

AEDE 2014 MALAGA



**FEDERAL ANTIMONOPOLY SERVICE OF THE
RUSSIAN FEDERATION**

**EFFECTS OF HOSTILITY TRADITION IN
ANTITRUST: LENIENCY PROGRAMS AND
COOPERATION AGREEMENTS**

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BASIS FOR LENIENCY PROGRAMS

1. Cartels – one of the most dangerous antitrust violations, mark-up around 10-35%
2. Cartels – secret agreements, investigation is costly



A discount on sanctions if the company:

- admits participation in cartel;
- ends participation in cartel;
- provides evidence;
- (commonly) is the first to do the above.

IMPACT ON CARTELS AND OTHER AGREEMENTS

Background:

- Leniency program first introduced in Russia in 2007
- In 2008 FAS Russia ran 358 investigations of anticompetitive agreements – twice as much as in 2007
- In 2008 more than 500 companies applied for leniency

Impact on cartels?

- Standards of economic analysis: collusion vs. cooperation
- Asymmetric information between firms and the AA



Type I errors

- Motta, Polo (2003) – include type II errors
- Ghebrihiwet, Motchenkova (2010) – include type I errors, but:
 - “innocent” firms can’t participate in the program;
 - the probabilities of conviction are the same for both “innocent” and “guilty” firms.

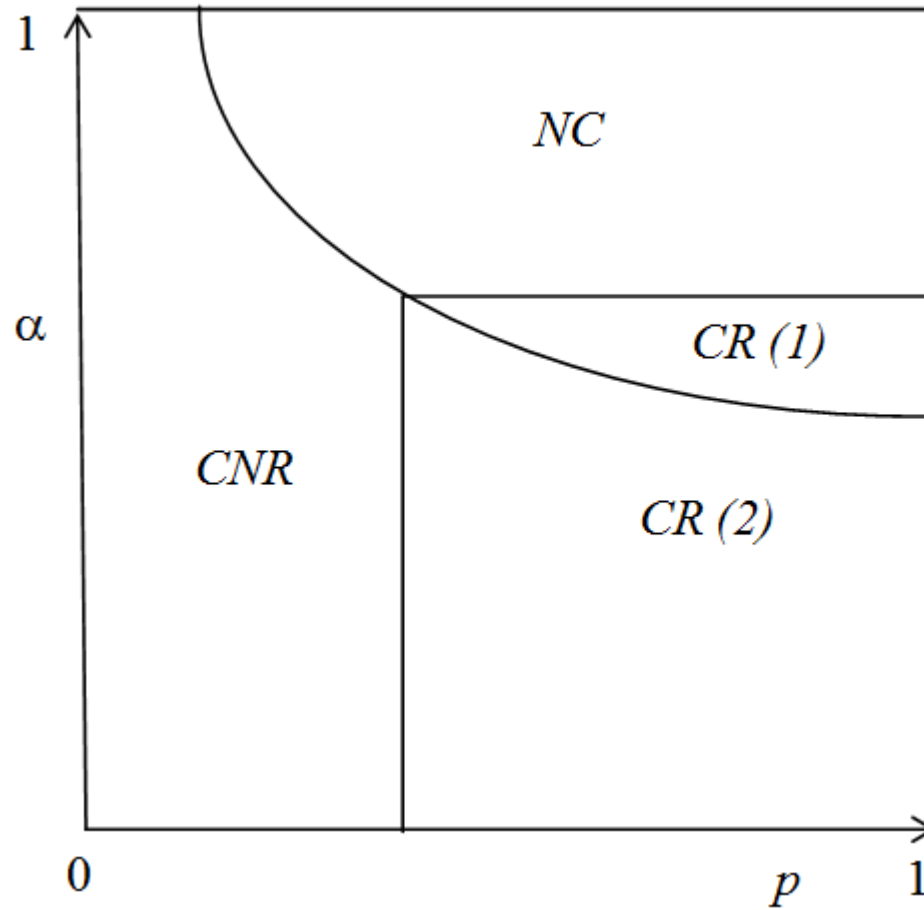


No assessment of the impact on cooperation agreements that benefit social welfare

