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Department of Economics

Collusion on Surcharges under Uncertainty

4 February 2026 (Wed)
10:00 - 11:30

WYL314, 3/F, Dorothy Y. L. Wong Building, Lingnan University

Prof. CHEN Zhiqi

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Department of Economics
Carleton University

BIOGRAPHY

Zhiqi Chen is Chancellor's Professor at Carleton University, where he has been a faculty member since 1991. His main field of specialization is industrial organization. Since receiving his PhD in economics from the University of Western Ontario in 1991, Professor Chen has published more than 50 articles in refereed journals, including leading economics journals such as the *American Economic Review, Economic Journal, International Economic Review, and RAND Journal of Economics*. He has served as a co-editor of the *Journal of Economics and Management Strategy* since 2004, and he was the Managing Editor of the *Canadian Journal of Economics* from 2022 to 2025. In addition, Professor Chen has extensive experience in the application of economics to competition policy and regulation. He twice served as the T.D. MacDonald Chair in Industrial Economics at the Canadian Competition Bureau, and he worked for public and private clients as an economics expert on a variety of consulting projects.

ABSTRACT

This paper demonstrates that when firms face demand uncertainty, collusion on a component of price has advantages over collusion on all-inclusive prices. When firms collude on rigid all-inclusive prices, they lose the flexibility to respond to demand shocks. With partitioned pricing, the firms alleviate this problem by colluding on one component of the price (surcharges) while allowing free choice of the other component (base prices). Using a duopoly model with product differentiation, this paper shows that collusion on surcharges generates larger expected profits and is more sustainable than collusion on rigid all-inclusive prices. Moreover, these advantages of collusion on surcharges persist when compared with collusion on price schedules that make each firm's all-inclusive price conditional on the realization of its demand shock. While the latter also gives firms flexibility to respond to shocks, the cartel prices achieved by this form of collusion are lower because of the need to discourage firms from misrepresenting their demand shocks.

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