

Information Sharing: Economics and Antitrust – Comment

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The Pros and Cons of Information Sharing

KKV (Swedish Competition Authority)
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Disclaimer, outline

- Opinions solely those of author:
not of Bureau, Commissioner, staff
- **Generic, not specific comments**
 - Occasional US, CA perspective, but not “US better” or “CA better” especially when they differ!
- **Outline**
 - Review wide range of possibilities
 - Questions about welfare effects
 - Import of explicit agreement—theory and practice
 - Game theory in practice
 - Suggestions to increase usefulness

What information is being shared?

- Price
- Cost
- Technology
- Quality (“favorable type”)
- Demand
- Private/Common

How is the information made available?

- Individual/Aggregate
- Shared one-to-one, market-wide
- Independent verification
- Cheap talk?

Nature of competition

- Strategic complements (price), strategic substitutes (quantities)
- Unilateral disclosure, agreements to share
- Revealing dominant for private values, common values regarding strategic complements (price)
- Not revealing dominant for common value, strategic substitute competition
- Verifiability forces “bad” firms to reveal information, since inference of bad if they don’t

Welfare effects of shared information

- Pooling information (demand?) improves adjustment to private, common shocks
- Cost sharing facilitates reallocation of output
 - One to one? Shared by all? What about market?
- But market power, pooled information (?) improves surplus extraction
- Correlate outputs of different varieties when common value info shared

Interaction effects

- Sharing tends to increase surplus with Cournot, decrease with Bertrand
- Intuition not given (lawyers could use, not just me!)
- Why good with Cournot (capacity)?
opportunities for rationalization, also more effect of concentration
- Why negative (not just small) with Bertrand (price)?
 - Doesn't advertising result go the other way?

Observations

- What's the single firm strategic choice—agree to share, or decide to give?
 - Incentive to share, or incentive to get?
 - Which is the strategy that's dominant?
- Industry wide agreement if pooling raises profits consistent with a lack of collusion?
- What information is being shared?
- Strategic choices?
 - Milgrom-Roberts limit pricing? Info good
 - Predation models? Rely on uncertainty?

Turning to collusion

- **Select from among huge set of equilibria**
 - Dividing markets with asymmetric costs
- **Facilitating practice in repeated games**
 - Monitoring to detect, punish deviations
 - Cheap talk about punishment
- **Others that one might add**
 - Meeting competition clauses
 - Agreeing on a standard
 - Mutual interconnection fee in network sectors

Role, value of explicit agreement

- In Canada, no successful cases based solely on information
 - Private cases rare because unable to get damages
- US, EU cases reviewed
 - ATP airline tariff pre-announcement (settled)
 - Wood pulp prices (ECJ rejected; can't infer collusion)
 - UK tractor individual sales
 - Fatty acids info on customer switching
- Harmful as such, or as showing collusion?
- Do *per se* rules, or “undueness” affect burden?

Usefulness of repeated game models

- Why is explicit agreement important, if collusion is an equilibrium outcome?
- One answer: Equilibrium selection
 - Folk Theorem: Almost anything possible with punishment as the lurking one-shot game
- Second answer: Conflict with economics(!)
- Economic principle: Sunk costs don't matter
- Then, why does cheating induce punishment?
- Different from (Bayesian) learning games

The duopoly modeling problem

- Ubiquitous in the literature
- Attractive for modeling simplicity
- But important bias needs to be recognized
- One actor's commitment leaves the other as a monopolist (too many examples to list)
- Even three can matter, e.g., Bertrand with little differentiation
 - One left over—a monopoly
 - Two left over—no strategic effect at all

A broader problem

- Encourage “anything can happen” non-robust theory (Peltzman, Fisher, “old school”)
 - Models as “quasi-evidence”
 - If it can be bad under some conditions, is it here?
- Canceling theorists making litigation harder, especially for new, smaller agencies and courts
- Economics as content, or litigation tax?
- Can courts handle hard theory? (*Microsoft*)
- Benefits of possible precision vs. costs of error, process abuse (“raising clients’ costs”)

Overall

- A rich, detailed survey; no one could do it better
- For practitioners, four things would be helpful
- First, a table—I tried and couldn't do it
- Second, indicators of when the items in the table are more or less likely to hold
- Third, intuitions, not just results—need to explain to clients, litigants, judges
- Fourth, try to make results robust, not quasi-evidence