

Discussion of: *How costly are cartels?*

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- ▶ Super interesting paper and carefully executed!
- ▶ **The question:** What are the welfare and productivity costs of cartels ?
- ▶ **Contribution:**
 - ▶ Propose new quantitative framework to assess macroeconomic costs of cartels
 - ▶ Extend standard oligopolistic competition model to account for collusive behavior
- ▶ Mapping to Data: model calibrated using French administrative data
- ▶ Very important question with critical policy implications !

- ▶ Static model with heterogeneous firms which choose markups
- ▶ Cartels coexist with competitive firms
- ▶ Main results derived under Cournot competition (but robust to Bertrand competition)
- ▶ **Key model mechanism:**
 - ▶ Collusive firms internalize that own decisions affect other members' profits

$$\pi_k^C = \pi_k + \sum_{j \in C \setminus \{k\}} \kappa_{kj} \pi_j \quad (1)$$

- ▶ Theoretical ambiguous effects of cartels on aggregate productivity → depends on cartel composition
- ▶ Quantitative results critically depend on collusive parameter κ and elasticities of substitutions

- ▶ Mapped to French administrative firm-level data
- ▶ κ calibrated to match an average cartel overcharge of 10% (estimates come from OECD and prior work)
- ▶ Elasticities of substitutions (ρ, η) calibrated to match:
 - ▶ Aggregate markup
 - ▶ Relationship between a sector's inverse markup and HHI index (informative for η for given ρ)
- ▶ **Main findings:**
 - ▶ Eliminating cartels \rightarrow +1.1% aggregate productivity
 - ▶ Eliminating cartels \rightarrow +2.0% aggregate welfare (CEV measure)

- ▶ Quantitative results critically depend on three parameters (κ, ρ, η)
- ▶ Can one bound the macroeconomic costs for different combinations of reasonable values?
- ▶ Paper already does it for κ . Could help putting numbers into perspective
- ▶ I would put identification section in main text to guide reader on how parameters map into moments
- ▶ Welfare along transition:
 - ▶ Paper states welfare analysis accounts for costs of the transition. Where do welfare costs along the transition come from? Transition induced by capital accumulation?
 - ▶ Capital only included later, it enters in production of final good?

- ▶ 1) **Competition and antitrust policies:**
 - ▶ In the model these policies are for free, no distortions and no costs from competition policy interventions (changes in κ parameter).
 - ▶ But these policies might generate costs and be distortive in reality
 - ▶ Would be interesting to study optimal competition policies in quantitative framework
- ▶ 2) Is there room for **fiscal/taxation policies** to improve allocations in economies with cartels?
- ▶ 3) **Welfare and consumer heterogeneity:**
 - ▶ Welfare measure in the model is an average. Based on representative consumer (everybody consumes same good)
 - ▶ Consumer heterogeneity matters. Individuals consume different basket of goods and search for different prices.
 - ▶ Some consumers might be particularly affected by cartels, other less. Interesting to study who loses the most.
 - ▶ But of course consumer + firm heterogeneity very challenging to deal with in quantitative GE model!