Imperfect Competition and Sanitation Evidence from Randomized Auctions in Senegal

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We study the extent to which collusion can explain the under-provision of clean sanitation technologies in developing countries. Using desludging services in Dakar as a case-study, we document that prices are 66% higher in areas where prices are likely coordinated by a large trade association, compared to nearby neighborhoods supplied by unaffiliated companies. We then develop an experimental just-in-time auction platform with random variation in several design features aimed at learning about the extent of competition. Consistent with the collusion hypothesis, we find that most bidders systematically avoid competition by placing round bids and refusing to undercut rivals.

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