Corrigendum to: Starc, Amanda, and Thomas Wollmann. 2025. "Does Entry Remedy Collusion? Evidence from the Generic Prescription Drug Cartel." *American Economic Review* 115 (5): 1400–38

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Figure 3 of Starc and Wollmann (2025) was not constructed as described in the text. We stated that the two event-study series in each panel were estimated in separate regressions, using uncartelized drugs as controls. In fact, the code that produced the published figure estimates both series jointly in a single regression. The corrected figure, constructed as the text describes, is similar to the published one. None of the paper's qualitative conclusions change. We are grateful to Peter Hull, who identified the discrepancy.

The Issue

Section III.C describes the construction of Figure 3. Letting y_{dt} denote the average log price of drug d in quarter t, equation (1) of the paper is

$$y_{dt} = \sum_{\tau=-21}^{24} \beta^{\tau} x_{dt}^{\tau} + a_d + b_t + e_{dt}, \tag{1}$$

where a_d and b_t denote drug and quarter fixed effects and x_{dt}^{τ} is an indicator that equals one if and only if d is a cartelized drug and t is τ periods from cartel formation, with β^{-1} normalized to zero. The text states that, for panel A, we "first estimate equation (1) on uncartelized and small cartelized markets and plot the results along the dashed blue line" and "then reestimate equation (1) on uncartelized and large cartelized markets and plot those coefficients along the solid red line." Panel B follows "exactly the same procedure," splitting cartelized markets by whether a majority of post-formation entrants are cartel members.

The code that produced the published figure instead estimates both series in a single regression on the full sample of uncartelized and cartelized drugs. Let S_d and L_d denote indicators for small and large cartelized markets, respectively. The published figure plots $\hat{\beta}_S^{\tau}$ and $\hat{\beta}_L^{\tau}$ from

$$y_{dt} = \sum_{\tau=-21}^{24} \beta_S^{\tau} x_{dt}^{\tau} S_d + \sum_{\tau=-21}^{24} \beta_L^{\tau} x_{dt}^{\tau} L_d + a_d + b_t + e_{dt}, \tag{1′}$$

with $\beta_S^{-1} = \beta_L^{-1} = 0$, estimated on all drugs. The corrected figure plots $\hat{\beta}^{\tau}$ from equation (1) estimated on uncartelized and small cartelized drugs (dashed blue line) and, separately, $\hat{\beta}^{\tau}$ from equation (1) estimated on uncartelized and large cartelized drugs (solid red line). Panel B replaces S_d and L_d with indicators for majority-member and majority-nonmember entrants.

The two approaches differ because of the quarter fixed effects b_t. In the specification described in the text, the quarter effects for each series are identified from uncartelized drugs and the one cartelized subgroup included in that regression. In the joint specification, the quarter effects are common to both series and identified from uncartelized drugs and both cartelized subgroups.

The Corrected Figure

Figure 1 reproduces Figure 3 using separate regressions, exactly as described in the text. Figure 2 reproduces the published figure from the joint specification for comparison. The series are nearly indistinguishable. In both versions, prices in large and small cartelized markets (panel A), and in markets with majority-nonmember and majority-member entrants (panel B), exhibit similar pre-event trends, rise sharply after cartel formation to similar peaks, and then diverge, with prices declining where entry is more likely. If anything, the divergence is slightly more pronounced in the corrected figure.

Figure 1: Prices after Cartel Formation, Separate Regressions (as described in the text)

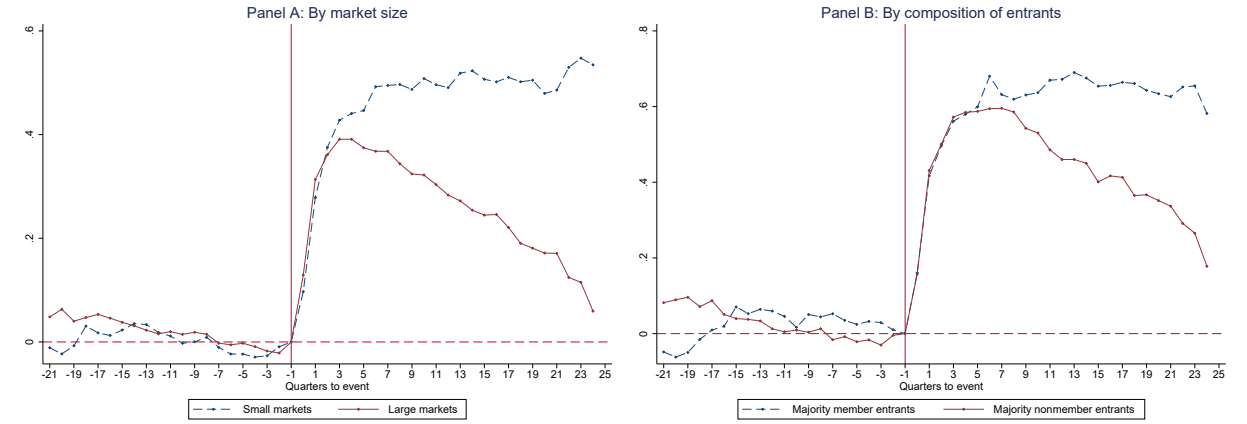


Figure 2: Prices after Cartel Formation, Joint Regression (as published)

