# Do board connections between product market peers impede competition?*

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March 2022

**Abstract**

Using a treated-control matched sample, we find that after a new direct board connection is formed to a product market peer, a firm's gross margin significantly increases by 0.8%. Gross margin also rises after a new indirect board connection is formed to a product market peer through a third intermediate firm. We see consistent results when the new connections are caused by changes on the board of an intermediate firm. Such third-party initiated changes are unlikely to be related to the economic prospects of the focal firm. Consistent with the anti-competitive mechanism, the effects are stronger when the newly connected peers are located closer to each other or have more similar businesses and when the firms are in industries with greater potential benefits of collusion.

**Keywords: board of directors, social networks, collusion, antitrust**

**JEL Classification: G34, G38, L22**

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