

Clemens, Georg; Rau, Holger A.

Working Paper

Do leniency policies facilitate collusion? Experimental evidence

DICE Discussion Paper, No. 130

Provided in Cooperation with:

Düsseldorf Institute for Competition Economics (DICE), Heinrich Heine University Düsseldorf

Suggested Citation: Clemens, Georg; Rau, Holger A. (2014) : Do leniency policies facilitate collusion? Experimental evidence, DICE Discussion Paper, No. 130, ISBN 978-3-86304-129-8, Heinrich Heine University Düsseldorf, Düsseldorf Institute for Competition Economics (DICE), Düsseldorf

This Version is available at:

<https://hdl.handle.net/10419/88909>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

DISCUSSION PAPER

No 130

Do Leniency Policies Facilitate Collusion? Experimental Evidence

Georg Clemens,
Holger A. Rau

January 2014

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, 2014

ISSN 2190-9938 (online) – ISBN 978-3-86304-129-8

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.

Do Leniency Policies Facilitate Collusion?

Experimental Evidence

Georg Clemens^{*1} and Holger A. Rau^{†2}

¹Düsseldorf Institute for Competition Economics (DICE), Germany

²University of Erlangen-Nuremberg, Germany

January 2014

Abstract

This paper experimentally analyzes the cartel coordination challenge induced by the discrimination of cartel ringleaders in leniency policies. Ringleaders often take a leading role in the coordination and formation of a cartel. A leniency policy which grants amnesty to all “whistleblowers” except for ringleaders may therefore reduce the incentive to become a ringleader and may disrupt cartel formation. We analyze discriminatory and non-discriminatory leniency policies in a multi-stage cartel formation experiment where multiple ringleaders may emerge. Although theory predicts that cartels will always be reported, whistleblowing rarely occurs. Paradoxically the discriminatory leniency policy induces more firms to become ringleaders, which ultimately facilitates coordination in the cartel.

JEL Classification numbers: C92, K21, L41.

Keywords: Cartels, Leniency Programs, Ringleader Discrimination, Experiment

^{*}Universitätsstr. 1, 40225 Düsseldorf (Germany), E-Mail: clemens@dice.hhu.de.

[†]Corresponding author, Lange Gasse 20, 90403 Nuremberg (Germany), E-Mail: holger.rau@fau.de.

1 Introduction

Over the last two decades corporate leniency programs have emerged as real “game changers” in the fight against hardcore cartels. The provision of amnesty to a cartel member that “blows the whistle” has ultimately proven to be an antitrust tool of utmost efficacy.¹ The possibility to apply for leniency does however not extend to all firms within a cartel. Ringleaders, which are identified as the firms that instigate and organize the cartel² are excluded from leniency applications in most jurisdictions. A leniency policy that excludes ringleaders is therefore classified as discriminatory.

Leniency policies have a twofold disruptive effect on cartels. The first effect is the elicitation of confessions in an existing cartel. Cartels such as Lysine, Vitamins or Belgian brewers have been uncovered following insider information reported by cartel members.³ The second disruptive effect is the deterrence of cartel formation by leniency. In this respect the discrimination of cartel ringleaders is of significant importance. As leniency is denied to ringleaders, the formation of cartels is potentially mitigated, since the role as a ringleader comes at the cost of amnesty. This generates a significant coordination problem in the formation of a cartel as every firm would be better-off if the other was the ringleader. The discrimination of ringleaders, however also has the potential to stabilize cartels.⁴ By becoming a ringleader within the cartel, a firm can signal its commitment. As leniency creates distrust among cartel members who may all betray each other, renouncing the right to report the cartel as a ringleader may re-inject trust.

Although it remains unclear whether the stabilizing or destabilizing effect prevails, empirical evidence reported in Davies and De (2013) suggests that ringleader discrimination has not fully prevented the emergence of ringleaders. Astonishingly, the E.U. Commission has identified more than one ringleader in most of the ringleader cases, where the respective firms shared duties such as the organization of meetings. Despite the fact that this phenomenon might only be driven by organizational issues, the decision by multiple firms to become ringleaders could also have trust-enforcing motives. An increasing number of ringleaders reduces the number of potential “whistleblowers” and therefore facilitates cartel formation.

This paper analyzes whether or not cartel formation is disrupted by a discriminatory policy. The coordination problem generated by a discriminatory leniency policy yields the following research question: Does ringleader discrimination prevent the emergence of ringleader(s) and thereby cartel formation?

Our experimental approach allows an adequate investigation of the effect of ringleader discrimination on cartel formation. Although economic experiments have their limitations, since firms’ behavior is deduced from the decisions of subjects in the lab, their advantages are undeniable. Experiments can generate data for different legislation and policies especially with

¹As it has been pointed by the former director of DG Competition, Olivier Guersent: “As a result, since 1996, the Leniency Program has been the most effective generator of important cases. About 100 companies have filed leniency applications under this program and, since 1996, the Commission has taken 24 formal decisions in cartel cases in which companies co-operated with the investigations.”

²See Davies and De (2013) who outline the organizational activities of ringleaders within a cartel.

³See European Commission 2002

⁴This duality of a discriminating leniency policy has first been addressed in Leslie (2006)

regard to coordination issues which are generally not observable in the field. More importantly, experiments allow the inference of behavioral aspects of conduct in cartels, such as trust, which cannot be deduced from field data or from theory.⁵

This experiment compares the impact of different antitrust policies on cartelization. We implement a cartel formation game where the cartel is established in a multi-stage decision game preceded by a communication stage. The experiment abstracts from pricing decisions as cartel members are always bound to the joint-profit-maximizing strategy while outside firms play best-response. This allows us to leave aside the possible influence of price coordination challenges on cartel formation which in this experiment only depends on whistleblowing. We introduce a benchmark treatment *Antitrust Authority* (*AA*) without leniency and two leniency treatments *Leniency* (*LEN*) and *Ringleader Discrimination* (*RD*). While cartel formation is sanctioned in all three treatments, leniency is only available in *LEN*. In *RD* only non-ringleaders are eligible to report the cartel. The introduction of *LEN* enables us to infer the general effect of leniency on cartel formation when comparing with *AA*. More importantly, introducing the *RD* treatment allows us to disentangle the effects of a discriminatory and non-discriminatory leniency policy on the emergence of ringleaders and cartel formation.

Many of the characteristics of cartels with ringleaders, which have been left untouched by the literature, are included in our experimental approach. First and foremost, we allow for multiple ringleaders in order to reflect the empirical evidence reported by Davies and De (2013). Our ringleaders not only instigate a cartel by switching on a chat device that allows unlimited communication but may also facilitate collusion.⁶ As opposed to former experiments by Bigoni et al. (2012), Hesch (2012), and Wandschneider (2012), the emergence of a ringleader is not deterministic in our setting. This is in line with the observation by Bos and Wandschneider (2011) who find that cartels do not necessarily have to include a ringleader in order to coordinate the cartel implementation. Thus, our framework allows us to assess whether there would be a ringleader under a leniency policy which discriminates against ringleaders and, if so, if he would emerge as the only ringleader.

Our findings can be summarized as follows: a non-discriminatory leniency policy reduces the number of formed cartels compared to a system without leniency where ringleader discrimination achieves the highest cartel formation rates. Cartels are rarely reported under both leniency policies, where the lowest number of reports is observed in the ringleader discrimination case. Most strikingly, we observe the highest number of ringleaders with ringleader discrimination. The results are of particular importance for antitrust policy as they show that the discriminatory leniency policy may facilitate cartel formation. In this regard the emergence of ringleaders may generate trust among cartel members showing that firms can overcome the coordination challenge induced by the discriminatory leniency policy.

The remainder of this article proceeds as follows. Section 2 links our approach to the relevant literature and presents our experimental design. Section 3 presents the theoretical predictions

⁵See Armstrong and Huck (2010) for an overview of the behavioral literature as applied to firms' conduct in markets.

⁶This follows from Cooper and Kühn (2009) and Fonseca and Normann (2012) who show that unlimited communication facilitates collusion in cartels.

and the hypotheses we postulate. Section 4 discusses the results, while section 5 concludes.

2 Literature Review and Design

2.1 Literature Review

The number of articles on leniency policies has significantly increased over the last decade encompassing theoretical, empirical, and experimental contributions to the literature. The theoretical and empirical literature provides ambiguous results regarding the efficiency of leniency. Motta and Polo (2003), show that a leniency program may incentivize firms to collude more since the fine reduction induced by the leniency program makes collusion more attractive. In a similar line Spagnolo (2004) and Aubert et al. (2006) have shown that a reward system where whistleblowers obtain a bonus payment for reporting the cartel is superior to a leniency policy which reduces the fine. Empirical contributions by Miller (2009) and Brenner (2009) evaluate the efficiency of the U.S. and E.U. leniency programs showing that the former (Miller, 2009) enhances cartel detection while the latter fails to destabilize cartels (Brenner, 2009). Chang and Harrington (2008) find that leniency may generate more cases an antitrust authority can handle to work efficiently if the resources of the antitrust authority are limited. Both the theoretical and experimental literature provide important insight into the effect of whistleblowing in existing and in detected cartels. However, neither the theoretical nor the empirical literature can explain how firms face challenges induced by a leniency policy on cartels that are yet to be formed. Here, the experimental literature on leniency initiated by Apesteguia et al. (2007) may fill a gap.

Apesteguia et al. (2007) provide the first experimental analysis of leniency programs. In a discretized one-shot Bertrand game similar to Dufwenberg and Gneezy (2000), Apesteguia et al. (2007) analyze the formation of three-firm cartels and the pricing decision under different antitrust policies. Here, a cartel was formed in a unanimous decision which implied unrestricted communication, while prices were fixed independently in the preceding stage. Subsequently, the cartel could be reported by cartel members if leniency was available or be detected by an antitrust authority. Apesteguia et al. (2007) find that leniency not only deters cartel formation but also undermines price coordination as cartel prices are significantly lower under leniency. The experimental framework is designed as a one-shot repetition which may overestimate the positive effect of leniency. In fact, leniency has no consequence with one-shot interactions as it leaves out the possibility to sanction whistleblowers by refusing to collude in future periods. Consequently, Hinloopen and Soetevent (2008) and Bigoni et al. (2012) extend the framework of Apesteguia et al. (2007) to a dynamic setting with repeated interaction among the firms.

