit and tacit) becomes easier, firms might be less inclined to set up a cartel simply because tacit coordination already tends to go in hand with supra-competitive profits. We illustrate this issue with laboratory data. We run n -firm Cournot experiments with written cheap-talk communication between players and we compare them to treatments without the possibility to talk. We conduct this comparison for two, four and six firms. We find that two firms indeed find it easier to collude tacitly but that the number of firms does not significantly affect outcomes with communication. As a result, the payoff gain from communication increases with the number of firms, at a decreasing rate.

JEL classification: L42, C90, C70

Keywords: cartels, collusion, communication, experiments, repeated games.

*Comments of two anonymous referees greatly improved the paper. We are also grateful to seminar participants at the Winter Seminar 2017 (Montafon) and EARIE 2017 (Maastricht) for useful suggestions.

[†]University of Exeter Business School, Streatham Court, Rennes Drive, Exeter EX4 4PU, UK; tel: +44 1392 262584, email: *m.a.fonseca@exeter.ac.uk*

[‡]University of Liverpool Management School, Chatham Building, Chatham Street, Liverpool L69 7ZH, UK; Tel: +44 151 7950689; email: *yan.li3@liverpool.ac.uk*.

[§]Corresponding Author. Duesseldorf Institute for Competition Economics, Heinrich-Heine-Universitaet Duesseldorf Universitaetsstr. 1, 40225 Duesseldorf, Germany; tel: +49 211 8115297, email: *normann@dice.hhu.de*.

1 Introduction

Lists of factors facilitating collusion play a popular role in the industrial organization literature and in antitrust policy.¹ Typical items on those lists include the fewness of firms (or industry concentration),² product homogeneity, firm symmetry or regular orders. For any of these factors (and others), the notion is that, other things being equal, collusion is more likely. The impact of such factors is very intuitive and can be rigorously derived with simple repeated-game analysis.

Despite their popularity, the power of factors facilitating collusion in predicting cartel occurrence is limited. Empirical research studying whether the factors correlate with the frequency of detected cartels (Posner 1970, Hay and Kelly 1974, Grout and Sonderegger 2005, Levenstein and Suslow 2006) do not report clear-cut results. This is particularly the case for the alleged correlation between cartel frequency and concentration or the number of firms.³ It appears that facilitating factors are by no means reliable structural indicators of cartel occurrence, although as Stigler (1970) suggests, it may be that samples of detected cartels are biased in one way or another.

Why do facilitating factors not reliably predict cartel frequency? Any facilitating factor may apply to both explicit (cartel-like) agreements and implicit (tacit) coordination. The repeated-game incentive constraint—say, of a trigger strategy equilibrium—is a necessary condition for cooperation to emerge as a subgame perfect equilibrium in both settings. If, for example, collusion is easier with fewer firms, this will be true for legal tacit coordination and for illegal explicit cartels. But why should firms be more inclined to engage in illegal price-fixing when they find it *easier* to cooperate tacitly? Instead, there may well be fewer cartels in concentrated industries, not more; or this relationship may be non-monotonic.

Put differently, the reason why facilitating factors are not good predictors of cartel activity is that the decision to set up a cartel should be driven by the *additional* profit the cartel leads to, taking into account fines and the foregone profit when firms do not talk. How big the additional profits from cartel-like communication are over and above the profit

¹See, for example, Scherer (1980, ch. 7 and 8), Tirole (1989, ch. 6), Martin (2001, ch. 10), Motta (2004, ch. 4.2) and Belleflamme and Peitz (2015, ch. 14). See also the treatment by Ivaldi et al. (2003).

²Concentration and number of firms will be correlated but they may not always be addressed by the same facilitating factor: more concentrated industries may be less symmetric and therefore, all else equal, less prone to collusion.

³To illustrate this puzzling finding, we quote here from various studies. Posner (1970) concludes that “[a] large proportion [of the cartels were] in industries not normally regarded as highly concentrated”, Hay and Kelly (1974) find that “in many cases larger groups conspire.” In a report for the British OFT, Grout and Sonderegger (2005) state about several facilitating factors that “[i]ndeed, there is some element of disconnection between the predictions and the variables that are relevant here.” And Levenstein and Suslow (2006) find “no simple relationship between industry concentration and the likelihood of collusion.”

obtained from tacit agreements is an entirely different question. Ex ante, it is not clear at all that facilitating factors are a good predictor of this extra margin.

Figure 1 illustrates the issue. The literature gives the impression that, the fewer the firms, the more explicit collusion is to be expected (downward sloping line). This conclusion is consistent with the idea that fewer firms will find it easier to collude. However, it ignores that explicitly colluding is costly. The costs of a cartel include the opportunity cost from coordinating tacitly, organizational costs and cartel fines. We will argue that while more firms may benefit more strongly from explicitly talking, the gain from talking might eventually decline such that a medium number of firms benefits the most from colluding (concave curve).

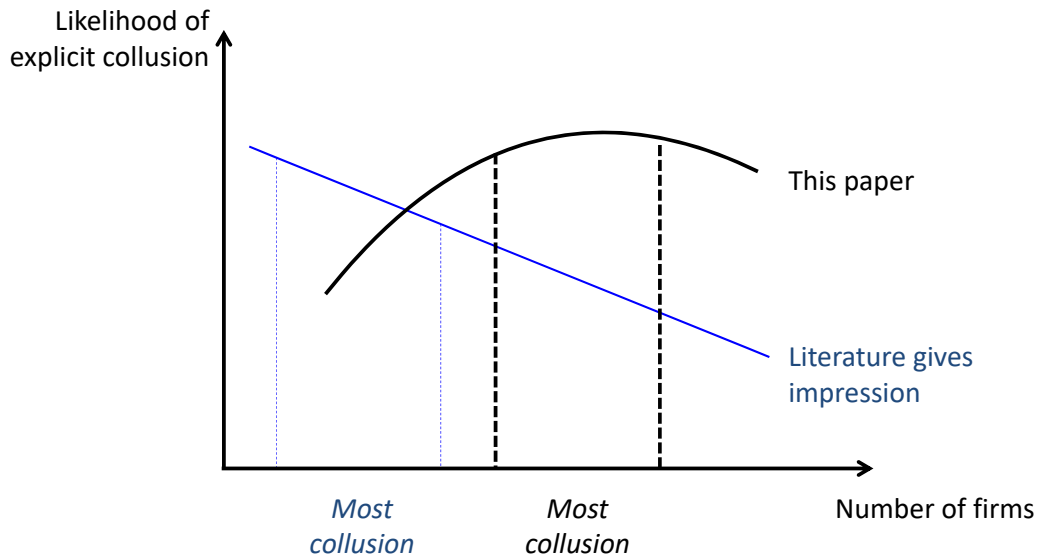


Figure 1: The number of firms and the likelihood of collusion.

In this paper, we demonstrate the force of this argument with data from laboratory experiments. We study one facilitating factor, namely the number of firms, and we demonstrate with these data that such facilitating factors are not suitable for cartel detection. We run n -firm repeated Cournot oligopoly experiments with and without communication with the goal of measuring the gain from communication as a function of n . Specifically, markets with two, four, and six firms which either cannot communicate at all or communicate via a messenger-type tool. A between-subjects comparison of the profits earned for each n then quantifies the gain from communication.

Evidence for communication makes a fundamental difference in cartel cases, but economic theory is currently not well equipped to justify this distinction or explain exactly how communication facilitates cartel coordination. Regarding the notion that communication is the defining element of a cartel, Whinston (2008) notes that “[i]t is in some sense paradoxical

that the least contested area of antitrust is perhaps the one in which the basis of the policy in economic theory is weakest. ... it would be good if we understood better the economics behind this". In our experiments we explore how and to what extent communication supports collusion by quantifying of the gain from communication in Cournot oligopoly.

We believe that laboratory experiments are useful to examine "tacit vs. explicit collusion." In the lab we control the communication conditions rigorously. While we do not consider lab experiments to be a substitute for field data cartel studies, it seems to us that the polar cases of no communication and communication occur in the lab in a clean manner, which is difficult to match with other types of data.

We find that duopolists indeed find it easier to collude without communicating than subjects in markets with more firms. But since the number of firms does not significantly affect outcomes with communication, the payoff gain from communication increases with the number of firms at a decreasing rate. That is, markets with more firms gain less from explicit communication.

2 Literature

The literature has firmly established that communication facilitates cooperation in social dilemmas. Deutsch (1958) finds in a prisoner's dilemma experiment that communication before the start of the game leads to more cooperation. One of the earliest contributions to experimental economics, Friedman (1967), reports on a number of Cournot duopoly experiments where communication is allowed, and finds that subjects often coordinate on the joint-profit maximum. Since then, many studies of this type have confirmed this result. Examples include Isaac, Ramey and Williams (1984), Isaac and Walker (1988), Cason and Davis (1995) and Davis and Holt (1998). Further research has established that the exact form of communication is important (Brosig et al. 2003), but, overall, it has been established that talking helps.⁴

Whereas there are several studies analyzing how the number of players affects the degree of cooperation (Fouraker and Siegel 1963, Dolbear et al. 1968, Davis and Holt 1994, Huck et al. 2004), little work with communication has been done in this area. Binger et al. (1990) compare two and five firms in Cournot markets with and without communication. Their results are difficult to compare to more recent studies because subjects communicated face-to-face. Waichmann, Requate and Siang (2014) compare Cournot markets with two and three firms using both students and managers as subjects. In addition to free communication,

⁴Landeo and Spier (2009) demonstrate anticompetitive effects of communication in the context of exclusive dealing. See also Boone et al. (2014).

they also investigate a more standardized form of chat (preformulated messages). They find that students are affected by the type of communication whereas managers are not. Under standardized communication, managers select lower outputs than students, but there are no differences in subject pools under free communication. Finally, they observe more collusion in the duopolies than in the triopolies. Harrington et al. (2016) study the effect of firm numbers (mainly two vs. three) in markets with price-setting firms, with and without communication. Following Holt and Davis (1990), they also study (non-binding) price announcements as an intermediate form of communication. They find that explicit communication leads to near-monopoly prices throughout. Announcements have only moderate effects, and only for duopolies.

