

As Regulators Watch Closely, the World Grows Unfriendlier for Cartels

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United they fell: Early this year the three members of Canada's Canpotex, the smaller of two major cartels for the key fertilizer ingredient potash, paid a whopping \$97.5 million fine to banish U.S. charges of colluding to jack up prices. This event took place against a backdrop of growing hostility toward price-fixing and other collusion. "A lot of countries are becoming much more aggressive about discovering and prosecuting and penalizing cartels," says Joseph Harrington, a professor of business economics and public policy at the Wharton School of the University of Pennsylvania.

Last year the U.S. levied a record \$1.1 billion in criminal antitrust fines, according to the Department of Justice; in 2003 the total was just \$107 million. Between 2010 and 2012 the average U.S. prison sentence for antitrust activities was 25 months, versus 20 months between 2000 and 2009. (The U.S. is the only country to

routinely jail people for collusion.) Since 2009 the European Commission has fined cartels a total of €7 billion (\$9.4 billion).

Collusion can pump up profits, but as penalties become stiffer, Harrington thinks corporations will have to treat this behavior like embezzlement and accounting fraud and take aggressive steps to prevent it: “From a profit perspective, it’s starting to become a questionable activity.” • •