In Hinloopen and Soetevent (2008) the results obtained by Apesteguia et al. (2007) regarding the disruptive effect of leniency are confirmed, as leniency deters cartel formation and reduces prices alike. Further intriguing changes are introduced by Bigoni et al. (2012) where the right to report the cartel before and after its implementation is the most important one.⁷ This modification allows to disentangle defection and punishment and ensures that leniency does not become

⁷Note that Bigoni et al. (2012) furthermore analyze leniency in a duopolistic differentiated Bertrand market and use a fixed fine, as opposed to Apesteguia et al. (2007) and Hinloopen and Soetevent (2008).

a mere punishment tool against defecting firms. As opposed to Apesteguia et al. (2007) and Hinloopen and Soetevent (2008), Bigoni et al. (2012) find that leniency increases prices. Yet, the deterring effect of leniency on cartel formation found in Apesteguia et al. (2007) and Hinloopen and Soetevent (2008) is confirmed in Bigoni et al. (2012). Experimental evidence hence fills a gap as it clarifies the picture of the effect leniency has on the coordination of cartel formation. We are in line with this approach as we also investigate the effect leniency has on the formation of cartels. Note however that our approach focuses on the effect of a discriminatory leniency policy where ringleaders are excluded from the leniency program, and therefore contributes to the literature on ringleader discrimination.

Ringleader discrimination has only recently caught the attention of economic research. Bos and Wandschneider (2013) infer the impact of a ringleader discrimination policy in a theoretical model based on Bos and Harrington (2010). It is shown that a discriminatory leniency policy may yield higher cartel prices as compared to a non-discriminatory policy.⁸ A different approach is suggested by Herre et al. (2012) who model the ringleader as the cartel member with the highest amount on relevant information for the antitrust authority. In a theoretical framework based on Motta and Polo (2003) it is shown that, depending on the amount of information a ringleader has, ringleader discrimination may or may not be desirable. So far the theoretical literature has fallen short of a clear-cut evaluation of ringleader discrimination. Hence, experimental evidence may provide additional evidence to clarify the picture.

Experimental evidence on ringleader discrimination is still scarce. The experiment by Bigoni et al. (2012) includes a leniency treatment with ringleader discrimination. The results suggest that the policy does not decrease cartel deterrence and that cartels become more harmful since prices increase. However, the scope of these results is limited as Bigoni et al. (2012) exclusively analyze duopolies. Hesch (2012) and Wandschneider (2012) extend the analysis to a triopoly. In an experimental framework based on Hinloopen and Soetevent (2008), Hesch (2012) finds that ringleader discrimination facilitates cartel formation and increases prices for a low detection probability while the opposite holds for a high detection probability. Wandschneider (2012) confirms the result that ringleader discrimination does not deter cartel formation although cartel prices are lower with ringleader discrimination.

The experimental literature on discriminatory leniency policies has so far mainly focused on the implementation of the cartel prices, and has deliberately simplified cartel formation. In all experiments presented above the entire cartel formation process corresponds to a unanimous decision to activate a communication device. Consequently Bigoni et al. (2012) model the ringleader as the firm that is first to activate the communication device. This approach guarantees that the ringleader plays a crucial role in the cartel formation process. Yet it only leaves one potential whistleblower as the cartel is formed in a duopoly. Hence the coordination challenge induced by a potential “run to the court house” cannot be inferred here. In Hesch (2012), the ringleader is randomly picked by the computer which per-se excludes coordination problems in the formation of a cartel. Wandschneider (2012) models the ringleader as the firm that proposes the cartel

⁸This is the case if the cartel fails to implement the joint-profit-maximizing strategy, if there is a non-linear relation between the fines and the individual cartel gains of a firm and if the distribution of the firm size within the cartel is sufficiently heterogeneous.

price which is ultimately confirmed by the other cartel members. This approach has a minor flaw as the designated ringleader cannot renounce his position if his price is accepted by the other members. Hence the decision to become a ringleader is not fully deliberate.⁹

In all of the abovementioned experiments the presence of a ringleader is a necessary requisite for the emergence of a cartel. Furthermore, the existence of multiple ringleaders is ruled out. This stems from the fact that the experimental ringleader literature simplifies the cartel formation process so as to provide a comprehensive cartel experiment. We depart from this approach as we rather focus on the cartel formation process and less on the price coordination decision within a cartel. We therefore introduce a modified version of the setup introduced by Kosfeld et al. (2009) which analyzes the formation of endogenous public good institutions. This approach allows us to infer the role of ringleader discrimination on coordination in the formation of a cartel and to abstract from the pricing decisions. It furthermore enables the emergence of multiple ringleaders without necessarily requiring the presence of a ringleader in the formation process of a cartel.

Kosfeld et al. (2009) provide an experimental analysis on the formation of an endogenous institution which sanctions free-riding in the context of a public good game. Here a three-stage-decision game is implemented where in the first stage subjects have to vote whether to participate in an institution (see Selten, 1973). In the second stage all subjects that decided to participate at the first stage learn about the number of potential participants. The institution is established if and only if *all* first-stage participants unanimously opt for the formation of the institution at the second stage. If established, the institution sanctions those that have refused to contribute their entire endowment at the third stage, ensuring cooperation within the institution. The outsiders may contribute whatever they want to the public good. Since the baseline model for Kosfeld et al. (2009) (see Okada, 1993) is closely related to Selten (1973), its applicability to a cartel formation case is undeniable.¹⁰

In a companion paper (Clemens and Rau, 2013) the three-stage-decision game introduced by Kosfeld et al. (2009) is modified to analyze the emergence of partial cartels in a Cournot market. The cartel is formed at the first and second stages, equivalently to Kosfeld et al. (2009), where the cartel works like an institution with cartel members being the insider and non-participants being the outside firms. At the third stage, the cartel chooses the joint-profit-maximizing Cournot quantity for all its members, whereas the outsiders always play best-response. Firms are given the possibility to use a communication device before voting to implement the cartel. The results suggest that partial cartels are rejected out-of-equilibrium if outside firms profit excessively from the formation of a cartel at the expense of insiders. The communication stage plays a significant role in this framework as it yields an increase of the cartel formation rates from 26% to 97% as compared to the cases without communication. This insight is used in our experiment as the role of the ringleader is tied to the activation of the communication device.

⁹Note, however, that a firm could avoid becoming the ringleader by choosing a price that will always be rejected by the other. Yet, this would in turn drive the results as low prices in the ringleader treatment would be obtained “by design.”

¹⁰As Okada (1993) underlines: “The prototype of our institutional arrangement can be found in Selten (1973) where cartel bargaining in the symmetric Cournot oligopoly is investigated by using a noncooperative game model similar to ours.”

Our experiment uses the same experimental framework as Clemens and Rau (2013) but includes a stage where firms can apply for leniency and an additional stage where an antitrust authority may detect the cartel. Furthermore, firms do not communicate automatically but have to choose to activate the communication device, where at least one positive vote is needed to activate chat. Yet, there may be more than one firm willing to activate the chat. This is of particular importance as those firms that activate communication are treated as ringleaders. Hence, we allow for the emergence of multiple ringleaders but our design does not require the presence of a ringleader to ensure the formation of a cartel. One important advantage of this approach is that the activation of the communication device does not automatically lead to the formation of a cartel as in Apesetguia et al. (2007) but is only optional. However, cartel formation is significantly enhanced with communication, a result which is in line with Cooper and Kühn (2009) and Fonseca and Normann (2012).

Tying the role of a cartel ringleader to the activation of a communication device copes with recent empirical findings from several E.U. cartel cases. Davies and De (2013) show that a ringleader has an organizational duty which helps to overcome the classical coordination issue cartels face. One of the main tasks identified as a ringleader duty by Davies and De (2013) is the formation, instigation, and approaching of potential cartel members. Although this may not be the only task a ringleader has to fulfill cartel instigation by ringleaders is observed in 14 out of 19 cases by Davies and De (2013). Our experiment therefore builds on the literature on discriminatory and non-discriminatory leniency policies. Yet it provides additional insight, being one of the first experiments to tackle the incurring coordination challenge induced by a discriminatory leniency policy on the emergence of one or more ringleaders.

2.2 Experimental Design

In our experiments we implemented three different treatments: *Antitrust (AA)*, *Leniency (LEN)* and *Ringleader Discrimination (RD)*.

Our *AA* treatment allows us to assess the formation of a cartel that can be detected with a probability of 15% by an antitrust authority yielding a 10% fine. *AA* does not include a possibility to report the cartel and therefore serves as a benchmark against which the general effects of leniency policies on the formation of cartels can be measured. Consequently, *AA* is only composed of the communication stage, three subsequent cartel formation stages, and finally a cartel detection stage.

We implement two further treatments where leniency is possible. The *LEN* treatment introduces a non-discriminatory leniency policy that allows a cartel member to report the cartel to the antitrust authority after its formation and implementation. All cartel members are equally eligible to apply for leniency in the *LEN* treatment. The treatment is composed of the same five stages as in *AA* but adds a further stage if a cartel was formed which precedes the detection stage. The *LEN* treatment allows us to infer the general effects of whistleblowing on cartel formation and serves as a benchmark.

