



American Economic Review

ISSN 0002-8282 (Print) | ISSN 1944-7981 (Online)

≡ Menu

Competition through Commissions and Kickbacks

Roman Inderst

Marco Ottaviani

AMERICAN ECONOMIC REVIEW

VOL. 102, NO. 2, APRIL 2012

(pp. 780–809)

Download Full Text PDF

Article Information

Abstract

In markets for retail financial products and health services, consumers often rely on the advice of intermediaries to decide which specialized offering best fits their needs. Product providers, in turn, compete to influence the intermediaries' advice through hidden kickbacks or disclosed commissions. Motivated by the controversial role of these widespread practices, we formulate a model to analyze competition through commissions from a positive and normative standpoint. The model highlights the role of commissions in making the adviser responsive to supply-side incentives. We

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept

Inderst, Roman, and Marco Ottaviani. 2012. "Competition through Commissions and Kickbacks." *American Economic Review*, 102 (2): 780–809.

DOI: 10.1257/aer.102.2.780

Choose Format:



Additional Materials

[Online Appendix \(143.51 KB\)](#)

JEL Classification

D21 Firm Behavior: Theory

D82 Asymmetric and Private Information

D83 Search; Learning; Information and Knowledge; Communication; Belief

G21 Banks; Other Depository Institutions; Micro Finance Institutions; Mortgages

L15 Information and Product Quality; Standardization and Compatibility

L25 Firm Performance: Size, Diversification, and Scope

Copyright 2024 American Economic Association. All rights reserved.

[Terms of Use & Privacy Policy](#)

This website uses cookies.

By clicking the "Accept" button or continuing to browse our site, you agree to first-party and session-only cookies being stored on your device to enhance site navigation and analyze site performance and traffic. For more information on our use of cookies, please see our [Privacy Policy](#).

Accept