Balliet (2010) conducts an interesting fully-fledged meta study of the effects of communication in dilemma games. The effect sizes he reports are the mean differences in cooperation between no communication and communication. Regarding our research question, Balliet (2010) finds that the effect of communication is stronger in larger groups. We will return to this result in our conclusion.⁵

The closest paper to our present study is Fonseca and Normann (2012), which analyzes the gain from communication for symmetric Bertrand oligopolies in lab experiments. They conduct experiments with two, four, six, and eight firms and find an inversely u-shaped relationship between the number of firms and the incentive to collude. Our study differs from Fonseca and Normann (2012) in two aspects. First, we analyze strategic substitutes (homogeneous Cournot competition) whereas they analyze strategic complements (homogeneous Bertrand). A recent study by Mermer, Müller and Suetens (2016) shows for two-player experiments without communication that collusive outcomes differ significantly between the two formats, which motivated us to study the environment with collusion. Second, we use novel text-mining methods to perform an in-depth analysis of the communication between players, thus making a contribution to the literature on pre-play communication in games.

3 Experimental design and hypotheses

We run Cournot oligopoly experiments with an inverse demand function of $p = 100 - Q$. Firms have marginal costs of $c = 1$. We selected this set of parameters for two main reasons: comparability to Huck et al. (2004), and the fact that they made the computation of payoffs easy to subjects in the absence of a payoff table.⁶

⁵Balliet (2010, p. 52) concedes that his study had too few larger groups to provide a thorough test and that future research would benefit from studying larger groups. This is what our experiment does.

⁶Designing an experiment with varying the number of players introduced tough methodological issues. Varying the number of firms means that using a payoff table would have forced us to restrict the set of

We run a 3×2 factorial design, summarized in Table 1. The first treatment variable is the number of firms, n . We use oligopolies with $n \in \{2, 4, 6\}$ firms.⁷ Our second treatment variable is the opportunity to communicate. In the treatments without communication (labeled No-Chat), subjects had to post quantities in each period without being able to communicate with each other. In the communication treatments (labeled Chat), subjects were allowed to communicate in each period via typed messages, using an instant-messenger communication tool. Communication was unrestricted and subjects were allowed to exchange as many messages as they liked. However, they were not allowed to identify themselves. The time to communicate was limited to one minute in the first period and 30 seconds thereafter.

Number of firms	Communication	
	no	yes
$n = 2$	No-Chat-2	Chat-2
	9 (18)	9 (18)
$n = 4$	No-Chat-4	Chat-4
	9 (36)	9 (36)
$n = 6$	No-Chat-6	Chat-6
	6 (36)	6 (36)

Table 1: 3×2 factorial treatment design, treatment labels, and number of markets (and participants) for each treatment cell.

The experiments were implemented as a repeated game. There was a minimum number of 20 periods; after period 20, play continued for another period with a $5/6$ probability. The continuation procedure was implemented with a random computer draw. The actual number of periods was determined ex ante and was the same in all sessions and treatments (namely 24). Each subject participated in one repeated game only. Players were always matched with the same partner (fixed matching).

Table 2 summarizes the numerical predictions. In the Appendix, we provide a more general analysis; we also do a comparative-statics analysis of n . Our first benchmark are the static Nash equilibrium predictions (first row). If firms successfully coordinate on the symmetric joint-profit maximum, quantities in the second row will materialize. Rows three and four contain the profits corresponding to the static Nash equilibrium and the symmetric joint-profit maximum.

quantities to be small. For instance, giving firms only three output levels, would result in a overly large payoff table as there are rather many potential quantities a firm's five competitors may produce. Furthermore, having different treatments with different payoff table sizes could have introduced a confound by making some treatments cognitively harder.

⁷Our hypotheses suggest that these are indeed the relevant treatments. Moreover, in treatments with, say, eight or more firms, even minor fluctuations around the static Nash equilibrium may end up with subjects incurring losses.

	$n = 2$	$n = 4$	$n = 6$
Static Nash q_i	33.00	19.80	14.14
Symmetric collusive q_i	24.75	12.38	8.25
Static Nash Π_i	1089.00	392.04	200.02
Symmetric collusive Π_i	1225.13	612.56	408.38
Minimum discount factor, $\underline{\delta}$	0.529	0.610	0.671
Gain from talking, $\Delta\Pi$	272.25	882.09	1250.13

Table 2: Predictions. Notes: “Nash q_i ” refers to the firm-level output in the one-shot equilibrium, “Collusive q_i ” refers to firm-level output in the symmetric joint-profit maximum, $\underline{\delta}$ is the minimum discount factor required in a repeated game with Nash trigger, and the “Gain from talking” refers to the extra profit firms earn when colluding summed across all firms.

The conventional wisdom that fewer firms will find it easier to collude can be derived formally in the repeated game (see the Appendix). Row five of Table 2 shows the minimum discount factor, $\underline{\delta}$, required to sustain the symmetric joint-profit maximum as a subgame perfect Nash equilibrium in the infinitely repeated game. This incentive constraint is a condition that necessarily has to be met for the collusive outcome to be subgame perfect, regardless of whether players communicate explicitly. Furthermore, such incentive conditions are often interpreted as an indicator of how “difficult” collusion is. Thus we have theoretical support for:

Hypothesis 1. The fewer the firms, the easier they find it to collude both (i) tacitly and (ii) explicitly.

Experimental evidence as well as antitrust practice suggests that firms benefit from talking (see the introduction and the end of this section). We thus formally hypothesize that the gain from talking is positive:

Hypothesis 2. Communication has a collusive effect.

We now turn to the main point of the paper, the gain from communicating. Let π_i^{Chat} , $i = 1, \dots, n$ denote the profit each firm makes when engaging in explicit communication, and let $\pi_i^{No-Chat}$, $i = 1, \dots, n$, denote the profit without explicit communication.⁸ Then the gain

⁸See, for example, Aubert et al. (2007) for just such a model of cartel formation. In their model, Cartel-like communication is detected and fined with a certain probability. We will keep these factors outside our model.

from communication for a market of n firms is

$$\Delta\Pi = \sum_{i=1}^n (\pi_i^{Chat} - \pi_i^{No-Chat}). \quad (1)$$

In words, this is the amount of money the firms in an industry would put on the table in order to be able to talk.

Standard repeated-game theory is probably not well-equipped to predict a gain from communicating (Harrington 2008, Whinston 2008). The incentive constraint of the repeated game (see Appendix) merely reflects the incentives to deviate from a given collusive equilibrium. Whether firms coordinate on such an equilibrium with or without communication is immaterial. Importantly, even if it turned out that π_i^{Chat} and $\pi_i^{No-Chat}$ decline in the number of firms, this does not suggest a relationship between n and $\Delta\Pi$. The difference between two monotonically declining functions can be anything, so $\Delta\Pi$ could be increasing, decreasing or non-monotonic in n .

In order to get more structure into this problem, we assume that without communication firms do not manage to sustain collusive output levels at all whereas they perfectly collude on the monopoly output when they are allowed to talk. If so, the profits in rows three and four of Table 2 would occur and we can calculate $\Delta\Pi$ (see row six, and the Appendix for a general analysis). We formalize:

Hypothesis 3. The gain from talking, $\Delta\Pi$, (i) increases monotonically in n , and (ii) it does so at a decreasing rate.

Note again how $\underline{\delta}$ and $\Delta\Pi$ capture the ambiguous and apparently contradictory notion of “facilitating collusion”. The minimum discount factor indeed suggests that fewer firms find it easier to collude. The gain from explicit chat, however, is higher for four and six Cournot firms than for duopolies.⁹ Therefore, even though fewer firms may find it easier to collude, this does by no means imply that there will be more cartels with fewer firms.

To what extent do we need to modify our hypotheses on $\Delta\Pi$ in light of previous Cournot experiments? For Cournot markets with communication, Huck et al. (2004) found that duopolies show some level of tacit coordination, but oligopolies with four or more firms converge to the Nash equilibrium or are even more competitive.¹⁰ Evidence on n -firm Cournot oligopoly with communication is less abundant but Normann et al. (2015) analyze three-firm Cournot markets with (unstructured) communication; they report near perfect

⁹With perfect Bertrand competition, $\sum \pi_i^{No-Chat}$ would be zero and $\sum \pi_i^{Chat}$ would be at the profit maximum. But then $\Delta\Pi$ would be constant, regardless of n .

¹⁰Consistent with the experimental evidence, Li and Lyons (2012) find for telecommunication industries that market structures with more than three firms lead to major improvements in competitiveness.

monopolization. Gomez-Martinez et al. (2016) report lab experiments with differentiated Cournot competition and find that subjects in four-firm markets cooperate close to the joint-profit maximizing level. Waichmann, Requate and Siang (2014) confirm the above results without communication but observe less collusion with talk. While acknowledging that we know little about Cournot markets with more than four firms, it appears the existing experimental evidence strengthens our hypothesis that $\Delta\Pi$ increases in n .

4 Procedures

We provided written experimental instructions which informed subjects of all the features of the market (the instructions are available in the Appendix). Subjects were told they were representing one of two, four or six firms, respectively, in a market. The instructions notified the participants of the market parameters in an informal manner. Two concrete examples illustrated the profit calculations.

In every period, subjects had to enter a quantity $\in \{0, 100\}$ in a computer interface.¹¹ Once all subjects had made their decisions, the period ended and a screen displayed the quantity choices of all firms and the market price. The screen also displayed the individual payoff of the current period and the accumulated payoffs up to that point but not the payoffs of the other firms.

Treatments were incentivized and payments were made as follows. Since losses are possible in this game, we decided to give subjects an initial capital corresponding to four euros. We used an experimental currency unit (“Taler”) and different exchange rates for each market, namely 2,000 Taler for one euro for the duopolies, 1,000 Taler for the four-firm markets and 750 Taler for the six-firm markets. The varying exchange rates are warranted here because the pie (or the market size) is constant in this experiment whereas the number of players is not. Payments were made at the end and in cash and consisted of the initial capital and the sum of the payoffs attained during the course of the experiment.

