

Homework 3

Instructions

Upload this homework into the homework vaults in the IS no later than on 27/3 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 28/3. 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 (6 points, maximum 600 words)

Read the paper by Hinlopen and Setevent (2008) and briefly answer the following questions. Please, use your own formulations. Do not copy sentences or formulations from the paper:

1. Why is the experimental method suitable for cartel research?
2. Why come fewer cartels into existence under Antitrust and Leniency?
3. What is the difference in the price-discussing behavior of the subjects under Antitrust and Leniency?
4. Why are cartels under Leniency less successful in establishing high market prices?
5. What is the protection-from-fines effect of Leniency?
6. Why does leniency reduce prices? Provide a short summary.