An Economic Approach to Price Fixing

Louis Kaplow

Abstract

This article examines optimal policy toward coordinated oligopolistic price elevation. First, it analyzes the social welfare implications of enforcement, elaborating the value of deterrence and the nature of possible chilling effects. Then, it explores a variety of means of detection, with particular attention to the sorts of errors that may arise under each. Finally, it examines the level and type of sanctions that should be employed. It emerges that there is remarkably little overlap in content between the present investigation and prior legal policy work on the subject. Some central issues have been ignored while particular resolutions of others have been taken for granted, thereby indicating the need for wholesale reassessment.