Subjects were recruited from a pool of potential participants using the online system ORSEE (Greiner 2015). The experiments were computerized, using z-Tree (Fischbacher 2007), and were conducted at the DICElab of Heinrich-Heine University in 2013 and 2014. A total of 180 subjects participated in 10 sessions (two duopoly sessions and four sessions each for the $n = 4$ and $n = 6$ treatments). Sessions lasted between 45 and 65 minutes. Average earnings were 15.39 euros and ranged from 9.26 euros (No-Com-6) to 18.86 (Com-2).

¹¹As is well known, there are additional equilibria in Cournot oligopoly when the action space is discrete (Holt 1985). These additional equilibria are close to the prediction made in (3) (at most one unit distance) and, moreover, may imply the same average quantities. For example, with $n = 2$, $q_1 = 34$ and $q_2 = 32$ are mutual best replies but, the average is 33, as with continuous actions.

5 Results

5.1 Treatment Effects

Table 3 reports average quantities and profits conditional on the number of firms and whether or not communication was possible. It also reports the Cournot-Nash benchmark and the symmetric joint-profit maximum.

Average quantities in the No-Chat condition are significantly below the Cournot-Nash level in $n = 2$ ($z = 2.666$; $p = 0.008$, Wilcoxon signed-rank test (WSR)); not statistically different from Nash in $n = 4$ ($z = -0.770$; $p = 0.441$, WSR test) and slightly above Nash for $n = 6$ ($z = 1.782$; $p = 0.075$, WSR test). These findings are consistent with results reported in Huck et al. (2004).

	$n = 2$		$n = 4$		$n = 6$	
	No-Chat	Chat	No-Chat	Chat	No-Chat	Chat
q_i	28.86	24.84	19.22	12.01	14.94	9.01
	(2.95)	(0.86)	(2.35)	(0.90)	(0.74)	(0.95)
<i>prediction</i>	33.00	24.75	19.80	12.38	14.14	8.25
π_i	1130.66	1214.45	386.26	596.41	164.23	382.19
	(76.29)	(9.62)	(110.82)	(24.59)	(33.85)	(36.15)
<i>prediction</i>	1089.00	1225.13	392.04	612.56	200.02	408.38
# obs	9	9	9	9	6	6

Table 3: Average quantities and profits, (std. dev.) and prediction (static Nash for No-Chat, symmetric joint-profit maximum for Chat).

We further observe a positive relationship between the number of firms and industry output. A Jonckheere-Terpstra test (JT) rejected the null of the joint equality of outputs against an ordered alternative in either direction ($J^* = 2.089$, $p = 0.038$). This is consistent with Hypothesis 1 (i).

Observation 1 (i): Without communication, the fewer the firms, the easier it is to collude tacitly.

With communication, average quantities were very close to, and not statistically different from, the collusion benchmark in all market structures ($n = 2$: $z = 0.771$, $p = 0.441$; $n = 4$: $z = -1.007$, $p = 0.314$; $n = 6$: $z = 1.572$, $p = 0.116$, WSR, test). Along the

same lines, we no longer observe any statistically significant relationship between industry output and the number of firms (JT, $J^* = 0.000, p = 0.500$, for either of the two ordered alternatives).

Observation 1 (ii): With communication, the number of firms does not affect the level of collusion.

Consistent with Hypothesis 2, allowing participants to communicate leads to a significant reduction in average quantities across all treatments ($n = 2: z = 2.475, p = 0.013$; $n = 4: z = 3.576, p < 0.001$; $n = 6: z = 2.882, p = 0.004$, Wilcoxon rank-sum, WRS, test). Consequently, firms earned higher profits in the Chat conditions than the No-Chat conditions ($n = 2: z = 2.209, p = 0.027$; $n = 4: z = 3.488, p < 0.001$; $n = 6: z = 2.882, p = 0.004$, WRS test).

Observation 2: The opportunity to communicate leads to lower quantities and higher profits.

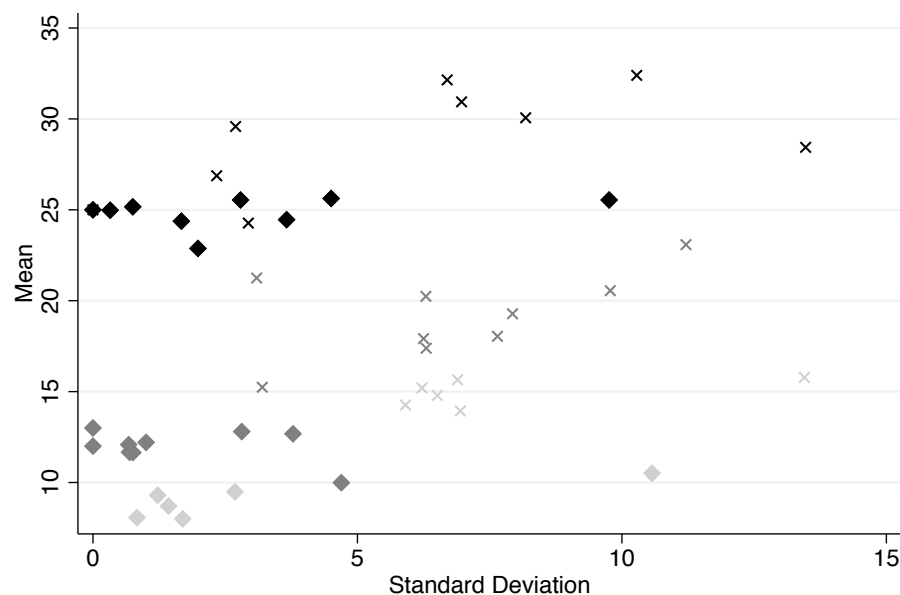


Figure 2: Mean and standard deviation of quantities. Observations of the No-Chat treatments are denoted by \times , and \diamond denote observations in the Chat treatments. Black symbols refers to $n = 2$, dark gray to $n = 4$ and light gray to $n = 6$

Careful observation of Table 3 shows that communication not only decreases average firm quantities but it also reduces their dispersion. Figure 2 provides visual confirmation of this, each (independent) group being one observation. Conditional on group size, average

quantities are lower under communication, and dispersion is also lower. This suggests that communication allowed subjects to coordinate more easily on a vector of quantities, as opposed to the case where communication was not allowed.

Another metric of collusion is the rate at which firms were able to coordinate on the symmetric joint-profit maximizing output, see Table 4. Referring to this output as q_i^C and given the prediction is not always an integer, we define an outcome as perfectly collusive if all firms in a market post quantities within one unit of q_i^C , that is, $\lfloor q_i^C \rfloor \leq q_i \leq \lceil q_i^C \rceil \forall i$.¹² In the absence of communication, only duopolists managed to coordinate on the joint-profit maximum outcome, and even then, only about a quarter of the time. (This figure is very close to what Mermer, Müller and Suetens, 2016, observe for their strategic-substitutes duopolies). In the four-firm and six-firm markets, firms never achieved perfect collusion. In contrast, when communication was available, coordination on the joint profit maximizing quantity was much more frequent. The greatest coordination benefit from communication is drawn from four-firm markets.

	$n = 2$		$n = 4$		$n = 6$	
No-Chat	49	23%	0	0%	0	0%
Chat	137	63%	144	67%	71	49%
Gain	88	40%	144	67%	71	49%

Table 4: Absolute and relative frequency of perfect collusion

5.2 Dynamics

We now examine how quantity choices changed over the course of the experiment. We begin by looking at whether or not individual players responded to quantities posted by other players in the previous round, and how communication affected this. To do this, we estimated the following Random Effects GLS model with robust standard errors, clustered at the market level.¹³

$$q_{i,t} = \beta_0 + \beta_1 Chat + \beta_2 Q_{-i,t-1} + \beta_3 (Chat \times Q_{-i,t-1}) + \beta_4 t + \beta_5 (t \times Chat) + \varepsilon_{i,t}, \quad (2)$$

where $q_{i,t}$ is the output chosen by player i in round t of the experiment, $Chat$ is a dummy variable for sessions in which communication was allowed between participants, $Q_{-i,t-1}$ is

¹²Widening this interval by one unit does not change the qualitative pattern of results in terms of the relative gains from communication.

¹³The choice of the Random Effects estimator was driven by our use of time-invariant regressors.

DV: $q_{i,t}$	$n = 2$		$n = 4$		$n = 6$	
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Chat</i>	-6.28*	-6.34*	-12.60***	-12.17***	-6.97***	-8.45***
	(3.37)	(3.62)	(2.88)	(2.69)	(2.41)	(2.32)
$Q_{-i,t-1}$	0.23***	0.23***	0.05	0.05	0.02	0.01
	(0.08)	(0.08)	(0.03)	(0.04)	(0.03)	(0.03)
$Chat \times Q_{-i,t-1}$	0.12	0.12	0.18***	0.17***	0.04	-0.04
	(0.11)	(0.11)	(0.06)	(0.05)	(0.03)	(0.03)
t		0.002		0.06		-0.06***
		(0.06)		(0.08)		(0.02)
$t \times Chat$		0.005		-0.02		0.10**
		(0.07)		(0.08)		(0.04)
Constant	22.29***	22.25***	16.35***	15.82***	13.45***	14.55***
	(2.67)	(2.77)	(2.40)	(2.32)	(2.31)	(2.26)
N	828	828	1,656	1,656	1,656	1,656
R^2	0.17	0.17	0.32	0.33	0.18	0.18

***, **, *: respectively $p < 0.01$, $p < 0.05$, $p < 0.10$.

Robust standard errors clustered at the market level in parentheses.

Table 5: Random effects GLS estimates of quantity

the total output selected by all other players in the market in round $t - 1$.

Table 5 summarizes the estimation results. We provide estimation results for each treatment separately for ease of exposition. To test for treatment differences, we ran the same model estimation where all regressors were interacted with a set of treatment dummies. The results from that joint estimation can be found in the Appendix.