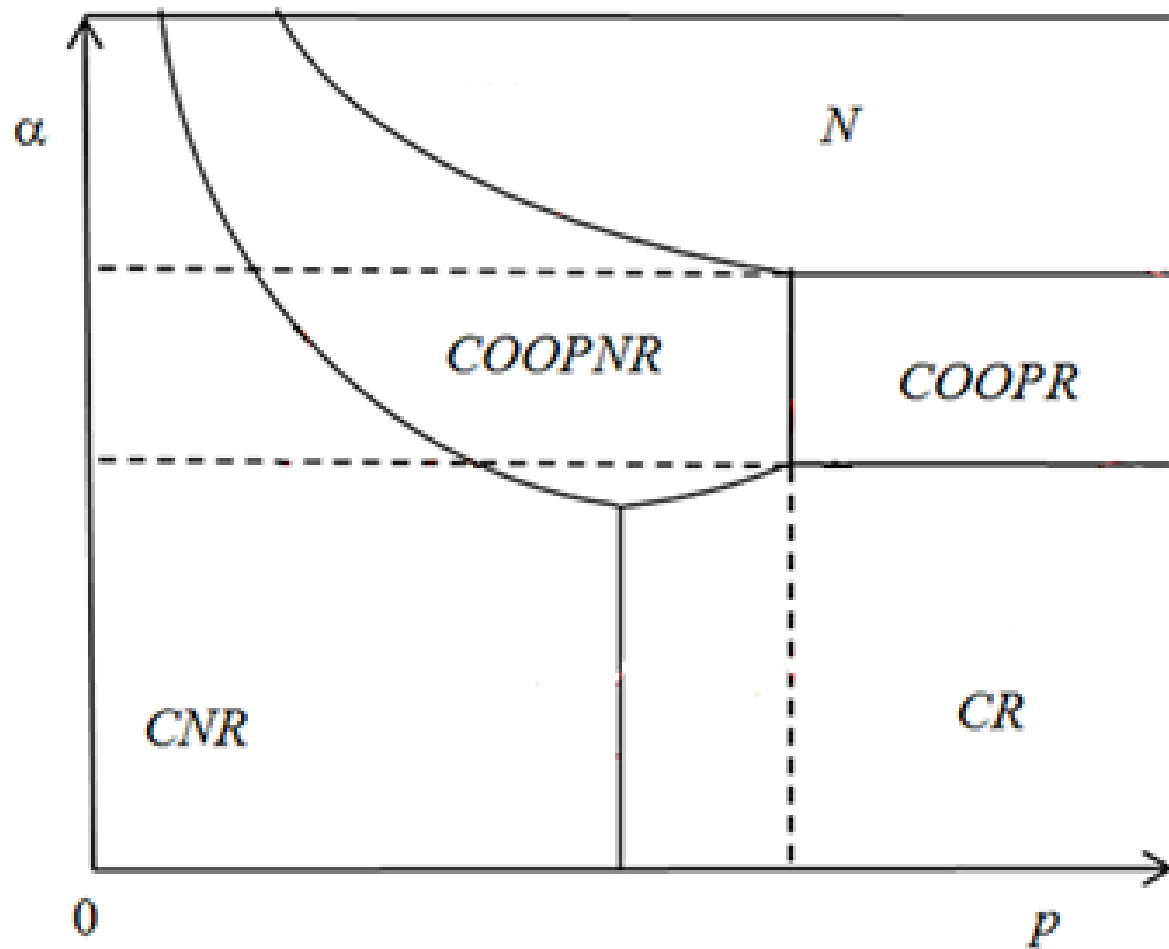
1. Symmetric firms
2. $\Pi_M, \Pi_D, \Pi_{COOP}, \Pi_N$
3. Firms confess \rightarrow R or don't \rightarrow F. The investigation lasts 1 or 2 periods.
4. Leniency
 - for every firm that applies
 - application possible only after the investigation starts
5. The AA opens an investigation with probability α_i , which ends in conviction with probability p_i
6. $\alpha_N=0,2\alpha$, $\alpha_D=0,4\alpha$, $\alpha_{COOP}=0,6\alpha$, $\alpha_M=\alpha$
7. $p_N=0,2p$, $p_D=0,4p$, $p_{COOP}=0,6p$, $p_M=p$