A crucial modification is provided in the *RD* treatment. Here, firms that decide to activate the communication device for the entire group become ringleaders and are denied the right to apply

for leniency. The stages in the *RD* treatment are the same as in *LEN* with the exception that those firms that activate the chat are excluded from leniency in the whistleblowing stage. This approach follows Bigoni et al. (2012) and is motivated by the insight that it is communication that largely facilitates the formation of cartels. The *RD* treatment allows us to analyze the emergence of ringleaders and the formation of cartels if a discriminatory leniency policy is implemented

Table 1 provides an overview of the payoffs generated in a symmetric Cournot game with four firms for the different possible cartel constellations. Cartel members' payoffs are determined following the assumption that they maximize the joint profits while the outsiders play their best-response strategies which determines their payoffs. The terms in brackets indicate the fine a cartel member faces if the cartel is reported or uncovered, where we deduct the fine from the respective payoffs.

Composition		Firms' Payoffs	
# Insiders	# Outsiders	Insider	Outsider
0	4	na (na)	64
1	3	64 (na)	64
2	2	50 (-35)	100
3	1	59 (-34)	178
4	0	100 (-40)	na

Table 1: Cournot payoffs with cartel detection and cartel compositions (The terms in brackets indicate the fine a cartel member faces if the cartel is reported or uncovered.)

In the following we explain our mechanism.

The decisions taken by the subjects are subdivided into six stages which can be summarized as follows:

- **Stage one:** Decision to activate the communication device.
- **Stage two:** Decision to participate in a market agreement.
- **Stage three:** Decision by the potential participants to make the market agreement binding.
- **Stage four:** Announcement on the formation of the cartel and the number of cartel insiders. If no cartel was formed, the round ended in this stage.
- **Stage five:** Decision to reveal the cartel (Leniency) to the authority (only in *LEN* and *RD* and only if a cartel was formed).
- **Stage six:** Investigation by the antitrust authority (only if a cartel was formed and not revealed in stage five).

We now explain in detail every single stage and the respective decisions every

In **stage one** all firms were given the possibility to activate a chat window for a total of 60 seconds. If one or more firms decided to activate chat, the chat window was activated for all firms in the market. If no firm decided to activate the chat, it was not activated. The decisions

of the firms were made simultaneously and were communicated to the entire market before the chat window started (or not). If the chat window was activated it automatically closed after 60 seconds and stage one started immediately. Firms remained anonymous during the chat and were given neutral names like “firm 1-4” which did not change over the course of the experiment.

In **stage two** all subjects in a market had to decide whether or not they would like to participate in a market agreement¹¹ by either clicking “yes-” or “no-”. Those participants that clicked “yes” became *possible insiders* while those participants that clicked “no” became *ultimate outsiders*.

In **stage three** the total number of possible insiders and ultimate outsiders was reported to all firms. While ultimate outsiders had no decision to make at stage three, possible insiders had to decide whether they want to implement the cartel. As the payoffs were conditional on the number of insiders and outsiders, possible insiders were presented the payoffs of insiders and outsiders if the cartel was implemented, as well as the payoffs if no cartel was implemented. The cartel was only formed if all possible participants decided to implement the cartel requiring full unanimity by the firms. Otherwise the formation of the cartel was revoked and all firms became direct competitors and received the Cournot Nash equilibrium profits.

The cartel members were bound to the cartel strategy while outsiders always played best-response. Note that our approach abstracts from pricing decisions and neglects the possibility of defecting within the cartel. This simplification is deliberate, as we focus on the cartel formation challenge induced by potential whistleblowing. The failure to agree on a price in the pricing stage or defection from the cartel price may as well deter cartel formation. Abstracting from the pricing decision is therefore necessary to fully focus on the impact of a leniency policy that induces cartel members to blow the whistle on cartel formation.

In **stage four** subjects were informed regarding the cartel formation. If no cartel was formed the game ended in this period and the players received Cournot payoffs (each 64).

Stage five only took place in the *LEN* and *RD* treatments and it only started if a cartel was established. In the *LEN* treatment a sequence of the four firms was randomly established by the computer, which determined in which order the firms could report the cartel. This random sequence guaranteed that all firms were designated as a potential whistleblower with the same likelihood and reflected equal chances of winning the run to the court house in the case of symmetry. If the first firm in the sequence decided to report the cartel, all firms except the whistleblower were sanctioned by the antitrust authority, yielding a fee corresponding to 10% of the revenues (see terms in brackets in Table 1). Otherwise the right to report the cartel was handed over to the next firm of the random sequence, until the cartel was either reported or the last firm in the sequence refused to report the cartel. If no firm decided to report the cartel, the cartel was not revealed at this stage. A modification was introduced in the *RD* treatment which denied those firms who activated the communication device in stage one the right to report the cartel. Accordingly, these firms were excluded from the random sequence of possible whistleblowers.

¹¹The treatments were neutrally framed using the German word “Marktabsprache” which means “market agreement.”

In **stage six** the antitrust authority started the investigation if a cartel was formed in both stages two and three and not reported in stage five of the *LEN* and *RD* treatment. The antitrust authority had a 15% chance to uncover the cartel. If the cartel was uncovered, a fine of 10% of the revenue was imposed on all cartel members (see terms in brackets in Table 1). Otherwise the cartel remained uncovered and the profits of the cartel members remained unaffected.

2.3 Experimental procedures

We used a fixed matching protocol with four firms in a market playing the multi-stage game repeatedly for 16 periods.¹² We conducted three sessions of every treatment, where every session was composed of 12 participants forming three matching groups of four firms each. Thus, our data involves 27 independent matching groups, i.e., we have nine independent matching groups in *AA*, *LEN*, *RD*. The experiment was conducted at the *DICE Lab* of the University of Düsseldorf in May and June 2013 with 108 subjects from various fields. The profits achieved by the participants were converted at an exchange rate of 1 Taler = 0.01€. On average, every participant earned 15.81€ and an additional show-up fee of 4€. The experiments were programmed in z-Tree (Fischbacher, 2007) and our subjects were recruited with the online recruitment system ORSEE (Greiner, 2004).

3 Predictions and Hypotheses

3.1 Underlying Theory: The Cournot Game

We consider a symmetric Cournot market where $n = 4$ firms sell a homogeneous product. The linear demand function for the product corresponds to $P = 100 - \sum_{i=1}^4 Q_i$. Firms face marginal cost of production $c = 60$.

A complete overview of the Cournot payoffs and antitrust fines depending on the respective cartel outcomes is provided in Table 1. Stages two, three, and four ensure that a stable cartel with four firms emerges in equilibrium. We now determine the equilibrium strategies for the *AA*, the *LEN*, and the *RD* treatments using backward induction.

3.2 Antitrust Treatment: Equilibrium Strategies

Given our experimental design outlined above we start our analysis by determining the equilibrium strategies in the *AA* treatment. The only stable cartel is the all-inclusive cartel which encompasses the four firms. This is guaranteed in stage three, as possible cartel members are first informed of the size of a cartel if it was implemented. Hence possible cartel members can reject any out-of-equilibrium strategy, guaranteeing an all-inclusive cartel is implemented. We thus limit our analysis to this cartel. The expected payoffs of a firm i which participates in the

¹²Following Clemens and Rau (2013) a fixed-matching protocol was used in order to resemble repeated interaction between the same firms in oligopolistic markets.

four-firm, all-inclusive cartel corresponds to:

$$E(\pi_i^4) = 0.15 \times 60 + 0.85 \times 100 = 94$$

Comparing the payoffs of the firms for an all-inclusive cartel and in the case of Cournot competition ($94 > 64$) we conclude that risk-neutral firms choose to form an all-inclusive cartel.

Proposition 1: The cartel formation in the *AA* treatment has a unique strict subgame perfect equilibrium, where an all-inclusive cartel is formed.

In this case the decision to activate the communication device at the first stage does not influence the payoffs and is therefore obsolete regarding the formulation of our Proposition.

3.3 Leniency Treatment: Equilibrium Strategies

Our *LEN* treatment differs slightly from the *AA* treatment with regards to stage five. All former stages up to stage four are equal in *AA* and *LEN*. In stage five, all cartel members are given the possibility to report the collusive agreement. Since revelation guarantees a firm that it will obtain the collusive profit, it always decides to report the cartel. Hence the decision to report the cartel or not corresponds to a prisoner's dilemma game.¹³ The first firm in the randomly determined sequence at stage five consequently reports the cartel. The chance of being the first firm in the sequence corresponds to 25% yielding profits of 100, while another firm is picked out as the first potential whistleblower with a converse probability of 75% yielding payoffs of 60. Hence, the expected payoffs of forming a cartel corresponds to:

$$E(\pi_i^4) = 0.75 \times 60 + 0.25 \times 100 = 70$$

Comparing the payoffs of the firms in the case of an all-inclusive cartel and in the case of Cournot competition ($70 > 64$) we conclude that firms choose to form the all-inclusive cartel.

Proposition 2: The cartel formation game in the *LEN* treatment has a unique strict subgame perfect equilibrium, where an all-inclusive cartel is formed and always reported.

3.4 Ringleader Treatment: Equilibrium Strategies

The *RD* treatment introduces a modification to the *LEN* treatment, with regard to the eligibility of becoming a whistleblower at stage five. A firm that activates the communication device renounces its right to report the cartel to the authority and is therefore excluded from the random sequence determined at stage five. Assuming that all firms decide to activate the communication device, all firms would obtain the profits generated in the *AA* treatment, i.e., a payoff of 94. If a firm decided not to activate the communication device and to therefore become the only possible whistleblower, its profit would increase from 94 to 100, while the profits of the other firms would

¹³As Leslie (2006) points out: "The prisoner's dilemma is usually a game theoretical model used to explain behavior having nothing to do with prosecutors or prisoners. But in the case of cartel investigations, the language of the model maps the reality of our inquiry."

be 60. As this payoff is inferior to the competitive payoff (64) firms prefer not to form a cartel at all than to activate communication and form a cartel thereafter. We thus postulate the following corollary:

Corollary 1: Firms renounce the activation of the communication device in the *RD* treatment.