We start by examining the restricted version of our model, in which we do not consider time trends (that is, $\beta_4 = \beta_5 = 0$). The coefficients on *Chat* in all three regressions confirm the analysis of Table 3: communication leads to lower average quantity. We do detect interesting differences in the three treatments with respect to how individuals reacted to aggregate quantities in the previous round. In the $n = 2$ case, we observe a positive and highly significant coefficient on $Q_{-i,t-1}$, and a non-significant interaction of $Q_{-i,t-1}$ with *Chat*. Players therefore respond to higher quantity by their rival in the previous round with higher quantity in the present round, suggesting a collusive relationship over time between the two players, and one which does not require communication in order to be effective. In the $n = 4$ case, that positive relationship is only present in the presence of communication, suggesting that collusion is perhaps harder to achieve in larger groups. Finally, in the $n = 6$ case, we do not observe any relationship between $q_{i,t}$ and $Q_{-i,t-1}$ either in the presence or

absence of communication.

We next consider the unrestricted model in which we allow for the presence of time trends, both in the intercept and in its interaction with the *Chat* dummy, which capture the extent to which average quantity is allowed to vary over the course of the experiment in the two communication regimes. In the $n = 2$ and $n = 4$, the coefficients on these time trends are not statistically significant. This suggests that the relationship between $q_{i,t}$ and $Q_{-i,t-1}$ (if any) is relatively stable over time in both group sizes. The same is not the case for the $n = 6$: introducing the time trends increases the absolute size of the coefficient on *Chat*, which is now larger. We also observe a negative and significant time trend and a positive significant interaction with *Chat*; both are small in magnitude and seem to be dominated by the intercept effect. That is, the ability to communicate leads to a very large drop in output, which seems to increase slightly over time. This is congruent with the possibility that subjects were approaching the collusive output from below. In any event, players react to past changes in the aggregate output produced by other players in their market in the past round in a manner consistent with collusion.

As a caveat, we note that, due to the experimental design, we did not collect subjects' contemporaneous beliefs about the output choices made by the other firms in a given period. It is quite reasonable to expect that these beliefs would be an important determinant of quantity choices. If those beliefs are positively correlated with past choices, then we would expect the estimated coefficients on $Q_{-i,t-1}$ to be biased upwards because of omitted variable bias. In other words, our econometric results might be over-estimating the effect past choices by other firms have on current output choices.

Figure 3 illustrates the analysis presented so far. It shows the estimated per round average quantity for the six treatments. The left panel concerns the No-Chat treatments, while the right panel concerns the Chat conditions. Conditional on the communication regime, we observe clear mean differences across treatments, which remain constant over time. It is quite clear from the estimated 95% confidence intervals that there is much more variability in per-round output in the No-Chat treatments than in the Chat treatments.

5.3 The gain from communication

So far, what we found suggests (more or less) Nash-equilibrium play without communication and near-perfect symmetric collusion with chat. This was consistent with Hypotheses 1 (i) and 2 but not supporting Hypothesis 1 (ii).

We now put these findings together in terms of the gain from talking formalized in Hypothesis 3. Table 6 displays the estimation results of a simple treatment-effects interaction

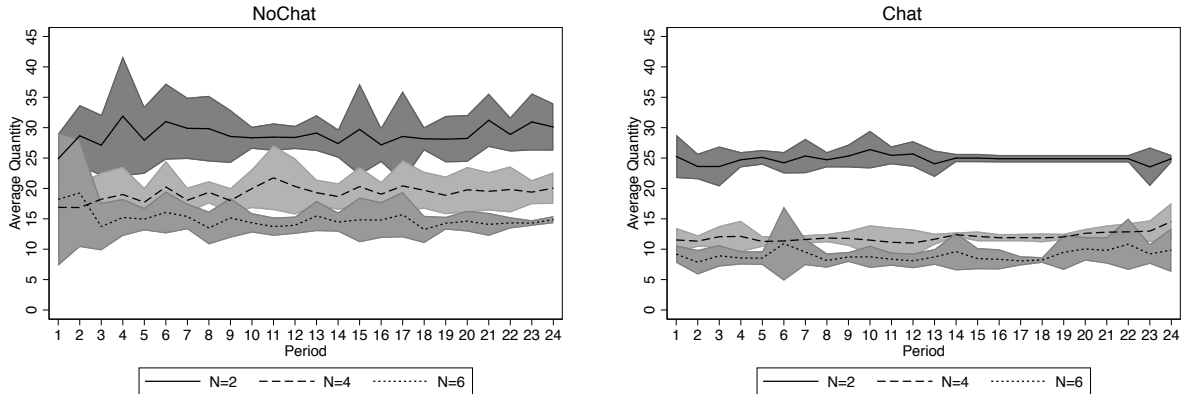


Figure 3: Figure 3: Time series of average prices. Note: solid lines denote estimated per round means, and dashed lines indicate 95% confidence intervals. Black, gray and blue correspond to $n = 2, 4, 6$, respectively.

model with the per round industry profit $\sum_i \pi_{i,t}$ as the dependent variable. We estimate the model using Random Effects GLS with robust standard errors clustered at the market level. The difference in profits resulting from communication, $\Delta\Pi$, is reflected by the interaction terms $n \times Chat$. This difference is higher in $n = 4$ than in $n = 2$ ($\chi^2(1) = 8.41, p = 0.004$). It is also higher in $n = 6$ than in $n = 4$ ($\chi^2(1) = 19.04, p < 0.0001$). This is support for Hypothesis 3 which suggests that $\Delta\Pi$ increases in n .¹⁴

Observation 3: The gain from communication, $\Delta\Pi$, (i) increases in n , and it does so (ii) at a decreasing rate.

It is informative to compare the results from this experiment to those of Fonseca and Normann (2012), who study the effect of communication in Bertrand markets in markets with two, four, six and eight firms. Unlike our paper, Fonseca and Normann (2012) find an inverted-u relationship between the number of firms and the absolute gains from communication. The difference in results is a function of what firms do when communication is available. In the Bertrand environment without communication, average prices are collusive for $n = 2$ but they are very close to Nash for $n = 4$ and $n = 6$. We observe the same pattern in the Cournot environment. Communication was very effective in the Cournot markets irrespective of the number of firms, as the average posted quantity was very close to the joint

¹⁴Observation 3, which can be seen as our main result, is already reflected in average euro payments. When we calculate the difference in average profit per period per participant, explicit communication increased profit per period per participant by 0.04 euro in the $n = 2$ markets, by 0.21 euro in the $n = 4$ markets, and by 0.29 euro in the $n = 6$ markets, highlighting our conclusion that the gain from explicit collusion is increasing in n , but at a decreasing rate.

DV:	$\sum \pi_{i,t}$
$n = 2 \times Chat$	167.58*** (48.95)
$n = 4$	-716.28*** (149.21)
$n = 4 \times Chat$	840.61*** (144.52)
$n = 6$	-1275.92*** (90.75)
$n = 6 \times Chat$	1307.74*** (112.15)
Constant	2261.32*** (48.57)
R^2	0.51
N	1,152

***, **, *: $p < 0.01, p < 0.05, p < 0.10$.

Robust SEs clustered at the market level in parentheses.

Table 6: Random effects GLS estimates of firm-level and market-level profits as a function of number of firms

profit maximising level. In contrast, the Bertrand environment led cooperation to break down under communication as firm numbers increased. There are two possible reasons for this discrepancy in results. While the monopoly price in the Bertrand game studied by Fonseca and Normann (2012) was a natural focal point, any deviation by at least one firm led to all other firms earning zero profit for the period. In contrast, the quadratic profit function in the Cournot game means that firms have a harder task to find the joint-profit maximum quantity from a cognitive perspective, but deviations from the collusive equilibrium are less punitive for the cheated firms.

5.4 Text-mining analysis of the communication data

In this section we analyze the language used in the Chat variants in more detail. In particular, we wish to understand the extent to which the number of firms affects the language used, and what kind of language is useful to support collusion. To this effect, we employ *text mining* methods (Moellers, Normann and Snyder, 2017).¹⁵ Text-mining methods extract keywords from a body of text, referred to as a corpus. We will compare the most frequently used keywords for two corpora in order to find out how the corpora (the chats) differ. To be more precise, we will use Huerta's (2008) *relative rank difference* which tells us which

¹⁵For alternative methods of text analysis, see Kimborough et al. (2008) or Houser and Xiao (2011).

keywords are comparatively more frequently used in corpus c relative to c' . Formally, we measure the keyness of word w in corpus c relative to c' by generating ranks $r_c(w)$ for all words w in corpus c according to frequency (and in descending order). The difference in the rank of w in corpus c relative to corpus c' is defined as

$$rd_c^{c'} = \frac{|r_{c'}(w) - r_c(w)|}{r_c(w)}.$$

As Huerta (2008, p. 967) points out, the rd score “denotes some sort of percent change in rank. This also means that this function is less sensitive to small changes in frequency in the case of frequent words and to small changes in rank in case of infrequent words.” In other words, we are not concerned about cardinal measures, but ordinal measures, making the analysis distribution-free. This measure means that a unit change on the top of the ranking, say from first to second, will have a higher rd score than a change from 50th to 51st. This is intuitive because changes at the top of the ranking are more important than changes at the bottom of the ranking, since the former apply to very frequently-used words, as opposed to the latter. Had we wanted to give changes a more equal weighting throughout the ranking, we would have raised the denominator to the power of larger than one. Also, a large rd score implies a large leap in the rankings from one corpus to the other, meaning that it is almost never used in one context to being very frequently used in the other.

In our analysis, we always compare the difference in the rank of w in corpus c relative to corpus c' and corpus c' relative to corpus c to get a complete picture. We restrict ourselves to keywords that are among the top 50 most common in corpus c , avoiding keywords with a high $rd_c^{c'}$ that are nevertheless rarely used. We omit conjunctions, prepositions, and articles and we only report keywords with $rd_c^{c'} > 1$.

