

Abstract

This paper documents wide-spread collusion among construction firms in Japan using data that account for most of the construction projects procured by the national government of Japan during 2003 to 2006. By examining rebids that occur for auctions that failed to meet the reserve price, we use ideas similar to regression discontinuity for identifying collusion. We identify about 690 firms whose conduct is inconsistent with competitive behavior. The number of projects awarded to these bidders is about 7,000, or about 1/6 of the total number of construction projects awarded by the national government during the period. The value of these auctions sums to about 8 billion, about 5-6% of which may have been saved absent collusion.