- 1) N – Not Collude or Cooperate;
- 2) CNR – Collude and Not Reveal;
- 3) CR – Collude and Reveal;
- 4) DNR – Deviate and Not Reveal;
- 5) DR – Deviate and Reveal;
- 6) COOPNR – Cooperate and Not Reveal;
- 7) COOPR – Cooperate and Reveal.

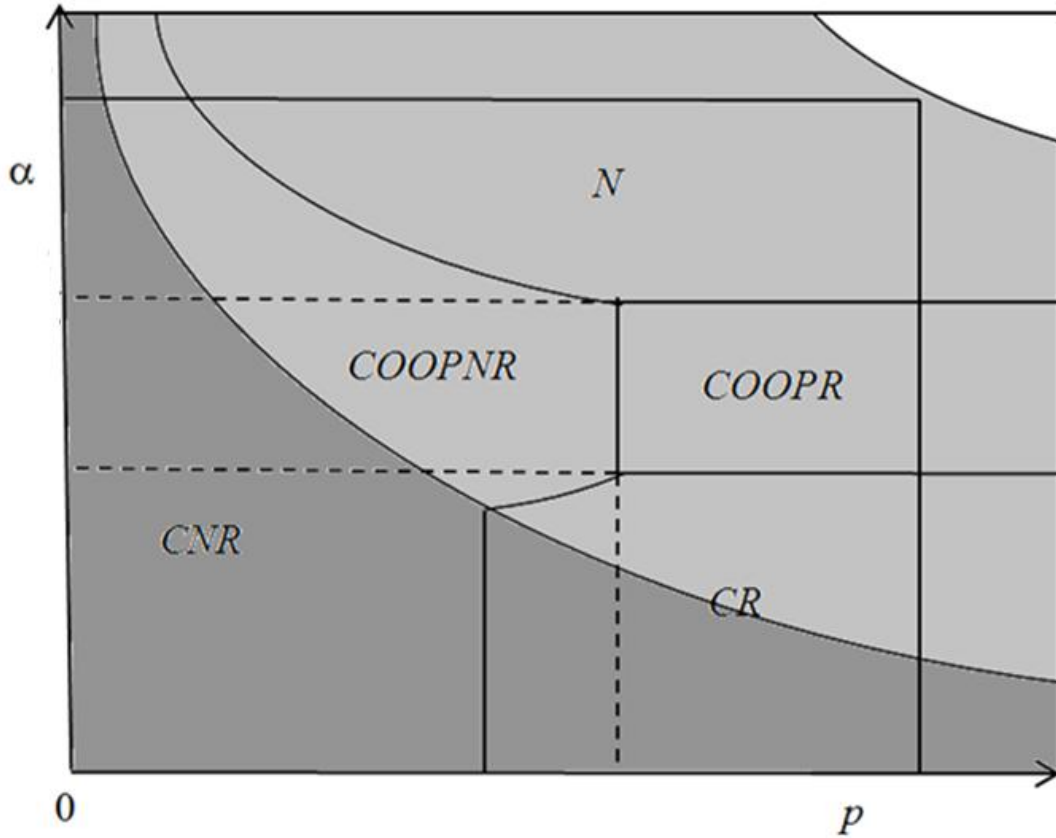
EQUILIBRIUM IN MOTTA, POLO (2003)



EQUILIBRIUM WITH TYPE I ERRORS



EFFECTS OF LENIENCY



- Deserved punishment effect
- Disrupted cooperation effect
- Prevented cooperation effect

1. Overcoming the hostility tradition in antitrust
2. Shavell, Polinsky (1989) v.s. Png (1986)

THANK YOU!



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