Table 7 reveals some interesting insights into the differences in chat when it comes to the number of firms. It is instructive to look at the words that have the highest rank differential in the pairwise comparisons. In duopolies, ‘25’ is discussed relatively more often than in the other market structures; ‘12’ is relatively more frequent in four-firm markets; and ‘8’ is relatively more frequently used in six-firm markets than elsewhere. This is hardly surprising: these numbers are the joint-profit maximizing outputs. It illustrates that subjects identified what the profit-maximizing output was, and attempted to coordinate on that value. The relatively high frequency of other close values could be an indication of learning or trial and error — recall that subjects did not have a payoff table. Furthermore, markets with $n = 4$ and $n = 6$ cannot produce the joint-profit maximizing aggregate output of 49 or 50 symmetrically. Hence, they also talk about targets other than ‘12’ or ‘8’.

two vs. four				two vs. six				four vs. six			
$n = 2$		$n = 4$		$n = 2$		$n = 6$		$n = 4$		$n = 6$	
word	rd	word	rd	word	rd	word	rd	word	rd	word	rd
25	261.0	12	716.0	25	581.0	8	606.0	12	70.0	8	151.0
26	50.5	11	78.7	26	51.9	9	357.5	13	20.6	7	50.6
both	38.1	13	64.2	24	36.5	7	26.1	11	10.2	9	15.5
24	35.6	10	27.8	23	31.3	all	23.0	:)	4.0	B	4.9
27	27.4	9	20.7	27	28.1	B	22.1	20	3.9	5	3.2
23	21.7	everyone	11.0	both	15.4	10	22.0	oneself	3.1	one	3.0
50	16.5	15	4.9	I	5.0	A	16.9s	already	2.3	6	2.5
let	7.8	each	2.7	times	4.0	D	4.6	each	1.3	stay	2.2
I	5.0	works	2.0	50	3.8	5	3.1	times	1.1	do	2.1
think	3.8	gives	1.6	you	2.4	one	2.5			but	1.2
have	2.9	:)	1.5	let	2.4	do	1.8			A	1.1
stay	2.3	does	1.3	20	2.0	only	1.7				
you	2.1	how	1.1	think	1.8	to	1.4				
or	1.9			;)	1.7	still	1.1				
times	1.4			still	1.7						
but	1.1			better	1.5						
for	1.1			or	1.5						
	1.1			than	1.2						
	1.1			have	1.2						

Table 7: Text-mining analysis. We report words with absolute rank $r_c \leq 50$ and relative rank differential $rd \geq 1$.

A conspicuous finding between duopolies on the one hand and the four- and six-firm treatments on the other is the relatively more frequent use of ‘both’ for $n = 2$, and the relatively more frequent use of ‘everyone’, ‘one’, or ‘all’ for $n = 4$ and $n = 6$.¹⁶ These words were presumably used in the context of invoking a collective decision, or attempting to invoke a group identity. It is interesting to note that ‘I’ and ‘you’ were used more often in duopolies than in the other two treatments. This could signify that subjects may have attempted to coordinate on strategies that involved asymmetric output choices. In contrast, subjects the six-firm markets used capital letters (individual subjects were identified by capital letters on the screen) more. While duopolists may not have needed to use letters (hence their frequent usage of ‘you’), the use of letters in a large group indicates a particular individual was singled out by participants. One conjectures this was done as a reprimand for bad behavior in a previous round, or perhaps less likely, as a compliment for abiding to an agreement.

Another interesting target for language analysis is to compare groups that successfully colluded to groups that did not. A problem is that virtually all groups can be considered collusive. For example, 21 of 24 groups have an average quantity of plus ten percent on top of the joint-profit maximizing output. And even the remaining three groups (all of which have $n = 6$) have average outputs closer to the joint profit maximum than to the static Nash equilibrium. The text-mining analysis still leads to some insights. We produce the comprehensive analysis in Table 9 in the Appendix and mention some conspicuous findings here. The successful groups (according to the above criterion), unsurprisingly, mention more frequently the collusive quantity targets “13”, suitable for $n = 4$, and “25”, suitable for $n = 2$. The three “unsuccessful” groups used relatively frequently non-suitable (for $n = 6$) quantity targets like “7” or “10”, and “please”, indicating disagreement or uncertainty about choices.

In Table 10 in the Appendix, we also provide a ranking of the words used most frequently in *absolute* terms. The table shows that, unsurprisingly, some words are frequently used throughout (“I”, “ok”), but the quantities of the symmetric collusive outputs also appear at the top of the list. Since the collusive outputs differ across treatments, they have a particularly high *rd* score. For example, the quantity “12” is the most frequently used term with $n = 4$ but is never used with $n = 2$. These absolute frequencies imply a rather large relative rank difference of $rd_{n=4}^{n=2} = 716.0$. Intuitively, also more moderate differences in ranks can imply a substantial *rd* score when they score high in absolute frequency. “I” is the most frequent word with $n = 2$ and it is the sixth most frequent word with $n = 4$, suggesting $rd_{n=2}^{n=4} = 5.0$, that is, the relative rank difference is five.

¹⁶The “one” in the list of words refers to the German “einer,” as in “one of us”.

6 Discussion

The main research question of this paper is to quantify firms' additional profit from talking explicitly for Cournot oligopolies. We observe an increasing and concave relationship between the number of firms and this gain. In other words, markets with more firms find it more profitable to talk than markets with fewer firms.

Our finding is, on the one hand, consistent with the meta study of Balliet (2010). On the other hand, Fonseca and Normann (2012) found an inverse-u shaped relationship the authors should add between the number of firms and the incentive to collude. This shows that strategic substitutes vs. complements may matter (see also Mermer, Müller and Suetens, 2016, for duopolies without talk) regarding the incentive to talk, as may asymmetries between firms (see Harrington et al. 2016). In any event, it cannot be taken for granted that the conventional wisdom—fewer firms find it easier to collude—reflects the gain from explicitly talking and therefore the frequency of cartels.

We furthermore find evidence confirming the role of communication as a catalyst to cooperation in repeated market games. Communication leads to a reduction in average quantities, and lower dispersion, suggesting that it facilitates coordination. The dynamics of output choices shows there are differences in the way communication helps collusion as the number of firms increases. In duopolies, the effect of communication primarily materializes through a level effect. We find dynamic output adjustments where firms positively respond to the quantity posted by the other firm in the previous period. Those adjustments are equal in magnitude in the Chat and No-Chat conditions. In contrast, the data from the four-firm markets shows dynamic quantity adjustments in the Chat conditions only. Coordinating on the profit maximizing output is a more difficult proposition when done by four firms, and communication appears to help. A still different pattern emerges in the six-firm markets. There, we find no dynamic output adjustments in response to other firms' behavior. Instead, we find a simple time trend effect, suggesting that communication only allowed subjects to recognize the advantages of lower quantities, while not allowing them to adjust outputs optimally — which is consistent with the observation that aggregate output in the six-firm markets with communication were substantially below the joint-profit maximum.

References

- [1] Aubert, Cecile, Patrick Rey, and William E. Kovacic. 2007. The Impact of Leniency and Whistleblowing Programs on Cartels. *International Journal of Industrial Organization* 24(6): 1241-1266.
- [2] Balliet, Daniel. 2010. Communication and Cooperation in Social Dilemmas: A Meta-Analytic Review. *Journal of Conflict Resolution* 54(1): 39-57.
- [3] Belleflamme, Paul and Martin Peitz. 2015. *Industrial Organization, Markets and Strategies*. Cambridge University Press, Cambridge.
- [4] Binger, Brian R., Elisabeth Hoffman, Gary D. Libecap. 1990. An experimetric study of the Cournot theory of firm behavior. *Working paper*, University of Arizona.
- [5] Boone, Jan, Wieland Müller, and Sigrid Suetens. 2014. Naked Exclusion in the Lab: The Case of Sequential Contracting. *Journal of Industrial Economics* 62(1): 137-166 .
- [6] Brosig, Jeannette, Axel Ockenfels, and Joachim Weimann. 2003. The Effect of Communication Media on Cooperation. *German Economic Review* 4: 217-241.
- [7] Cason, Timothy N., and Douglas D. Davis. 1995. Price Communication in a Multi-Market Context. *Review of Industrial Organization* 10: 769-787.
- [8] Davis, Douglas D., and Charles A.Holt. 1994. Market Power in Laboratory Markets with Posted Prices. *The Rand Journal of Economics* 25: 467-487.
- [9] Davis, Douglas D., and Charles A. Holt. 1998. Conspiracies and Secret Price Discounts. *Economic Journal* 108: 1-21.
- [10] Deutsch, Morton. 1958. Trust and suspicion. *Journal of Conflict Resolution* 2(4): 265-279.
- [11] Dolbear, Trener F., Lester B. Lave, G. Bowman, G., A. Lieberman, A., Edward C. Prescott, F. Rueter, and Roger Sherman. 1968. Collusion in Oligopoly: An Experiment on the Effect of Numbers and Information. *Quarterly Journal of Economics* 82(2): 240-259.
- [12] Fischbacher, Urs. 2007. z-Tree - Zurich toolbox for Readymade Economic Experiments. *Experimental Economics* 10(2): 171-178.
- [13] Fonseca, Miguel A. and Hans-Theo Normann. 2012. Explicit vs. Tacit Collusion: The Impact of Communication in Oligopoly Experiments. *European Economic Review* 56: 1759-1772.

- [14] Fouraker, Lawrence and Sidney Siegel. 1963. *Bargaining Behavior*, McGraw-Hill, New York.
- [15] Friedman, James W. 1967. An Experimental Study of Cooperative Duopoly. *Econometrica* 35: 379-397.
- [16] Gomez-Martinez, Francisco, Sander Onderstal, and Joep Sonnemans. 2016. Firm-Specific Information and Explicit Collusion in Experimental Oligopolies. *European Economic Review* 82: 132-141.
- [17] Greiner, Ben. 2015. Subject Pool Recruitment Procedures: Organizing Experiments with ORSEE. *Journal of the Economic Science Association* 1(1): 114-125.
- [18] Grout, Paul A. de, and Silvia Sonderegger. 2005. Predicting cartels. *Office of Fair Trading Economic Discussion Paper*.
- [19] Harrington, Joseph E. 2008. Detecting Cartels. In *Handbook in Antitrust Economics*, ed. Paolo Buccirossi, 213-258. MIT Press, Cambridge (Mass.).
- [20] Harrington Jr, Joseph E, Roberto Hernan Gonzalez, and Praveen Kujal. 2016. The Relative Efficacy of Price Announcements and Express Communication for Collusion: Experimental Findings. *Journal of Economic Behavior and Organization* 128: 251–264.
- [21] Hay, George A. and Daniel Kelley. 1974. Empirical Survey of Price Fixing Conspiracies. *Journal of Law and Economics* 17: 13-38.
- [22] Holt, Charles A. 1985. An Experimental Test of the Consistent-Conjectures Hypothesis. *American Economic Review* 75(3): 314-325.
- [23] Holt, Charles A. and Douglas D. Davis. 1990. The Effects of Non-Binding Price Announcements in Posted-Offer Markets. *Economics Letters* 34(4): 307-310.
- [24] Houser, Dan, and Erte Xiao. 2011. Classification of Natural Language Messages Using A Coordination Game. *Experimental Economics* 14: 1–14.
- [25] Huck, Steffen, Hans-Theo Normann, and Joerg Oechssler. 2004. Two are Few and Four are Many – on Number Effects in Cournot Oligopoly. *Journal of Economic Behavior and Organization* 53: 435-446.
- [26] Huerta, Juan M. 2008. Relative Rank Statistics for Dialog Analysis. *Proceedings of the 2008 Conference on Empirical Methods in Natural Language Processing, Association for Computational Linguistics*: 965-972.

