

Imperfect Tacit Collusion and Asymmetric Price Transmission*

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Abstract

We investigate asymmetric price transmission in laboratory experiments, and find that imperfect tacit collusion may suffice for its emergence in otherwise frictionless markets. We vary the number of sellers across markets to evaluate the role competition plays in the phenomenon. We report similar magnitudes of asymmetry in markets with 3, 4, 6, and 10 sellers, but not in duopolies. Furthermore, sellers consistently set their prices above the best-response levels implied by their forecasts, particularly in periods following negative shocks. We interpret these pricing deviations as sellers' intentions to collude, and note that they mechanically drive the pricing asymmetries we observe.

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