If all firms renounce the activation of the communication device, they all become eligible for leniency after cartel formation. Hence all firms would be better-off not activating the communication device, forming the cartel and reporting if they are given the possibility to do so. Hence firms face the same prisoner’s dilemma as in *LEN* and obtain the same expected payoffs. We therefore formulate the following proposition:

Proposition 3: The cartel formation game in the *RD* treatment has a unique strict subgame perfect equilibrium, where an all-inclusive cartel is formed and always reported.

3.5 Hypotheses

Following the results obtained in the former section we may now postulate our hypothesis. Following proposition 1 we expect firms to form cartels despite the probability of being detected. The reason is that higher expected payoffs (94 Talers) occur by forming cartels compared to the non-collusive case (64 Talers). Therefore the antitrust authority should not impact on firms’ willingness to form cartels. This hypothesis is in line with similar experiments conducted by Apesteguia et al. (2007) and Hinloopen and Soetevent (2008) among others who also report high rates of cartel formation in the absence of leniency.

By contrast, in our *LEN* treatment, all subjects are given an equal chance to report the cartel. As Proposition 2 suggests, cartels are always formed but they are also reported by the whistleblowers. Apesteguia et al. (2007), Hinloopen and Soetevent (2008), and Bigoni et al. (2012), however, show that a non-discriminatory leniency policy deters cartel formation in experimental settings. In comparison to a treatment without leniency the rate of cartel formation is always lower. Although this phenomenon is not explained in any of these experiments, Leslie (2006) suggests that fear of betrayal by whistleblowers may deter cartel formation.¹⁴ This should be even more pronounced over time after some cartels have been reported by “whistleblowers”. Therefore we expect in the course of the game less firms to be willing to form a cartel when leniency is possible:

Hypothesis 1

The leniency policy leads to a deterrence of cartel formation in LEN: less cartels should occur compared to AA.

Proposition 3 outlines that in the *RD* treatment all-inclusive cartels are always formed. The communication option may also be a powerful institution increasing cartel formation rates as

¹⁴This observation is in line with Bohnet and Zeckhauser (2004) who suggest that subjects are prone to betrayal aversion, i.e., they dislike situations where another agent may turn the outcome of the game to one’s disadvantage.

suggested in Cooper and Kühn (2009) and Fonseca and Normann (2012). Note that chat activation comes at a cost, i.e., firms dismiss the chance to report the cartel in the leniency stage. Andersson and Wengström (2007) find that costly communication reduces cartel formation.¹⁵ In our experiment, activation of the chat device comes at the cost of losing the right to blow the whistle. Thus, subjects should be reluctant to activate chat. Following Andersson and Wengström (2007) this should lead to a lower cartelization rate. As firms should again use the leniency option this will further deter cartelization rates. Hence we postulate the following hypotheses:

Hypothesis 2

In the RD treatment both, the ringleader-discrimination policy and the leniency program should deter cartel formation:

- (a) less cartels should occur in RD compared to AA.*
- (b) less cartels should occur in RD compared to LEN.*

One of the key aspects of our experiment is the analysis of the emergence of multiple ringleaders. In this regard we infer the effect of a discriminatory leniency policy on the total number of ringleaders in a market. The activation of the communication device implies a renunciation so that we expect a decrease in the number of ringleaders following Corollary 1. By contrast, in *AA* and *LEN* chat activation does not come at a cost. Thus, there should be no difference in the number of ringleaders between these treatments. We formulate the following hypothesis:

Hypothesis 3

In the RD treatment we observe the lowest number of ringleaders.

4 Results

In the following we report our results in two parts. The analysis starts with an overview of static and dynamic summary statistics on the number of established cartels. Subsequently we test our hypotheses. When using non-parametric tests, we always report two-sided p-values.

4.1 Summary statistics

Figure 1 depicts the static results of the average fraction of cartels established in our three treatments: *AA*, *LEN*, and *RD*. It also reports the frequency of cartels which were not revealed (survived), the frequency of reports (whistleblow), and finally how often cartels were detected (detected) by the random mechanism.

The diagram reveals that 82% cartels are established in *AA*, whereas under the non-discriminatory leniency policy the fraction of established cartels decreases down to 64%. Interestingly, the discriminatory leniency policy leads to an increase of established cartels. That is, 86% cartels are

¹⁵Note, however, that the baseline theoretical model by McCutcheon (1997) shows that communication cost may not necessarily mitigate the formation of cartels.

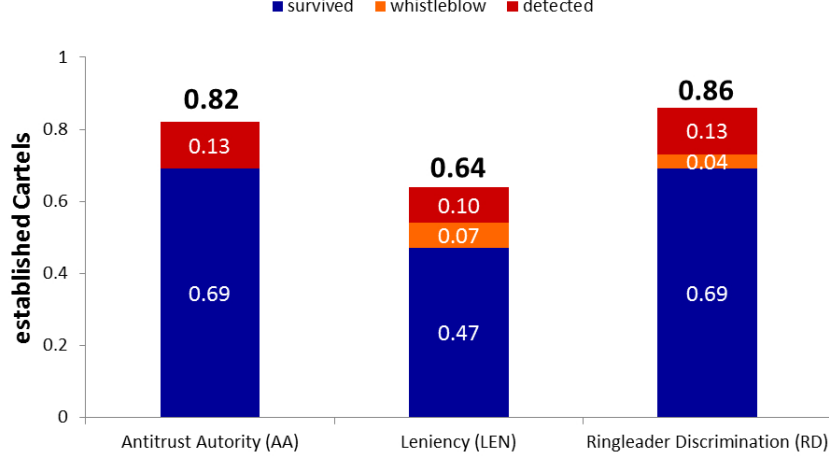


Figure 1: Established cartels and the frequencies of survived, reported, and detected cartels.

formed in *RD*. More firms make use of the leniency option in *LEN* (7%) compared to the case when ringleaders are discriminated against (4%).

We now focus on the dynamic results of established cartels. Figure 2 depicts the average fraction of established cartels over time.

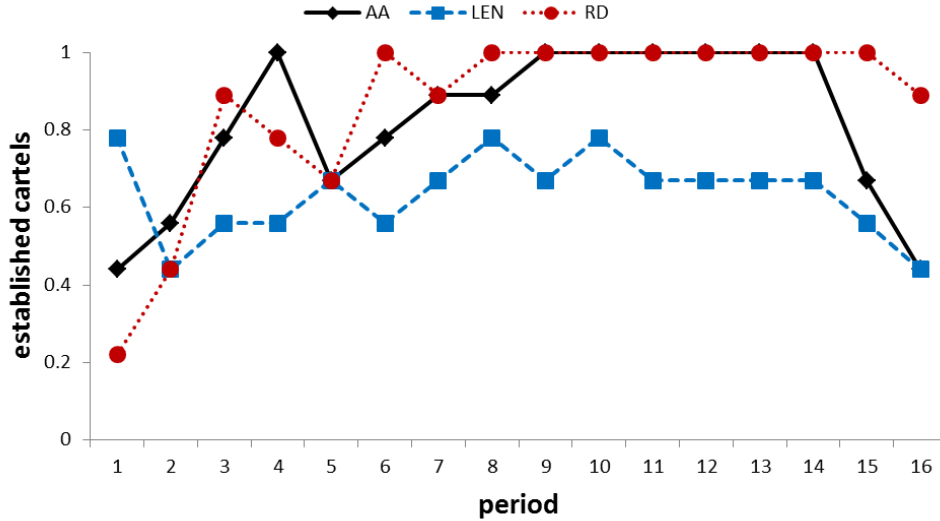


Figure 2: Average development of established cartels over time.

A conspicuous finding in *LEN* is the sharp decrease of established cartels between periods 1 and 2, i.e., firms establish 78% cartels in the first period and subsequently 29% of those cartels are reported. This leads to a significant decrease of firms' willingness to form cartels in period 2 where only 44% cartels are established (Wilcoxon Matched-Pairs test p-value = 0.083). Overall, no significant correlation of established cartels and period can be found in *LEN* (Spearman's rank correlation coefficient, $\rho = 0.069$, p-value = 0.565). The opposite is true when focusing on *RD*, i.e., there is ample evidence for a significant positive correlation of established cartels and period (Spearman's rank correlation coefficient, $\rho = 0.488$, p-value < 0.001). The same

is true for *AA*, where established cartels also significantly increase over time (Spearman’s rank correlation coefficient, $\rho = 0.280$, p-value = 0.017).

This gives us a first indication that time effects crucially matter, i.e., the fraction of established cartels decreases under a non-discriminatory leniency policy (*LEN*), whereas it increases under a discriminatory leniency policy (*RD*) and in the absence of leniency (*AA*). Figure 2 also reveals that firms seem to be prone to an end-game effect in periods 15-16 in all treatments.

4.2 Main treatment effects

In this section we test our hypotheses. The analysis starts by reporting non-parametric tests. Subsequently, we run regressions to clarify the picture of the treatment effects and the time dynamics.

The previous subsection has shown that firms in our experiment are prone to a pronounced learning behavior and are affected by an end-game effect (periods 15–16). Hence, we neglect the end-game effect and run non-parametric tests focusing on the second half of the game (periods 9–14). The non-discriminatory leniency policy seems to disrupt cartelization, i.e., in *LEN* significantly less cartels are established (69%) compared to *AA* (100%) (Mann-Whitney test, p-value = 0.066) and *RD* (100%) (Mann-Whitney test, p-value = 0.066). No difference can be observed when focusing on the average amount of established cartels between *RD* and *AA*.

We now test Hypotheses 1–3 by estimating a probit model of cartel establishment. The model is clustered at the group level for 27 independent groups. The variables are as follows: *LEN* and *RD* are dummy variables which are equal to one in the respective treatments (*AA* is the omitted treatment variable). We also incorporate a control variable (*# potential participants*) controlling for the impacts of the number of firms willing to form a cartel. Furthermore, we include control variables inferring the impacts of the time dynamics. In this regard *periods 1–8* is a dummy variable which is positive (zero) when data of periods 1–8 (periods 9–16) are analyzed. *Periods 15–16* is a dummy variable to control for the end-game effect. It indicates the data of periods 15–16 when equal to one. Finally, we add interaction terms of the treatment and time dummies. We focus on the following interaction effects: $LEN \times periods\ 1-8$, $RD \times periods\ 1-8$.