- [27] Isaac, R. Mark, Valerie Ramey, and Arlington W. Williams. 1984. The Effects of Market Organization on Conspiracies in Restraint of Trade. *Journal of Economic Behavior and Organization* 5: 191-222.
- [28] Isaac, R. Mark and James M. Walker. 1988. Communication and Free-Riding Behavior: The Voluntary Contribution Mechanism. *Economic Inquiry* 26(4): 585-608.
- [29] Ivaldi, Marc, Bruno Jullien, Patrick Rey, Paul Seabright, and Jean Tirole. 2003. The Economics of Tacit Collusion. *Report for DG Competition*, European Commission.
- [30] Kimbrough, Erik, O., Vernon Smith, and Bart Wilson. 2008. Historical Property Rights, Sociality, and the Emergence of Impersonal Exchange in Long-Distance Trade. *American Economic Review* 98(3): 1009-1039.
- [31] Landeo, Claudia M., and Kathryn E. Spier. 2009. Naked Exclusion: An Experimental Study of Contracts With Externalities. *American Economic Review* 99: 1850-1877.
- [32] Levenstein, Margaret C. and Valerie Y. Suslow. 2006. What Determines Cartel Success? *Journal of Economic Literature* 44: 43-95.
- [33] Li, Yan and Bruce Lyons. 2012. Market Structure, Regulation and the Speed of Mobile Network Penetration. *International Journal of Industrial Organization* 30(6): 697-707.
- [34] Martin, Stephen. 2001. *Advanced Industrial Economics*, Second edition, Blackwell Publishers.
- [35] Mermer, Ayse Gül, Wieland Mueller, and Sigrid Suetens. 2016. Cooperation in Indefinitely Repeated Games of Strategic Complements and Substitutes. *Working Paper No 1603*, Vienna University.
- [36] Motta, Massimo. 2004. *Competition Policy: Theory and Practice*, Cambridge University Press, Cambridge.
- [37] Normann, Hans-Theo, Jürgen Rösch, and Luis-Manuel Schultz. 2015. Do Buyer Groups Facilitate Collusion? *Journal of Economic Behavior and Organization* 109: 72-84.
- [38] Posner, Richard A. 1970. A Statistical Study of Antitrust Enforcement. *Journal of Law and Economics* 13(2): 365-419.
- [39] Scherer, Frederik M. 1980. *Industrial Market Structure and Economic Performance*. Rand McNally College Pub. Co., (Chicago).

- [40] Tirole, Jean. 1989. *The Theory of Industrial Organization*. MIT Press, Cambridge (Mass.).
- [41] Waichman, Israel, Till Requate, Chng Kean and Siang. 2014. Pre-play Communication in Cournot Competition: An Experiment with Students and Managers. *Journal of Economic Psychology* 42: 116
- [42] Whinston, Michael D. 2008. *Lectures on Antitrust Economics*. MIT Press, Cambridge (Mass.).

Appendix 1: General Model

Underlying our design is a homogenous-good Cournot oligopoly with n firms as players. Firms choose quantities $q_i \in [0, \infty)$, $i = 1, \dots, n$. Let $Q = \sum_i^n q_i$. Inverse demand is linear such that $p = \max\{a - Q, 0\}$, where p is the market price. Firms produce at constant marginal costs of c . Profits are denoted by $\Pi_i = (p - c)q_i$.

The two benchmarks we use are the static Nash equilibrium and the symmetric joint-profit maximum. In the static Nash equilibrium, each firm produces $q_i = (a - c)/(n + 1)$ and earns a profit of

$$\left(\frac{a - c}{n + 1}\right)^2. \quad (3)$$

For $n = 1$, we obtain the monopoly output, $q_i = (a - c)/2$. The symmetric joint-profit maximum has therefore each of the n firms producing $q_i = (a - c)/2n$, yielding a profit for each firm equal to

$$\frac{(a - c)^2}{4n}. \quad (4)$$

We now show how the joint-profit maximum can be sustained as a subgame perfect Nash equilibrium (SGPNE) in a repeated game. Consider an infinitely repeated version of the above stage game. Firms discount future profits by a factor $\delta \in (0, 1)$. Suppose that firms aim at maintaining the symmetric joint payoff maximum as an SGPNE with a simple Nash trigger strategy. If firm i deviates, its best response is to produce $(a - c)(n + 1)/4n$, yielding a defection profit of $((a - c)(n + 1)/4n)^2$. For the symmetric joint payoff maximum to be an SGPNE, the stream of discounted collusive profits has to be at least as high as the profit from a one-time deviation followed by a grim (Nash) punishment path in the future, that is:

$$\frac{(a - c)^2}{(1 - \delta)4n} \geq \frac{(a - c)^2(n + 1)^2}{16n^2} + \frac{\delta(a - c)^2}{(1 - \delta)(n + 1)^2} \quad (5)$$

We can solve this inequality for δ . The discount factor has to be at least

$$\delta \geq \frac{(n + 1)^2}{(n + 1)^2 + 4n} \equiv \underline{\delta} \quad (6)$$

for cooperation to be a subgame perfect equilibrium.

We find $\partial \underline{\delta} / \partial n > 0$, so the minimum discount factor increases in n . The incentive constraint (6) is a condition that necessarily has to be met in repeated games, regardless of whether players communicate explicitly. Furthermore, conditions like (6) are often interpreted as an indicator of how ‘‘difficult’’ collusion is. Thus we have theoretical support for Hypothesis 1 in the main text. We note that Hypothesis 1 holds for other collusive equi-

libria with outputs below the joint-profit maximum. It also holds for other (more severe) punishment strategies.

Our Hypothesis 2 in the main text is based on experimental evidence and antitrust practice. It is not based on formal theory.

Hypothesis 3 is about the quantification of the gain from communication. We assume as an illustration that, without communication, firms earn static Nash profits as in (3) whereas firms perfectly coordinate on the monopoly output when they are allowed to talk as in (4). Thus we have:

$$\pi_i^{No-Chat} = \left(\frac{a-c}{n+1} \right)^2 \quad (7)$$

and

$$\pi_i^{Chat} = \frac{(a-c)^2}{4n}. \quad (8)$$

Then, the gain from talking for this industry is:

$$\Delta\Pi = \frac{(a-c)^2}{4} - n \left(\frac{a-c}{n+1} \right)^2 = \frac{(a-c)^2 (n-1)^2}{4(n+1)^2}. \quad (9)$$

From $\partial\Delta\Pi/\partial n > 0$, this expression increases monotonically in n , and it approaches $(a-c)^2/4$ —the maximum joint profit—for $n \rightarrow \infty$. In words, (9) suggests that the gain from talking increases in n . Furthermore, $\partial^2\Delta\Pi/\partial n^2 < 0$. That is, $\Delta\Pi$ increases in n at a decreasing rate, as formalized in Hypothesis 3.

Appendix 2: Instructions (translated from the original German versions)

Duopolies No-Chat

Welcome to our experiment!

Please read these instructions carefully. If you have a question, please raise your hand and direct them at us. We ask you that you speak to your neighbors and that you keep quiet during the entire experiment! If you do not follow this rule, you may be excluded from the experiment and payment. In this experiment you will repeatedly make decisions that will earn you real money. How much you earn depends on your decisions and on the decisions of other participants. All decisions you make will be treated anonymously.

In this experiment you will represent a firm which produces and sells one and the same product, as does one other firm in the market. Both firms will always have to make one decision, namely to decide what quantity they wish to produce. The costs of production are 1 Taler per unit (this holds for all firms). Furthermore, your capacity allows you to have a maximum output of 100 units in each period. The following important rule holds: the larger the total quantity of both firms, the smaller the price in the market. More precisely, for each additional unit of output, the price will decrease by one Taler. Moreover, the price will be zero from a certain amount of total output upwards. The price can be 100 Taler at most and cannot be smaller than zero.

Example 1: You and the other firm produce 40 units each, the total output is thus 80 units. This results in a price of $100 - 80 = 20$ Taler and you get one profit of $(20 - 1) * 40 = 760$ Taler.

Example 2: You and the other firm produce 20 units each, the total output is thus 40 units. This results in a price of $100 - 40 = 60$ Taler and you make a profit of $(60 - 1) * 20 = 1180$ Taler.

Note that you can also make losses. You will start with a starting capital of 16,000 Taler, which also serves as a show-up fee. After each round, you will be informed you of the amount the other participant has produced and how much your own profit is. At least 20 periods are played. Once the 20th period is over, the computer will decide with a virtual cube whether or not to continue. If a six comes up, the experiment is over. For any other number, the experiment will be continued.

You will be constantly matched with the same participant. At the end of the experiment, you will be told of your earnings in Taler which correspond to your payout. The following conversion rate applies: You will receive one euro for every 2,000 Taler.

Additional Instructions for Duopolies No-Chat

During the experiment, you will have the opportunity to communicate to the other firm in your market. In the first period, you will have one minute available for this; from period two and in all subsequent periods, 30 seconds will be available. For this purpose, you will have a chat-box on your screen which can be used to send and receive messages. Only the other person with whom you have been matched with can read your messages. You can send any number of messages. There are only two restrictions on messages: you must not identify yourself (via messages on age, gender, etc.) and you must not insult the other participants.

