

Upstream Collusion and Downstream CSR Initiatives

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Abstract: This paper examines the impacts of downstream corporate social responsibility (CSR) on upstream tacit collusion. Considering an infinitely repeated game with grim-trigger strategy, we find that how CSR initiatives affect the upstream collusive stability hinges on the downstream competition mode. Specifically, CSR initiatives facilitate upstream collusion when downstream firms engage in quantity competition, whereas they hinder upstream collusion under downstream price competition. For given degree of CSR initiatives and product substitutability, upstream collusion is always less stable in the case of price competition.

Keywords: CSR; Tacit collusion; Vertical market; Price and quantity competition

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