We report three regressions: Regression (1) represents the impact of our treatment variables. Regression (2) incorporates the time effects of the first half (periods 1–8) and the second half (periods 9–16) of the game and the end-game effect (periods 15–16). Regression (3) analyzes the interaction terms of *periods 1–8* with our treatment dummies. Table 2 presents the results of the regressions on the probability of cartel establishment.

	established cartels		
	(1)	(2)	(3)
<i>LEN</i>	-0.773*	-0.909**	-1.423**
	(0.399)	(0.406)	(0.554)
<i>RD</i>	-0.037	-0.059	0.733
	(0.391)	(0.378)	(0.653)
<i># potential participants</i>	1.358***	1.421***	1.419***
	(0.431)	(0.415)	(0.401)
<i>periods 1-8</i>		-0.702**	-1.135**
		(0.301)	(0.450)
<i>periods 15-16</i>		-1.200***	-1.483***
		(0.348)	(0.407)
<i>LEN × periods 1-8</i>			0.897**
			(0.435)
<i>RD × periods 1-8</i>			-0.929
			(0.617)
<i>Constant</i>	-3.738**	-3.312*	-2.980
	(1.803)	(1.820)	(1.850)
<i>Pseudo R²</i>	0.422	0.466	0.490
Observations	432	432	432
Robust standard errors in parentheses			
*** p<0.01, ** p<0.05, * p<0.1			

Table 2: Clustered probit regression on cartel establishment. Omitted treatment dummy is *AA*, robust standard errors are reported in parentheses.

Regressions 1-3 show that the leniency policy always leads to less established cartels compared to *AA*.¹⁶ Neglecting time dynamics regression 1 points out that the leniency policy leads to a moderate decrease of established cartels. Moreover, regression 2 documents that the latter result still holds when incorporating *periods 1-8* and *periods 15-16* which are significant with a negative sign. Hence, there is a smaller likelihood of established cartels in periods 1-8 in contrast to *AA*. Finally, regression 3 outlines that the result is robust when analyzing the impacts of the interactions *LEN × periods 1-8* and *RD × periods 1-8*.¹⁷ Thus, there are significant less established cartels in *LEN* than in *AA*. We therefore confirm Hypothesis 1.

Result 1:

In LEN significantly less cartels are formed than in AA.

¹⁶The control variable *# potential participants* is always significant with a positive sign, indicating that a higher number of potential participants leads to a higher likelihood of established cartels.

¹⁷Ai and Norton (2003) point out that the interpretation of interaction effects in non-linear models might be problematic. Hence, we do not interpret the coefficients of our period interactions in detail. We also conducted robustness checks using General Linear Models (GLM) confirming the same signs and results for all of our variables of interest.

Regressions 1-3 further document that the coefficient of RD is never significantly different from zero. This suggests that the leniency policy with ringleader discrimination does not reduce the probability of cartel establishment compared to AA . This result is robust when controlling for the time dynamics of the first and second half of the game and for the impacts of the end-game effect (regression 2). It also holds when incorporating the interaction effects of the time dynamics and the treatment dummies. We therefore have to reject Hypothesis 2a.

Result 2a:

The RD treatment does not decrease the number of formed cartels compared to AA .

A Wald test reveals that the likelihood of cartel formation is significantly higher in RD than in LEN (p - value < 0.001). This rejects Hypothesis 2b.

Result 2b:

In RD significantly more cartels are formed compared to LEN .

To test Hypothesis 3 we focus on the development of ringleaders over time which is depicted by Figure 3.

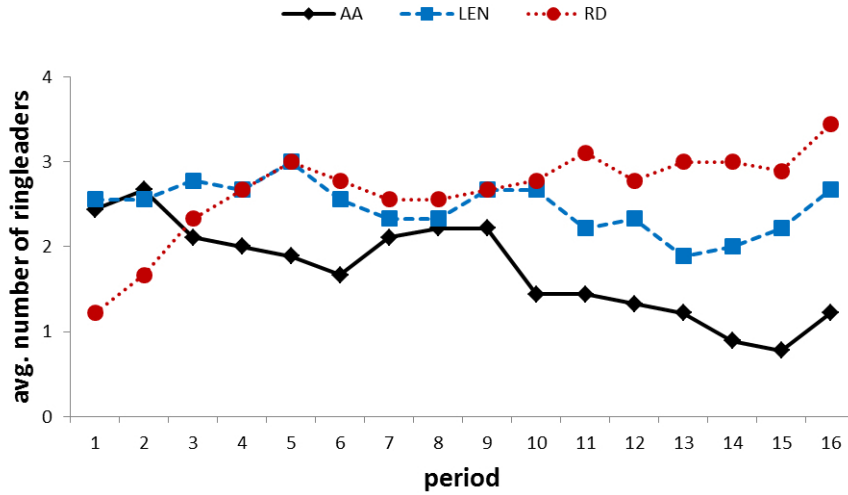


Figure 3: Development of ringleader activity over time.

A conspicuous finding of AA and RD is the asymmetric development of ringleaders. In the absence of a leniency policy (AA) the average number of ringleaders significantly decreases over time (Spearman's rank correlation coefficient, $\rho = -0.281$, p-value < 0.001), whereas it increases in RD in the course of the game (Spearman's rank correlation coefficient, $\rho = 0.316$, p-value < 0.001). We thus conclude, that the ringleader discrimination policy seems to enhance firms to become ringleaders over time.

Because time dynamics crucially matter we focus on periods 9-16 to test Hypothesis 3. Here, the ringleader treatment leads to a significant higher fraction of ringleaders (2.96) compared to AA (1.32) (Mann-Whitney test, p-value = 0.027). In RD the average number of ringleaders is

also insignificantly higher than in *LEN* (2.33).¹⁸ Thus, we have to reject Hypothesis 3.

Result 3:

We observe the highest number of ringleaders in RD which is significantly higher than in AA and insignificantly higher than in LEN.

4.3 The impact of ringleaders on cartel formation

Why does the discriminatory leniency policy increase the rate of cartel establishment? To answer this question we analyze the impact of ringleaders on cartel formation between the non- and the discriminatory leniency policy. The previous section outlined that we find the highest number of ringleaders in *RD*. We now investigate whether firms in *RD* systematically use the possibility to become a ringleader to signal that they do not intend to whistleblow the cartel. Thus, firms may use the ringleader membership as an insurance against whistleblowing. This would imply that in *RD* most cartels should be established whenever a high number of firms act as ringleaders.

To analyze this we focus on the treatments with leniency policy (*LEN*, *RD*). Figure 4 depicts the fraction of established cartels conditioned on the number of firms which activated the chat (ringleaders) in *LEN* and *RD*.

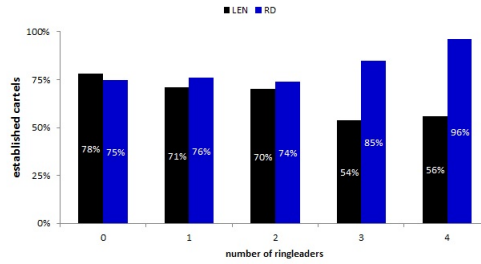


Figure 4: Fraction of established cartels conditioned on the number of firms which activated the chat in *LEN* and *RD*.

The diagram shows that a similar fraction of established cartels (70%-78%) is formed when 0-2 firms activate the chat in both treatments.

A conspicuous pattern can be observed when at least three firms activate the chat. Here, a treatment difference occurs, i.e., in *RD* the high number of ringleaders leads to more established cartels, whereas in *LEN* the rate of established cartels decreases. Thus, with three ringleaders we find a higher rate of formed cartels in *RD* (85%) than in *LEN* (54%).

In both treatments we find that most often all four firms activate the chat (54 times in *LEN*; 71 times in *RD*). Strikingly, when four firms activate the chat, the rate of established cartels is crucially increased in *RD*. By contrast, in *LEN* four ringleaders lead to a low rate of formed cartels. The rate of established cartels under four ringleaders may explain the substantial treatment difference of *RD* (96%) and *LEN* (56%).

Result 4:

¹⁸Mann-Whitney test, p-value = 0.431.

In *RD* (*LEN*) the rate of established cartels increases (decreases) in the number of ringleaders. In *RD*, cartels are nearly always established (96 %) when four firms activate the chat, whereas substantially less cartel are formed in *LEN*.

4.4 Analysis of the chat protocols

To get a better understanding of firms' cooperation strategies the chat protocols are analyzed in this subsection. As in Clemens and Rau (2013) we first follow an approach similar to Andersson and Wengström (2007). Here, the number of messages sent and the fraction of "collusive agreements" are accounted. In Andersson and Wengström (2007) a "collusive agreement" is a case where subjects proposed a price which was not rejected by other participants. In our framework we stick to the term "cheap-talk" agreement. We name all cases "cheap-talk" agreements where a firm's proposal to form a market agreement was not rejected by other firms.

Table 6 gives an overview of the average chat messages sent and the fraction of cheap talk messages in periods 1–8 and in periods 9–16.

periods	AA		LEN		RD	
	1-8	9-16	1-8	9-16	1-8	9-16
chat messages sent	7	4	7	7	7	6
cheap-talk agreements (in%)	82	28	67	19	78	21

Table 3: Average number of "cheap-talk" agreements over time

The average number of chat messages is constant between the first half of *LEN* (7) and the second half (7). The same is true for the *RD* treatment, where an average of seven messages are sent between periods 1–8 and six messages are sent between periods 9–16. However, the *AA* treatment is an exception, i.e., the average amount of chat messages declines from seven (periods 1–8) to four (periods 9–16). This once more emphasizes that in the absence of a leniency policy less firms tend to communicate because collusion is easier to establish.