After one minute, or from the second period on after 30 seconds, the chat window will be closed and you must decide on the quantity you want to produce and sell in that period.

Appendix 3: Additional Data Analysis

DV: $q_{i,t}$	(1)	(2)
<i>Chat</i>	-7.85*** (2.96)	-7.90** (3.14)
<i>Chat</i> \times $n = 4$	-7.07 (4.88)	-4.22 (4.10)
<i>Chat</i> \times $n = 6$	0.83 (3.78)	-0.58 (3.87)
$Q_{-i,t-1}$	0.17*** (0.06)	0.17*** (0.06)
$Q_{-i,t-1} \times n = 4$	-0.14* (0.07)	-0.12* (0.07)
$Q_{-i,t-1} \times n = 6$	-0.15** (0.06)	-0.15** (0.06)
<i>Chat</i> \times $Q_{-i,t-1}$	0.17* (0.10)	0.17* (0.10)
<i>Chat</i> \times $Q_{-i,t-1} \times n = 4$	0.03 (0.12)	-0.003 (.12)
<i>Chat</i> \times $Q_{-i,t-1} \times n = 6$	-0.13 (0.11)	-0.15** (0.06)
t		0.01 (0.06)
$t \times n = 4$		0.05 (0.10)
$t \times n = 6$		-0.07 (0.07)
$t \times \textit{Chat}$		0.002 (0.07)
$t \times \textit{Chat} \times n = 4$		-0.02 (0.11)
$t \times \textit{Chat} \times n = 6$		0.10 (0.08)
$n = 4$	-5.56 (4.08)	-8.43*** (2.99)
$n = 6$	-10.70*** (3.00)	-9.58*** (2.93)
Constant	24.19*** (1.98)	24.15*** (1.93)
N	3,772	
R^2	0.57	

Table 8: Random effects GLS Estimates

collusive		non-collusive	
word	rd	word	rd
13	21.8	7	22.3
25	16.3	please	6.8
you	7.7	5	3.9
20	6.7	6	2.9
11	5.8	10	1.7
I	4.0	still	1.6
still	3.4	9	1.5
does	2.8	15	1.4
12	2.2	was	1.1
and	2.1	us	1.0
:)	2.0		
times	1.4		
only	1.4		
if	1.1		

Table 9: Text-mining analysis for collusive vs. non-collusive groups (the latter defined as failing to restrict output below the joint-profit maximizing level plus 10 percent). We report words with absolute rank $r_c \leq 50$ and relative rank differential $rd \geq 1$.

$n = 2$	$n = 4$	$n = 6$
I	12	8
25	:)	9
ok	ok	ok
yes	10	all
:)	yes	10
we	I	I
times	we	yes
is	all	we
so	11	is
or	so	:)
not	13	not
still	is	7
more	and	and
and	not	so
then	too	now
what	then	do
too	times	also
also	it	what
you	now	but
but	still	it
;)	good	more
26	what	was
with	more	at
good	each	or
if	if	too
now	20	stay
stay	was	good
it	also	with
both	or	B
for	;)	further
24	still	still
was	as	even
one	9	then
better	with	one
23	continue	times

Table 10: Ranking of absolutely most frequently observed words in each treatment.

PREVIOUS DISCUSSION PAPERS

- 289 Fonseca, Miguel A., Li, Yan and Normann, Hans-Theo, Why Factors Facilitating Collusion May Not Predict Cartel Occurrence – Experimental Evidence, May 2018. Forthcoming in: Southern Economic Journal.
- 288 Benesch, Christine, Loretz, Simon, Stadelmann, David and Thomas, Tobias, Media Coverage and Immigration Worries: Econometric Evidence, April 2018.
- 287 Dewenter, Ralf, Linder, Melissa and Thomas, Tobias, Can Media Drive the Electorate? The Impact of Media Coverage on Party Affiliation and Voting Intentions, April 2018.
- 286 Jeitschko, Thomas D., Kim, Soo Jin and Yankelevich, Aleksandr, A Cautionary Note on Using Hotelling Models in Platform Markets, April 2018.
- 285 Baye, Irina, Reiz, Tim and Sapi, Geza, Customer Recognition and Mobile Geo-Targeting, March 2018.
- 284 Schaefer, Maximilian, Sapi, Geza and Lorincz, Szabolcs, The Effect of Big Data on Recommendation Quality. The Example of Internet Search, March 2018.
- 283 Fischer, Christian and Normann, Hans-Theo, Collusion and Bargaining in Asymmetric Cournot Duopoly – An Experiment, March 2018.
- 282 Friese, Maria, Heimeshoff, Ulrich and Klein, Gordon, Property Rights and Transaction Costs – The Role of Ownership and Organization in German Public Service Provision, February 2018.
- 281 Hunold, Matthias and Shekhar, Shiva, Supply Chain Innovations and Partial Ownership, February 2018.
- 280 Rickert, Dennis, Schain, Jan Philip and Stiebale, Joel, Local Market Structure and Consumer Prices: Evidence from a Retail Merger, January 2018.
- 279 Dertwinkel-Kalt, Markus and Wenzel, Tobias, Focusing and Framing of Risky Alternatives, December 2017. Forthcoming in: Journal of Economic Behavior and Organization.
- 278 Hunold, Matthias, Kesler, Reinhold, Laitenberger, Ulrich and Schlütter, Frank, Evaluation of Best Price Clauses in Online Hotel Booking, December 2017 (First Version October 2016). Forthcoming in: Journal of Industrial Organization.
- 277 Haucap, Justus, Thomas, Tobias and Wohlrabe, Klaus, Publication Performance vs. Influence: On the Questionable Value of Quality Weighted Publication Rankings, December 2017.
- 276 Haucap, Justus, The Rule of Law and the Emergence of Market Exchange: A New Institutional Economic Perspective, December 2017. Published in: von Alemann, U., D. Briesen & L. Q. Khanh (eds.), The State of Law: Comparative Perspectives on the Rule of Law, Düsseldorf University Press: Düsseldorf 2017, pp. 143-172.
- 275 Neyer, Ulrike and Sterzel, André, Capital Requirements for Government Bonds – Implications for Bank Behaviour and Financial Stability, December 2017.
- 274 Deckers, Thomas, Falk, Armin, Kosse, Fabian, Pinger, Pia and Schildberg-Hörisch, Hannah, Socio-Economic Status and Inequalities in Children's IQ and Economic Preferences, November 2017.

- 273 Defever, Fabrice, Fischer, Christian and Suedekum, Jens, Supplier Search and Re-matching in Global Sourcing – Theory and Evidence from China, November 2017.
- 272 Thomas, Tobias, Heß, Moritz and Wagner, Gert G., Reluctant to Reform? A Note on Risk-Loving Politicians and Bureaucrats, October 2017.
Published in: *Review of Economics*, 68 (2017), pp. 167-179.
- 271 Caprice, Stéphane and Shekhar, Shiva, Negative Consumer Value and Loss Leading, October 2017.
- 270 Emch, Eric, Jeitschko, Thomas D. and Zhou, Arthur, What Past U.S. Agency Actions Say About Complexity in Merger Remedies, With an Application to Generic Drug Divestitures, October 2017.
Published in: *Competition: The Journal of the Antitrust, UCL and Privacy Section of the California Lawyers Association*, 27 (2017/18), pp. 87-104.
- 269 Goeddeke, Anna, Haucap, Justus, Herr, Annika and Wey, Christian, Flexibility in Wage Setting Under the Threat of Relocation, September 2017.
Published in: *Labour: Review of Labour Economics and Industrial Relations*, 32 (2018), pp. 1-22.
- 268 Haucap, Justus, Merger Effects on Innovation: A Rationale for Stricter Merger Control?, September 2017.
Published in: *Concurrences: Competition Law Review*, 4 (2017), pp.16-21.
- 267 Brunner, Daniel, Heiss, Florian, Romahn, André and Weiser, Constantin, Reliable Estimation of Random Coefficient Logit Demand Models, September 2017.
- 266 Kosse, Fabian, Deckers, Thomas, Schildberg-Hörisch, Hannah and Falk, Armin, The Formation of Prosociality: Causal Evidence on the Role of Social Environment, July 2017.
- 265 Friehe, Tim and Schildberg-Hörisch, Hannah, Predicting Norm Enforcement: The Individual and Joint Predictive Power of Economic Preferences, Personality, and Self-Control, July 2017.
Published in: *European Journal of Law and Economics*, 45 (2018), pp. 127-146.
- 264 Friehe, Tim and Schildberg-Hörisch, Hannah, Self-Control and Crime Revisited: Disentangling the Effect of Self-Control on Risk Taking and Antisocial Behavior, July 2017.
Published in: *European Journal of Law and Economics*, 45 (2018), pp. 127-146.
- 263 Golsteyn, Bart and Schildberg-Hörisch, Hannah, Challenges in Research on Preferences and Personality Traits: Measurement, Stability, and Inference, July 2017.
Published in: *Journal of Economic Psychology*, 60 (2017), pp. 1-6.
- 262 Lange, Mirjam R.J., Tariff Diversity and Competition Policy – Drivers for Broadband Adoption in the European Union, July 2017.
Published in: *Journal of Regulatory Economics*, 52 (2017), pp. 285-312.
- 261 Reisinger, Markus and Thomes, Tim Paul, Manufacturer Collusion: Strategic Implications of the Channel Structure, July 2017.
- 260 Shekhar, Shiva and Wey, Christian, Uncertain Merger Synergies, Passive Partial Ownership, and Merger Control, July 2017.
- 259 Link, Thomas and Neyer, Ulrike, Friction-Induced Interbank Rate Volatility under Alternative Interest Corridor Systems, July 2017.

