

## Homework 3

### Instructions

Upload this homework into the homework vaults in the IS no later than on 29/3 at 23.59. The homework submitted after this date can be evaluated only if you have an excuse in the IS for at least 3 working days in the week between the given lectures and seminars (from these five: Wed, Thu, Fri, Mon, Tue) and the teacher has given you an alternative date when you submit your homework. We expect that you write the homework on your own. Should your answers resemble with the answers in someone else's homework, we might deduct points from your score. We appreciate the effort and thorough thinking (whether your answers make sense, whether you have supported all your claims by careful argumentation, whether your answers are informed by data). Try to formulate ideas as concisely as possible. Certainly do not add any "dummy text" just in order to get closer to the maximum extent. The final document can be inserted into the System in all standard formats (doc, docx, odt, pdf, ...). Print your homework and take it to the seminar on 30/3. Title the document *Homework 3* (your name and surname will be added to the name of the document automatically).

**Put your name and surname on the top of your homework.**

### Task 1 (4 points, maximum 400 words)

Read the section 10.3 in the textbook Pepall et al. (2011) (see the study materials) and answer the following questions:

1. What information do we need to obtain an estimate of the damage caused by the cartel? How can we get the information?
2. What are the variables used to estimate the price from reduced-form equation? What is the reduced form equation?
3. How did the auctions described in the paper by Kwoka (1997) work?
4. What assumptions are used to derive equation (10.19)?

### Task 2 (4 points, maximum 400 words)

Read the paper by Hinlopen and Setevent (2008) (see the study materials), or at least the introduction and conclusion. Briefly answer the following questions:

1. Why an increase in the number of detected cartels after the introduction of leniency does not necessarily mean that the program is successful?
2. Why is the experimental method suitable for cartel research?
3. What are the two possible definitions of cartel based on the experimental data obtained in the paper?
4. Why does leniency reduce prices? How does the leniency program affect the behavior of the subjects?