

# Problem Set 5

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## 1 Matching

### 1.1 The Model

The authors employ a one-to-one matching model where buyer banks seek out target banks to purchase each year. Each year represents an independent market. In this case, there are two years: 2007 and 2008, so I run the model for each year in my merger setting. In this setting, there is a generated set of unique comparisons of observed matches and counterfactuals, whereby both the buyer and the target maximize their merger value, in such a way that all observed matches yield higher value than the counterfactuals.

### 1.2 Interpretation of Results

One of the main results of the authors is that mergers partially arise from cost efficiencies. My results do not match their results well, but at least partially my results suggest a similar conclusion. Specifically, their results suggest that larger acquirer banks tend to match with larger target banks. The authors also find that there is more value when the banks share overlapping markets. I also find this to be the case in this merger setting, as my results given a negative coefficient on distance, so radio stations further away derive less value. The author's also find that a greater HHI increases match value, as greater market concentration allows both banks to extract additional profit. I find a negative coefficient on HHI, so it could be the case that radio stations are categorically different than banks and the effect is much different. I also find a positive value on the interaction of corporate ownership and the size of the population, suggesting possibly that corporate controlled stations can better leverage merger value in dense urban markets. I also find a positive interaction on the number of stations owned by the parent company and population, suggesting a similar result as the previous interaction.