- 258 Diermeier, Matthias, Goecke, Henry, Niehues, Judith and Thomas, Tobias, Impact of Inequality-Related Media Coverage on the Concerns of the Citizens, July 2017.
- 257 Stiebale, Joel and Wößner, Nicole, M&As, Investment and Financing Constraints, July 2017.
- 256 Wellmann, Nicolas, OTT-Messaging and Mobile Telecommunication: A Joint Market? – An Empirical Approach, July 2017.
- 255 Ciani, Andrea and Imbruno, Michele, Microeconomic Mechanisms Behind Export Spillovers from FDI: Evidence from Bulgaria, June 2017.
Published in: *Review of World Economics*, 153 (2017), pp. 704-734.
- 254 Hunold, Matthias and Muthers, Johannes, Capacity Constraints, Price Discrimination, Inefficient Competition and Subcontracting, June 2017.
- 253 Dertwinkel-Kalt, Markus and Köster, Mats, Salient Compromises in the Newsvendor Game, June 2017.
Published in: *Journal of Economic Behavior and Organization*, 141 (2017), pp. 301-315.
- 252 Siekmann, Manuel, Characteristics, Causes, and Price Effects: Empirical Evidence of Intraday Edgeworth Cycles, May, 2017.
- 251 Benndorf, Volker, Moellers, Claudia and Normann, Hans-Theo, Experienced vs. Inexperienced Participants in the Lab: Do they Behave Differently?, May 2017.
Published in: *Journal of the Economic Science Association*, 3 (2017), pp.12-25.
- 250 Hunold, Matthias, Backward Ownership, Uniform Pricing and Entry Deterrence, May 2017.
- 249 Kreckemeier, Udo and Wrona, Jens, Industrialisation and the Big Push in a Global Economy, May 2017.
- 248 Dertwinkel-Kalt, Markus and Köster, Mats, Local Thinking and Skewness Preferences, April 2017.
- 247 Shekhar, Shiva, Homing Choice and Platform Pricing Strategy, March 2017.
- 246 Manasakis, Constantine, Mitrokostas, Evangelos and Petrakis, Emmanuel, Strategic Corporate Social Responsibility by a Multinational Firm, March 2017.
- 245 Ciani, Andrea, Income Inequality and the Quality of Imports, March 2017.
- 244 Bonnet, Céline and Schain, Jan Philip, An Empirical Analysis of Mergers: Efficiency Gains and Impact on Consumer Prices, February 2017.
- 243 Benndorf, Volker and Martinez-Martinez, Ismael, Perturbed Best Response Dynamics in a Hawk-Dove Game, January 2017.
Published in: *Economics Letters*, 153 (2017), pp. 61-64.
- 242 Dauth, Wolfgang, Findeisen, Sebastian and Suedekum, Jens, Trade and Manufacturing Jobs in Germany, January 2017.
Published in: *American Economic Review, Papers & Proceedings*, 107 (2017), pp. 337-342.
- 241 Borrs, Linda and Knauth, Florian, The Impact of Trade and Technology on Wage Components, December 2016.
- 240 Haucap, Justus, Heimeshoff, Ulrich and Siekmann, Manuel, Selling Gasoline as a By-Product: The Impact of Market Structure on Local Prices, December 2016.

- 239 Herr, Annika and Normann, Hans-Theo, How Much Priority Bonus Should be Given to Registered Organ Donors? An Experimental Analysis, November 2016.
- 238 Steffen, Nico, Optimal Tariffs and Firm Technology Choice: An Environmental Approach, November 2016.
- 237 Behrens, Kristian, Mion, Giordano, Murata, Yasusada and Suedekum, Jens, Distorted Monopolistic Competition, November 2016.
- 236 Beckmann, Klaus, Dewenter, Ralf and Thomas, Tobias, Can News Draw Blood? The Impact of Media Coverage on the Number and Severity of Terror Attacks, November 2016.
Published in: *Peace Economics, Peace Science and Public Policy*, 23 (1) 2017, pp. 1-16.
- 235 Dewenter, Ralf, Dulleck, Uwe and Thomas, Tobias, Does the 4th Estate Deliver? Towards a More Direct Measure of Political Media Bias, November 2016.
- 234 Egger, Hartmut, Kreickemeier, Udo, Moser, Christoph and Wrona, Jens, Offshoring and Job Polarisation Between Firms, November 2016.
- 233 Moellers, Claudia, Stühmeier, Torben and Wenzel, Tobias, Search Costs in Concentrated Markets – An Experimental Analysis, October 2016.
- 232 Moellers, Claudia, Reputation and Foreclosure with Vertical Integration – Experimental Evidence, October 2016.
- 231 Alipranti, Maria, Mitrokostas, Evangelos and Petrakis, Emmanuel, Non-comparative and Comparative Advertising in Oligopolistic Markets, October 2016.
Forthcoming in: *The Manchester School*.
- 230 Jeitschko, Thomas D., Liu, Ting and Wang, Tao, Information Acquisition, Signaling and Learning in Duopoly, October 2016.
- 229 Stiebale, Joel and Vencappa, Dev, Acquisitions, Markups, Efficiency, and Product Quality: Evidence from India, October 2016.
Forthcoming in: *Journal of International Economics*.
- 228 Dewenter, Ralf and Heimeshoff, Ulrich, Predicting Advertising Volumes: A Structural Time Series Approach, October 2016.
Published in: *Economics Bulletin*, 37 (2017), Volume 3.
- 227 Wagner, Valentin, Seeking Risk or Answering Smart? Framing in Elementary Schools, October 2016.
- 226 Moellers, Claudia, Normann, Hans-Theo and Snyder, Christopher M., Communication in Vertical Markets: Experimental Evidence, July 2016.
Published in: *International Journal of Industrial Organization*, 50 (2017), pp. 214-258.
- 225 Argentesi, Elena, Buccirosi, Paolo, Cervone, Roberto, Duso, Tomaso and Marrazzo, Alessia, The Effect of Retail Mergers on Prices and Variety: An Ex-post Evaluation, June 2016.
- 224 Aghadadashli, Hamid, Dertwinkel-Kalt, Markus and Wey, Christian, The Nash Bargaining Solution in Vertical Relations With Linear Input Prices, June 2016.
Published in: *Economics Letters*, 145 (2016), pp. 291-294.
- 223 Fan, Ying, Kühn, Kai-Uwe and Lafontaine, Francine, Financial Constraints and Moral Hazard: The Case of Franchising, June 2016.
Published in: *Journal of Political Economy*, 125 (2017), pp. 2082-2125.

- 222 Benndorf, Volker, Martinez-Martinez, Ismael and Normann, Hans-Theo, Equilibrium Selection with Coupled Populations in Hawk-Dove Games: Theory and Experiment in Continuous Time, June 2016.
Published in: *Journal of Economic Theory*, 165 (2016), pp. 472-486.
- 221 Lange, Mirjam R. J. and Saric, Amela, Substitution between Fixed, Mobile, and Voice over IP Telephony – Evidence from the European Union, May 2016.
Published in: *Telecommunications Policy*, 40 (2016), pp. 1007-1019.
- 220 Dewenter, Ralf, Heimeshoff, Ulrich and Lüth, Hendrik, The Impact of the Market Transparency Unit for Fuels on Gasoline Prices in Germany, May 2016.
Published in: *Applied Economics Letters*, 24 (2017), pp. 302-305.
- 219 Schain, Jan Philip and Stiebale, Joel, Innovation, Institutional Ownership, and Financial Constraints, April 2016.
- 218 Haucap, Justus and Stiebale, Joel, How Mergers Affect Innovation: Theory and Evidence from the Pharmaceutical Industry, April 2016.
- 217 Dertwinkel-Kalt, Markus and Wey, Christian, Evidence Production in Merger Control: The Role of Remedies, March 2016.
- 216 Dertwinkel-Kalt, Markus, Köhler, Katrin, Lange, Mirjam R. J. and Wenzel, Tobias, Demand Shifts Due to Salience Effects: Experimental Evidence, March 2016.
Published in: *Journal of the European Economic Association*, 15 (2017), pp. 626-653.
- 215 Dewenter, Ralf, Heimeshoff, Ulrich and Thomas, Tobias, Media Coverage and Car Manufacturers' Sales, March 2016.
Published in: *Economics Bulletin*, 36 (2016), pp. 976-982.
- 214 Dertwinkel-Kalt, Markus and Riener, Gerhard, A First Test of Focusing Theory, February 2016.
- 213 Heinz, Matthias, Normann, Hans-Theo and Rau, Holger A., How Competitiveness May Cause a Gender Wage Gap: Experimental Evidence, February 2016.
Forthcoming in: *European Economic Review*, 90 (2016), pp. 336-349.
- 212 Fudickar, Roman, Hottenrott, Hanna and Lawson, Cornelia, What's the Price of Consulting? Effects of Public and Private Sector Consulting on Academic Research, February 2016.
Forthcoming in: *Industrial and Corporate Change*.
- 211 Stühmeier, Torben, Competition and Corporate Control in Partial Ownership Acquisitions, February 2016.
Published in: *Journal of Industry, Competition and Trade*, 16 (2016), pp. 297-308.
- 210 Muck, Johannes, Tariff-Mediated Network Effects with Incompletely Informed Consumers, January 2016.
- 209 Dertwinkel-Kalt, Markus and Wey, Christian, Structural Remedies as a Signalling Device, January 2016.
Published in: *Information Economics and Policy*, 35 (2016), pp. 1-6.
- 208 Herr, Annika and Hottenrott, Hanna, Higher Prices, Higher Quality? Evidence From German Nursing Homes, January 2016.
Published in: *Health Policy*, 120 (2016), pp. 179-189.
- 207 Gaudin, Germain and Mantzari, Despoina, Margin Squeeze: An Above-Cost Predatory Pricing Approach, January 2016.
Published in: *Journal of Competition Law & Economics*, 12 (2016), pp. 151-179.

- 206 Hottenrott, Hanna, Rexhäuser, Sascha and Veugelers, Reinhilde, Organisational Change and the Productivity Effects of Green Technology Adoption, January 2016. Published in: Energy and Resource Economics, 43 (2016), pp. 172–194.
- 205 Dauth, Wolfgang, Findeisen, Sebastian and Suedekum, Jens, Adjusting to Globalization – Evidence from Worker-Establishment Matches in Germany, January 2016.

Older discussion papers can be found online at:

<http://ideas.repec.org/s/zbw/dicedp.html>

Heinrich-Heine-University of Düsseldorf

**Düsseldorf Institute for
Competition Economics (DICE)**

Universitätsstraße 1_ 40225 Düsseldorf
www.dice.hhu.de