Abstract and Plan

Price Effects of International Cartels in Markets for Primary Products

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The objective of this paper is to assemble and analyze the extent of price changes induced by privately organized international cartels that monopolized markets for primary products. Some observations on the changing roles of competition-law enforcement will be offered.

Private cartels are voluntary associations of legal entities that explicitly collude on the control of market prices or output with the aim of increasing joint profits of its members. Because these entities (mostly corporations or corporate associations) are not protected by sovereign treaties, they are subject to sanctions under the antitrust laws now adopted in nearly every nation of the world. The precise definition of "international" cartels are those with members headquartered in two of more nations. International cartels tend to be larger, better publicized, more injurious to markets, and geographically more widespread than the many more numerous local cartels. Many international cartels are virtually global in their operations. The definition of “primary products” includes raw materials (from the agriculture, fishing, forestry, petroleum, and mining industries) and extends to processed foods and food ingredients, textiles, fertilizers, agricultural chemicals, and primary metals. Price and output effects are generally measured by comparison to equilibria observed in perfectly competitively structured markets, but other methods use various "noncooperative" oligopolistic equilibria as the appropriate benchmarks. The Cournot model is an example of the latter. Sellers' cartels generally aim to raise prices and/or reduce supply relative to the benchmark market outcome. Buyers' cartels attempt to force down the prices members pay for inputs purchased. In either case, there are measurable welfare losses imposed on buyers or sellers of cartelized products.

This paper will draw upon two extensive data sets that have been continuously developed over the past ten years and that have been employed in scores of working papers, peer-reviewed academic journal papers, and policy analyses. First, the Price-Fixing Overcharges data set is a sweeping collection of more than 1100 published, quantitative estimates of the price changes (if any) caused by private cartels that began to operate as early as 1776. The majority of the observations are drawn from economists' empirical studies about cartels and bid-rigging schemes discovered and punished by antitrust authorities in the past few decades. Second, the Private International Cartels (PIC) data are more richly detailed legal-economic compilation on about 600 cartel punished by antitrust authorities worldwide during January 1990 to December 2011.

These data will permit the analysis of fairly large samples of several categories of primary-product cartels. I expect to be able to examine price effects over several industries, geographic regions, and time periods. A large minority of the PIC data will link the economic harm generated by these cartels to the monetary penalties imposed on them by antitrust authorities, an exercise that will reveal the degree of crime deterrence presently achieved. Long dominated by enforcement agencies in North America and Western Europe, these data will show that, though a fairly recent phenomenon, antitrust authorities of many middle-income nations are becoming significant sources for the detection and disbanding or punishment of cartels. Time permitting, I may address the curious case of China's *volte-face* from the world's leading cartel spoiler to an emerging hotbed of primary-product cartels.