

A Brief Discussion of

Margaret C. Levenstein and Valerie Y. Suslow: Cartel bargaining and monitoring: The role of information sharing

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The Pros and Cons of Information Sharing

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Challenges cartels face and what role communication may play (following L&S)

Cartel members must agree to a set of terms

- Communication helps to **create focal points** and reduces strategic uncertainty
- Communication helps to **build trust**, which makes it easier to come to an agreement
- Communication is a mean to **influence the terms** of the agreement, e.g. via bargaining

Cartel members must enforce the agreement: monitor adherence and punish cheaters

- With communication they can **monitor compliance**
- Communication helps to **build trust** which helps to overcome misunderstandings

Cartel members must prevent entry

- With restricted sharing of patents and information they may **raise entry barriers**
- They may **acquire potential entrants**

Tentative categorisation of information exchange characteristics according to competitive effects



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	Usually unproblematic		Usually problematic	
1. Medium	Public announcement	Quasi-public forum (not monitored by consumers or potential entrants)		Private discussion
2. Data type	Technology	Demand or Cost	Price	Quantity or Sales
3. Timeliness of data	Distant past (older than a year)			Present or Future
4. Level of aggregation	Aggregated, Industry-level			Disaggregated, Firm level
5. Degree of officialdom	Low-level employees			High-level executives
6. Market share of parties	Small			High
7. Market structure	Many competitors			Few competitors
	Heterogenous product			Homogenous product
	Large differences in cost structure			Small differences in cost structure
	Small barriers to entry			High barriers to entry
8. Company behaviour	No price increase after communication			Parallel price increase after communication

Deciding on an information sharing practice

- Total impact on transparency matters
 - Welfare balancing of various effects on efficiency and competition
 - Not only competitors share information; state, newspapers, etc. also contribute to transparency
 - Secondary information processing
(consumer-operated and independent websites)
- Lack of communication may not mean lack of collusion
 - Communication-minimising strategies
(Market rather than market share allocation, MFN-clauses)

Common sense examples of effects of information sharing

- ✓ <http://www.holtankoljak.hu>
Website for comparing petrol prices at different petrol stations
- ✓ Hungarian Financial Supervision Authority
Comparative tables for financial products
- ✓ Interbank Debtor and Credit Information System
 - o Monthly cement production and sales exchange
(Case 73/2001)