

Seminar **“Tacit Semicollusion”**

(in English)



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Date: 24 October 2017 (Tuesday)

Time: 10:00am – 11:30am

Venue: WYL314, Dorothy Y. L. Wong Building

Abstract:

Most of the work by economists on collusion has focused on models and cases in which firms compete or collude on a single variable – typically price or quantity. While there are also several papers that study problems of firms that compete with multiple strategic variables including (in different papers) advertising, R&D, capacity and quality, more research is needed in this area. This paper is focused on semicollusion – i.e. cooperation between rivals with respect to some variables while competition remains with respect to others. Motivated in part by examples from the airline industry, this research program examines the potential for, and effects of, collusion when firms compete in both price and quality. It contrasts the effects of full collusion (i.e. on both variables) to semicollusion on price and to semicollusion on quality. Distinguishing the research here from that going before are, among other differences: (i) this work considers collusion involving the simultaneous choice of variables (rather than a sequential choice as in existing models); (ii) a closer look at the welfare effects of different kinds of collusion; and (iii) an examination of the stability of the different kinds of collusive arrangements. Among the more interesting results here: (i) semicollusion can be less profitable than no collusion at all; (ii) semicollusion can be more harmful to welfare than full collusion; (iii) semicollusion in quality is harmful (even though firms compete in price) though generally less harmful than semicollusion in price; and (iv) semicollusion may be more stable than full collusion.

Note: this presentation will be based on a research program that remains work-in-progress. A full paper is not yet available.

Biography:

Tom Ross is the UPS Foundation Professor of Regulation and Competition Policy in the Sauder School of Business at the University of British Columbia. He is also the Director of the Phelps Centre for the Study of Government and Business at the Sauder School. An economist, he earned his undergraduate degree at the University of Western Ontario, his doctorate at the University of Pennsylvania and worked at the University of Chicago and Carleton University before moving to U.B.C.. His research in the areas of competition policy, industrial organization, public-private partnerships and experimental economics has been published in a number of scholarly journals. Professor Ross has also served as a consultant to a number of public and private sector organizations.

All Are Welcome

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