

Anatomy of Cartel Contracts

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We study cartel contracts using data on 18 contract clauses of 109 legal Finnish manufacturing cartels whose legal status is reminiscent of e.g. the U.S Sugar Institute. One third of the clauses relate to raising profits; the others deal with instability through incentive compatibility, cartel organization, or external threats. Cartels use three main approaches to raise profits: Price, market allocation, and specialization. These appear to be substitutes. Choosing one has implications for how cartels deal with instability. Simplifying, we find that cartels economize on contract clauses, cartels in homogenous goods industries allocate markets, and small cartels avoid competition through specialization.



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