Focusing on the average fraction of cheap-talk agreements between periods 1–8, the lowest fraction (67%) is observed in *LEN*, while 82% of the firms decide to have a cheap-talk agreement in *AA* and 78% in *RD*. This suggests that the leniency policy may disrupt collusive behavior in *LEN* compared to *RD*.

To shed more light on firms' strategies to collude we follow Kimbrough et al. (2008), Fonseca and Normann (2012), and Clemens and Rau (2013) and present the content of representative chat protocols. These papers have shown that quoting chat protocols may reveal important details about subjects' behavior in chat communications.

In the following we present examples of typical first-period chat communications in *AA*, *LEN*, and *RD* to reach collusive agreements:

Market 4, period 1: AA

firm 3: EVERYBODY SHOULD ALWAYS TAKE PART
firm 2: highest possible payoff for everybody: ALWAYS market agreement
firm 3: Then, everybody would maximally get 100 and at least 60
firm 3: Absolutely

firm 3: 15% is not much for a detection rate
 firm 2: It won't work with a 15% chance in every of the 16 periods but this does not matter
 firm 3: so true
 firm 2: perfect!
 firm 4: I would also agree
 firm 2: firm1?
 firm 3: Hopefully nobody will defect from the agreement :D
 firm 1: Ok, alright!
 firm 3: Works out!

This emphasizes firms' most frequent discussions in *AA*, i.e., in period 1 firms most often discussed that the expected payoff of taking part in the agreement is higher than refusing to form cartels. In *AA*, firms refuse to talk about cartel formation in the subsequent periods, this is also documented by the declining fraction of cartel agreements.

Market 8, period 1: LEN

firm 2: Shall we work together so that everybody takes part? Then everybody should not reveal the cartel and we should hope that this is also not done by the authority..
 firm 1: If everybody always takes part and nobody whistleblows we could end up with 20 euros
 firm 2: Sounds good
 firm 3: Correct ;)
 firm 4: yes!

The first-period chat protocols of *LEN* appear to be quite similar compared to *AA*. Yet, a crucial difference is that firms discuss the leniency option and state that it should not be used.

Market 3, period 1: RD

firm 2: I would propose that everybody always activates the chat, then we could skip the leniency phase
 firm 1: And always form a market agreement. Then everybody would get 100
 firm 3: Except if the agreement would be revealed
 firm 1: Otherwise we would only get 64

In most of *RD*'s first-period discussions firms rather talk about revealing cartels and activating the chat. The protocol presented above is an example of a group which at an early stage of the experiment realized that chat activation could be used as an instrument to trigger collusion in *RD*.

To get more insights on the potential disruptive effect of the leniency policy in *LEN*, we present a *LEN* chat protocol right after a cartel was reported.

Market 6, period 4: LEN

firm 3: Oh my god, looks like we have the most honest participants in this experiment
 firm 2: yes, this is how you could do it
 firm 1: This is only a suspicion, but I believe that firm 4 works against us!
 firm 3: very nice
 firm 4: sorry, but I love capitalism!
 firm 4: your pain is my gain
 firm 3: Congratulations
 firm 1: There goes our cooperation
 firm 1: 40 cent more for you!

This example shows that firms immediately discuss when a cartel was reported. Furthermore it illustrates that “blowing the whistle” by firm 4 leads to an end of cooperation. After that this group barely managed to form cartels in subsequent periods. In period 5 a cartel was established for the second time (after period 3) and it was also reported by firm 4. We now present the chat protocol of period 5.

Market 6, period 5: LEN

```
..
firm 1: Now you earned for the second time 40 Talers more than all of us.
        But from now on you will receive 40 Talers less.. firm 4, is that what you
        would call “capitalism”?
firm 3: Unbelievable how bold people can be..
firm 3: sad enough
firm 4: We are not a team!
```

This once more highlights how the leniency policy operates in order to disrupt trust between firms. By contrast, in the *RD* treatment there is evidence that firms use chat activation to signal that they want to “lay down their arms.” Which positively stimulates trust, leading to more collusion.

Market 19, period 3: LEN

```
firm 3: I decided to always activate the chat in order to signal that I am not
        interested in whistleblowing the agreement
firm 3: :-)
firm 1: Yes true, this is in deed a good idea
firm 3: :-)
```

This finding supports the intuition that firms were able to develop strategies in *RD* to stabilize/increase collusion by using the chat-activation option. We find evidence that firms interpret chat activation as trust and they actively become ringleaders to strengthen trust:

Market 25, period 3: RD

```
firm 2: firm 1, you never activate chat, I hope you will not report us.
        However, this will not give you an advantage.
firm 3: If firm 1 would additionally activate the chat, then the trust would be
        strengthened
firm 1: Has worked out very well in former periods. Hopefully the success will
        mature very soon. However, from now on I will also take part.
```

This illustrates that firms in the beginning of *RD* are undecided regarding the chat activation. However, successful cartel establishment and chat communications in subsequent periods also encourage them to become ringleaders.

5 Discussion

Do leniency policies facilitate cartel formation? Our results suggest an answer in the positive. A non-discriminatory leniency policy more successfully prevents the formation of a cartel than a discriminatory leniency program that denies ringleaders the right to

file for leniency. While the possibility to report the cartel within a leniency program may deter the formation of a cartel, the exclusion of ringleaders from leniency programs has a converse effect. A leniency policy that discriminates against ringleaders not only facilitates the formation of cartels but also induces firms not to report the cartel to an antitrust authority. The majority of the subjects renounce their right to blow the whistle by becoming ringleaders. This induces other subjects not to report the cartel and in some cases to become ringleaders as well. We thus provide an explanation to the formulated research question indicating how the coordination challenge induced by the discriminatory leniency policy may be overcome.

Our experiment is conducted in a simplified setting with four symmetric firms which may not encompass the full complexity of a cartel formation process. Furthermore the entire scope of the ringleaders' responsibilities reported in Davies and De (2013) cannot be covered in one experiment so that more evidence on the effect of ringleader discrimination is unmistakably needed. Yet, we provide important evidence on the emergence of multiple ringleaders in cartels, a phenomenon that has been widely neglected by the economic literature. Paradoxically, the emergence of multiple ringleaders is most recurrently observed when there is a discriminatory leniency policy that denies amnesty to ringleaders. Our experiment therefore provides a direct connection between the emergence of multiple ringleaders and a discriminatory leniency policy.

So far, the economic literature has revealed a possible mixed picture of the effect of ringleader discrimination on leniency. On the one hand it deters firms from becoming ringleaders as it implies a renunciation of the leniency option. On the other hand it signals commitment to the cartel by the ringleader and may therefore serve as a positive signaling device. Our results contribute to the literature as we find support for a stabilizing effect of ringleader discrimination on cartel formation. We not only observe more cartels in the ringleader treatment but also find that cartels are rarely reported. This stabilizing effect may be attributed to the decision to become a ringleader which implies the renunciation of blowing the whistle. The increasing number of ringleaders in our discriminatory treatment hints at a possible trust-facilitating effect of the ringleader discrimination policy as the risk of being reported decreases with an increase in ringleaders. In 2002 and 2006 a paradigm shift took place in the E.U. leniency notice limiting the discrimination only to "an undertaking which took steps to coerce other undertakings to join the cartel or to remain in it". This significantly mitigates the strategic abuse of a discriminatory policy since antitrust authorities rarely identify coercion within a cartel. Yet our results show that renouncing discrimination in general per se most effectively prevents firms from turning the policy against the antitrust authority and make leniency policies more effective in deteriorating cartel formation.

References

- [1] Ai, C., Norton, E.C., 2003. Interaction terms in logit and probit models. *Economics Letters*, 80, 123-129.
- [2] Andersson, O., Wengström, E., 2007. Do antitrust laws facilitate collusion: experimental evidence on costly communication in duopolies. *The Scandinavian Journal of Economics*, 109, 321-339.
- [3] Armstrong, M., and Huck, S. 2010. Behavioral economics as applied to firms: a primer. CESifo Working Paper 2937.
- [4] Aubert, C., Rey, P., and Kovacic, W., 2006. The impact of leniency and whistleblowing programs on cartels. *International Journal of Industrial Organization*, 24, 1241-1266.
- [5] Apesteguia, J., Dufwenberg, M., Selten, R., 2007. Blowing the whistle. *Economic Theory*, 31, 143-166.
- [6] Bigoni, M., Fridolfsson, S.-O., le Coq, C. Spagnolo G., 2012. Fines, leniency and rewards in antitrust: An Experiment. Forthcoming in *RAND Journal of Economics*.
- [7] Bohnet, I., Zeckhauser, R., 2004. Trust, risk and betrayal. *Journal of Economic Behavior & Organization*, 55, 467-484.
- [8] Bos, I., Wandschneider, F., 2011. Cartel ringleaders and the corporate leniency program. Working Paper, Center for Competition Policy, 11-13.
- [9] Bos, I., Wandschneider, F., 2013. A note on cartel ringleaders and the corporate leniency programme. *Applied Economics Letters*, 20, 1100-1103.
- [10] Brenner, S., 2009. An empirical study of the European corporate leniency program. *International Journal of Industrial Organization*, 27, 639-645.
- [11] Clemens, G., Rau, H.A., 2013. Rebels without a clue? Experimental evidence on partial cartels. Working Paper.
- [12] Cooper, D., and Kühn, K. U., 2009. Communication, renegotiation, and the scope for collusion. Working Paper.
- [13] Davies, S., De, O., 2013. Ringleaders in larger number asymmetric cartels. Forthcoming in *Economic Journal*.
- [14] Dufwenberg, M., and Gneezy, U., 2000. Price competition and market concentration: an experimental study. *International Journal of Industrial Organization*, 18, 7-22.

- [15] Fischbacher, U. (2007). z-Tree: Zurich Toolbox for Readymade Economic Experiments - Experimenter's Manual. *Experimental Economics*, 10, 171-178.
- [16] Fonseca, M., Normann, H.-T., 2012. Explicit vs. Tacit Collusion - The Impact of Communication in Oligopoly Experiments. *European Economic Review*, 58, 1759-1772.
- [17] Greiner, B., 2004. An online recruitment system for economic experiments. In: Kremer, K., Macho, V. (Eds.), *Forschung und wissenschaftliches Rechnen*. 2003, GWDG Bericht 63. Ges. für Wiss. Datenverarbeitung, Göttingen, 79-93.
- [18] Guersent, O., 2003. The Fight Against Secret Horizontal Agreement in the EC Competition Policy. *Fordham International Antitrust* 2003, 43-54.
- [19] Harrington, J. and Chang, M., 2009. Modelling the Birth and Death of Cartels with an Application to Evaluating Antitrust Policy. *Journal of the European Economic Association*, 7, 1400-1435.
- [20] Herre, J., Mimra, W., and Rasch, A., 2012. Excluding Ringleaders from Leniency Programs. Working Paper.
- [21] Hesch, M. 2012. The Effects of Ringleader Discrimination on Cartel Deterrence and Stability - Experimental Insights. *Journal of Advanced Research in Law and Economics*, 3, 5-58.
- [22] Hinloopen, J., Soetevent, A.R. 2008. Laboratory evidence on the effectiveness of corporate leniency programs. *RAND Journal of Economics* 39, 607-616.
- [23] Kimbrough, E.O., Smith, V.L., Wilson, B.J., 2008. Historical Property Rights, Sociality, and the Emergence of Impersonal Exchange in Long-Distance Trade. *American Economic Review*, 98, 1009-39.
- [24] Kosfeld, M., Okada, A., Riedl, A., 2009. Institution formation in public goods games. *American Economic Review*, 99, 1335-1355.
- [25] Leslie, C.R. 2006. Antitrust amnesty, game theory, and cartel stability, *Journal of Corporation Law*, 31, 453-488.
- [26] Levenstein, M.C., Suslow, V., 2006. What determines cartel success? *Journal of Economic Literature*, 44, 43-95.
- [27] McCutcheon, B., 1997. Do meetings in smoke-filled rooms facilitate collusion? *Journal of Political Economy*, 105, 330-350.

- [28] Miller, N.H., 2009. Strategic leniency and cartel enforcement. *American Economic Review*, 99, 750-768.
- [29] Motta, M., Polo, M., 2003. Leniency policy and cartel prosecution. *International Journal of Industrial Organization*, 21, 347-379.
- [30] Okada, A., 1993. The possibility of cooperation in an n-person prisoners' dilemma with institutional arrangements. *Public Choice*, 77, 629-656.
- [31] Selten, R., 1973. A simple Model of imperfect competition, where 4 are few and 6 are many. *International Journal of Game Theory*, 2, 141-201.
- [32] Spagnolo, G., 2004. Divide et Impera: Optimal leniency programmes. Center for economic policy research discussion paper 4840.
- [33] Wandschneider, F., 2012: Ringleader Exclusion from Leniency Programmes-An Experimental Analysis. Working Paper.

Acknowledgments

We are especially grateful to Hans-Theo Normann for his input at various stages of this project. We are grateful to Florian Baumann, Miguel Fonseca, Kenan Kalayci, Gordon Klein, Nikos Nikiforakis, and seminar participants of the ESA world meeting 2013 in Zurich. We also want to thank the Anton-Betz Foundation and the Duesseldorf Institute for Competition Economics (DICE), University of Duesseldorf for financial support.

PREVIOUS DISCUSSION PAPERS

- 130 Clemens, Georg and Rau, Holger A., Do Leniency Policies Facilitate Collusion? Experimental Evidence, January 2014.
- 129 Hottenrott, Hanna and Lawson, Cornelia, Fishing for Complementarities: Competitive Research Funding and Research Productivity, December 2013.
- 128 Hottenrott, Hanna and Rexhäuser, Sascha, Policy-Induced Environmental Technology and Inventive Efforts: Is There a Crowding Out?, December 2013.
- 127 Dauth, Wolfgang, Findeisen, Sebastian and Suedekum, Jens, The Rise of the East and the Far East: German Labor Markets and Trade Integration, December 2013.
- 126 Wenzel, Tobias, Consumer Myopia, Competition and the Incentives to Unshroud Add-on Information, December 2013.
Forthcoming in: Journal of Economic Behavior and Organization.
- 125 Schwarz, Christian and Suedekum, Jens, Global Sourcing of Complex Production Processes, December 2013.
Forthcoming in: Journal of International Economics.
- 124 Defever, Fabrice and Suedekum, Jens, Financial Liberalization and the Relationship-Specificity of Exports, December 2013.
- 123 Bauernschuster, Stefan, Falck, Oliver, Heblich, Stephan and Suedekum, Jens, Why Are Educated and Risk-Loving Persons More Mobile Across Regions?, December 2013.
Forthcoming in: Journal of Economic Behavior and Organization.
- 122 Hottenrott, Hanna and Lopes-Bento, Cindy, Quantity or Quality? Knowledge Alliances and their Effects on Patenting, December 2013.
- 121 Hottenrott, Hanna and Lopes-Bento, Cindy, (International) R&D collaboration and SMEs: The effectiveness of targeted public R&D support schemes, December 2013.
- 120 Giesen, Kristian and Suedekum, Jens, City Age and City Size, November 2013.
- 119 Trax, Michaela, Brunow, Stephan and Suedekum, Jens, Cultural Diversity and Plant-Level Productivity, November 2013.
- 118 Manasakis, Constantine and Vlassis, Minas, Downstream Mode of Competition With Upstream Market Power, November 2013.
- 117 Sapi, Geza and Suleymanova, Irina, Consumer Flexibility, Data Quality and Targeted Pricing, November 2013.
- 116 Hinloopen, Jeroen, Müller, Wieland and Normann, Hans-Theo, Output Commitment Through Product Bundling: Experimental Evidence, November 2013.
Published in: European Economic Review 65 (2014), pp. 164-180.
- 115 Baumann, Florian, Denter, Philipp and Friehe Tim, Hide or Show? Endogenous Observability of Private Precautions Against Crime When Property Value is Private Information, November 2013.
- 114 Fan, Ying, Kühn, Kai-Uwe and Lafontaine, Francine, Financial Constraints and Moral Hazard: The Case of Franchising, November 2013.

- 113 Aguzzoni, Luca, Argentesi, Elena, Buccirosi, Paolo, Ciari, Lorenzo, Duso, Tomaso, Tognoni, Massimo and Vitale, Cristiana, They Played the Merger Game: A Retrospective Analysis in the UK Videogames Market, October 2013.
- 112 Myrseth, Kristian Ove R., Riener, Gerhard and Wollbrant, Conny, Tangible Temptation in the Social Dilemma: Cash, Cooperation, and Self-Control, October 2013.
- 111 Hasnas, Irina, Lambertini, Luca and Palestini, Arsen, Open Innovation in a Dynamic Cournot Duopoly, October 2013.
Forthcoming in: Economic Modelling.
- 110 Baumann, Florian and Friehe, Tim, Competitive Pressure and Corporate Crime, September 2013.
- 109 Böckers, Veit, Haucap, Justus and Heimeshoff, Ulrich, Benefits of an Integrated European Electricity Market, September 2013.
- 108 Normann, Hans-Theo and Tan, Elaine S., Effects of Different Cartel Policies: Evidence from the German Power-Cable Industry, September 2013.
Forthcoming in: Industrial and Corporate Change.
- 107 Haucap, Justus, Heimeshoff, Ulrich, Klein, Gordon J., Rickert, Dennis and Wey, Christian, Bargaining Power in Manufacturer-Retailer Relationships, September 2013.
- 106 Baumann, Florian and Friehe, Tim, Design Standards and Technology Adoption: Welfare Effects of Increasing Environmental Fines when the Number of Firms is Endogenous, September 2013.
- 105 Jeitschko, Thomas D., NYSE Changing Hands: Antitrust and Attempted Acquisitions of an Erstwhile Monopoly, August 2013.
- 104 Böckers, Veit, Giessing, Leonie and Rösch, Jürgen, The Green Game Changer: An Empirical Assessment of the Effects of Wind and Solar Power on the Merit Order, August 2013.
- 103 Haucap, Justus and Muck, Johannes, What Drives the Relevance and Reputation of Economics Journals? An Update from a Survey among Economists, August 2013.
- 102 Jovanovic, Dragan and Wey, Christian, Passive Partial Ownership, Sneaky Takeovers, and Merger Control, August 2013.
- 101 Haucap, Justus, Heimeshoff, Ulrich, Klein, Gordon J., Rickert, Dennis and Wey, Christian, Inter-Format Competition Among Retailers – The Role of Private Label Products in Market Delineation, August 2013.
- 100 Normann, Hans-Theo, Requate, Till and Waichman, Israel, Do Short-Term Laboratory Experiments Provide Valid Descriptions of Long-Term Economic Interactions? A Study of Cournot Markets, July 2013.
Forthcoming in: Experimental Economics.
- 99 Dertwinkel-Kalt, Markus, Haucap, Justus and Wey, Christian, Input Price Discrimination (Bans), Entry and Welfare, June 2013.
- 98 Aguzzoni, Luca, Argentesi, Elena, Ciari, Lorenzo, Duso, Tomaso and Tognoni, Massimo, Ex-post Merger Evaluation in the UK Retail Market for Books, June 2013.
- 97 Caprice, Stéphane and von Schlippenbach, Vanessa, One-Stop Shopping as a Cause of Slotting Fees: A Rent-Shifting Mechanism, May 2012.
Published in: Journal of Economics and Management Strategy, 22 (2013), pp. 468-487.

- 96 Wenzel, Tobias, Independent Service Operators in ATM Markets, June 2013.
Published in: Scottish Journal of Political Economy, 61 (2014), pp. 26-47.
- 95 Coublucq, Daniel, Econometric Analysis of Productivity with Measurement Error: Empirical Application to the US Railroad Industry, June 2013.
- 94 Coublucq, Daniel, Demand Estimation with Selection Bias: A Dynamic Game Approach with an Application to the US Railroad Industry, June 2013.
- 93 Baumann, Florian and Friehe, Tim, Status Concerns as a Motive for Crime?, April 2013.
- 92 Jeitschko, Thomas D. and Zhang, Nanyun, Adverse Effects of Patent Pooling on Product Development and Commercialization, April 2013.
- 91 Baumann, Florian and Friehe, Tim, Private Protection Against Crime when Property Value is Private Information, April 2013.
Published in: International Review of Law and Economics, 35 (2013), pp. 73-79.
- 90 Baumann, Florian and Friehe, Tim, Cheap Talk About the Detection Probability, April 2013.
Published in: International Game Theory Review, 15 (2013), Art. No. 1350003.
- 89 Pagel, Beatrice and Wey, Christian, How to Counter Union Power? Equilibrium Mergers in International Oligopoly, April 2013.
- 88 Jovanovic, Dragan, Mergers, Managerial Incentives, and Efficiencies, April 2013.
- 87 Heimeshoff, Ulrich and Klein Gordon J., Bargaining Power and Local Heroes, March 2013.
- 86 Bertschek, Irene, Cerquera, Daniel and Klein, Gordon J., More Bits – More Bucks? Measuring the Impact of Broadband Internet on Firm Performance, February 2013.
Published in: Information Economics and Policy, 25 (2013), pp. 190-203.
- 85 Rasch, Alexander and Wenzel, Tobias, Piracy in a Two-Sided Software Market, February 2013.
Published in: Journal of Economic Behavior & Organization, 88 (2013), pp. 78-89.
- 84 Bataille, Marc and Steinmetz, Alexander, Intermodal Competition on Some Routes in Transportation Networks: The Case of Inter Urban Buses and Railways, January 2013.
- 83 Haucap, Justus and Heimeshoff, Ulrich, Google, Facebook, Amazon, eBay: Is the Internet Driving Competition or Market Monopolization?, January 2013.
Forthcoming in: International Economics and Economic Policy.
- 82 Regner, Tobias and Riener, Gerhard, Voluntary Payments, Privacy and Social Pressure on the Internet: A Natural Field Experiment, December 2012.
- 81 Dertwinkel-Kalt, Markus and Wey, Christian, The Effects of Remedies on Merger Activity in Oligopoly, December 2012.
- 80 Baumann, Florian and Friehe, Tim, Optimal Damages Multipliers in Oligopolistic Markets, December 2012.
- 79 Duso, Tomaso, Röller, Lars-Hendrik and Seldeslachts, Jo, Collusion through Joint R&D: An Empirical Assessment, December 2012.
Forthcoming in: The Review of Economics and Statistics.

- 78 Baumann, Florian and Heine, Klaus, Innovation, Tort Law, and Competition, December 2012.
Published in: Journal of Institutional and Theoretical Economics, 169 (2013), pp. 703-719.
- 77 Coenen, Michael and Jovanovic, Dragan, Investment Behavior in a Constrained Dictator Game, November 2012.
- 76 Gu, Yiquan and Wenzel, Tobias, Strategic Obfuscation and Consumer Protection Policy in Financial Markets: Theory and Experimental Evidence, November 2012.
Forthcoming in: Journal of Industrial Economics under the title "Strategic Obfuscation and Consumer Protection Policy".
- 75 Haucap, Justus, Heimeshoff, Ulrich and Jovanovic, Dragan, Competition in Germany's Minute Reserve Power Market: An Econometric Analysis, November 2012.
Published in: The Energy Journal, 35 (2014), pp. 139-158.
- 74 Normann, Hans-Theo, Rösch, Jürgen and Schultz, Luis Manuel, Do Buyer Groups Facilitate Collusion?, November 2012.
- 73 Riener, Gerhard and Wiederhold, Simon, Heterogeneous Treatment Effects in Groups, November 2012.
- 72 Berlemann, Michael and Haucap, Justus, Which Factors Drive the Decision to Boycott and Opt Out of Research Rankings? A Note, November 2012.
- 71 Muck, Johannes and Heimeshoff, Ulrich, First Mover Advantages in Mobile Telecommunications: Evidence from OECD Countries, October 2012.
- 70 Karaçuka, Mehmet, Çatik, A. Nazif and Haucap, Justus, Consumer Choice and Local Network Effects in Mobile Telecommunications in Turkey, October 2012.
Published in: Telecommunications Policy, 37 (2013), pp. 334-344.
- 69 Clemens, Georg and Rau, Holger A., Rebels without a Clue? Experimental Evidence on Partial Cartels, April 2013 (First Version October 2012).
- 68 Regner, Tobias and Riener, Gerhard, Motivational Cherry Picking, September 2012.
- 67 Fonseca, Miguel A. and Normann, Hans-Theo, Excess Capacity and Pricing in Bertrand-Edgeworth Markets: Experimental Evidence, September 2012.
Published in: Journal of Institutional and Theoretical Economics, 169 (2013), pp. 199-228.
- 66 Riener, Gerhard and Wiederhold, Simon, Team Building and Hidden Costs of Control, September 2012.
- 65 Fonseca, Miguel A. and Normann, Hans-Theo, Explicit vs. Tacit Collusion – The Impact of Communication in Oligopoly Experiments, August 2012.
Published in: European Economic Review, 56 (2012), pp. 1759-1772.
- 64 Jovanovic, Dragan and Wey, Christian, An Equilibrium Analysis of Efficiency Gains from Mergers, July 2012.
- 63 Dewenter, Ralf, Jaschinski, Thomas and Kuchinke, Björn A., Hospital Market Concentration and Discrimination of Patients, July 2012.
- 62 Von Schlippenbach, Vanessa and Teichmann, Isabel, The Strategic Use of Private Quality Standards in Food Supply Chains, May 2012.
Published in: American Journal of Agricultural Economics, 94 (2012), pp. 1189-1201.
- 61 Sapi, Geza, Bargaining, Vertical Mergers and Entry, July 2012.

- 60 Jentzsch, Nicola, Sapi, Geza and Suleymanova, Irina, Targeted Pricing and Customer Data Sharing Among Rivals, July 2012.
Published in: International Journal of Industrial Organization, 31 (2013), pp. 131-144.
- 59 Lambarraa, Fatima and Riener, Gerhard, On the Norms of Charitable Giving in Islam: A Field Experiment, June 2012.
- 58 Duso, Tomaso, Gugler, Klaus and Szücs, Florian, An Empirical Assessment of the 2004 EU Merger Policy Reform, June 2012.
Published in: Economic Journal, 123 (2013), F596-F619.
- 57 Dewenter, Ralf and Heimeshoff, Ulrich, More Ads, More Revs? Is there a Media Bias in the Likelihood to be Reviewed?, June 2012.
- 56 Böckers, Veit, Heimeshoff, Ulrich and Müller Andrea, Pull-Forward Effects in the German Car Scrappage Scheme: A Time Series Approach, June 2012.
- 55 Kellner, Christian and Riener, Gerhard, The Effect of Ambiguity Aversion on Reward Scheme Choice, June 2012.
- 54 De Silva, Dakshina G., Kosmopoulou, Georgia, Pagel, Beatrice and Peeters, Ronald, The Impact of Timing on Bidding Behavior in Procurement Auctions of Contracts with Private Costs, June 2012.
Published in: Review of Industrial Organization, 41 (2013), pp.321-343.
- 53 Benndorf, Volker and Rau, Holger A., Competition in the Workplace: An Experimental Investigation, May 2012.
- 52 Haucap, Justus and Klein, Gordon J., How Regulation Affects Network and Service Quality in Related Markets, May 2012.
Published in: Economics Letters, 117 (2012), pp. 521-524.
- 51 Dewenter, Ralf and Heimeshoff, Ulrich, Less Pain at the Pump? The Effects of Regulatory Interventions in Retail Gasoline Markets, May 2012.
- 50 Böckers, Veit and Heimeshoff, Ulrich, The Extent of European Power Markets, April 2012.
- 49 Barth, Anne-Kathrin and Heimeshoff, Ulrich, How Large is the Magnitude of Fixed-Mobile Call Substitution? - Empirical Evidence from 16 European Countries, April 2012.
- 48 Herr, Annika and Suppliet, Moritz, Pharmaceutical Prices under Regulation: Tiered Co-payments and Reference Pricing in Germany, April 2012.
- 47 Haucap, Justus and Müller, Hans Christian, The Effects of Gasoline Price Regulations: Experimental Evidence, April 2012.
- 46 Stühmeier, Torben, Roaming and Investments in the Mobile Internet Market, March 2012.
Published in: Telecommunications Policy, 36 (2012), pp. 595-607.
- 45 Graf, Julia, The Effects of Rebate Contracts on the Health Care System, March 2012, Forthcoming in: The European Journal of Health Economics.
- 44 Pagel, Beatrice and Wey, Christian, Unionization Structures in International Oligopoly, February 2012.
Published in: Labour: Review of Labour Economics and Industrial Relations, 27 (2013), pp. 1-17.

- 43 Gu, Yiquan and Wenzel, Tobias, Price-Dependent Demand in Spatial Models, January 2012.
Published in: B. E. Journal of Economic Analysis & Policy, 12 (2012), Article 6.
- 42 Barth, Anne-Kathrin and Heimeshoff, Ulrich, Does the Growth of Mobile Markets Cause the Demise of Fixed Networks? – Evidence from the European Union, January 2012.
- 41 Stühmeier, Torben and Wenzel, Tobias, Regulating Advertising in the Presence of Public Service Broadcasting, January 2012.
Published in: Review of Network Economics, 11/2 (2012), Article 1.

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