Aggregate Effects of Mergers

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IO Winter Workshop 2025

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Broad Question:
What are the **macro** effects of **individual** mergers?

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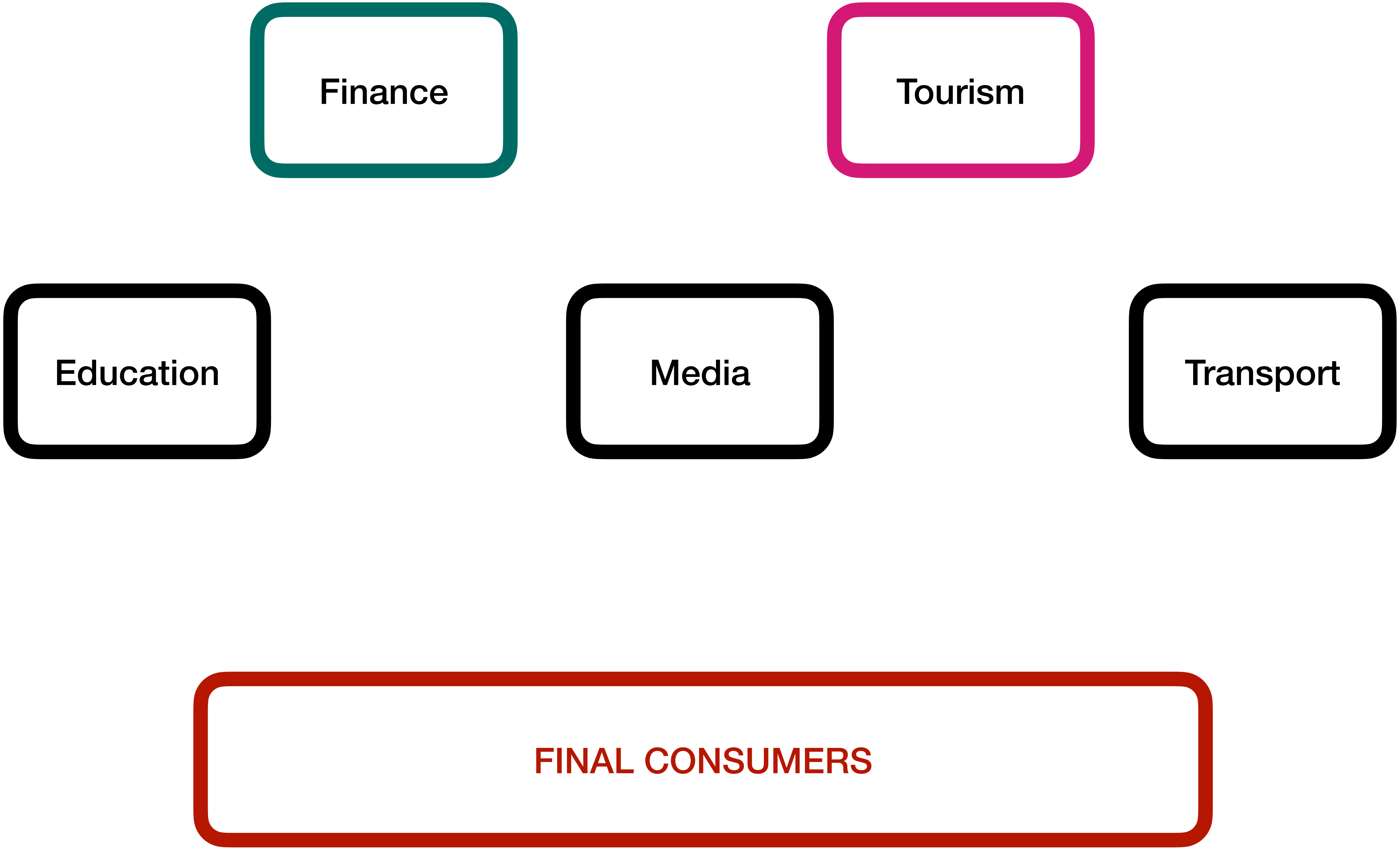
Are the aggregate anticompetitive effects of a merger in finance greater than those of an equivalent merger in tourism?

Sectoral Network



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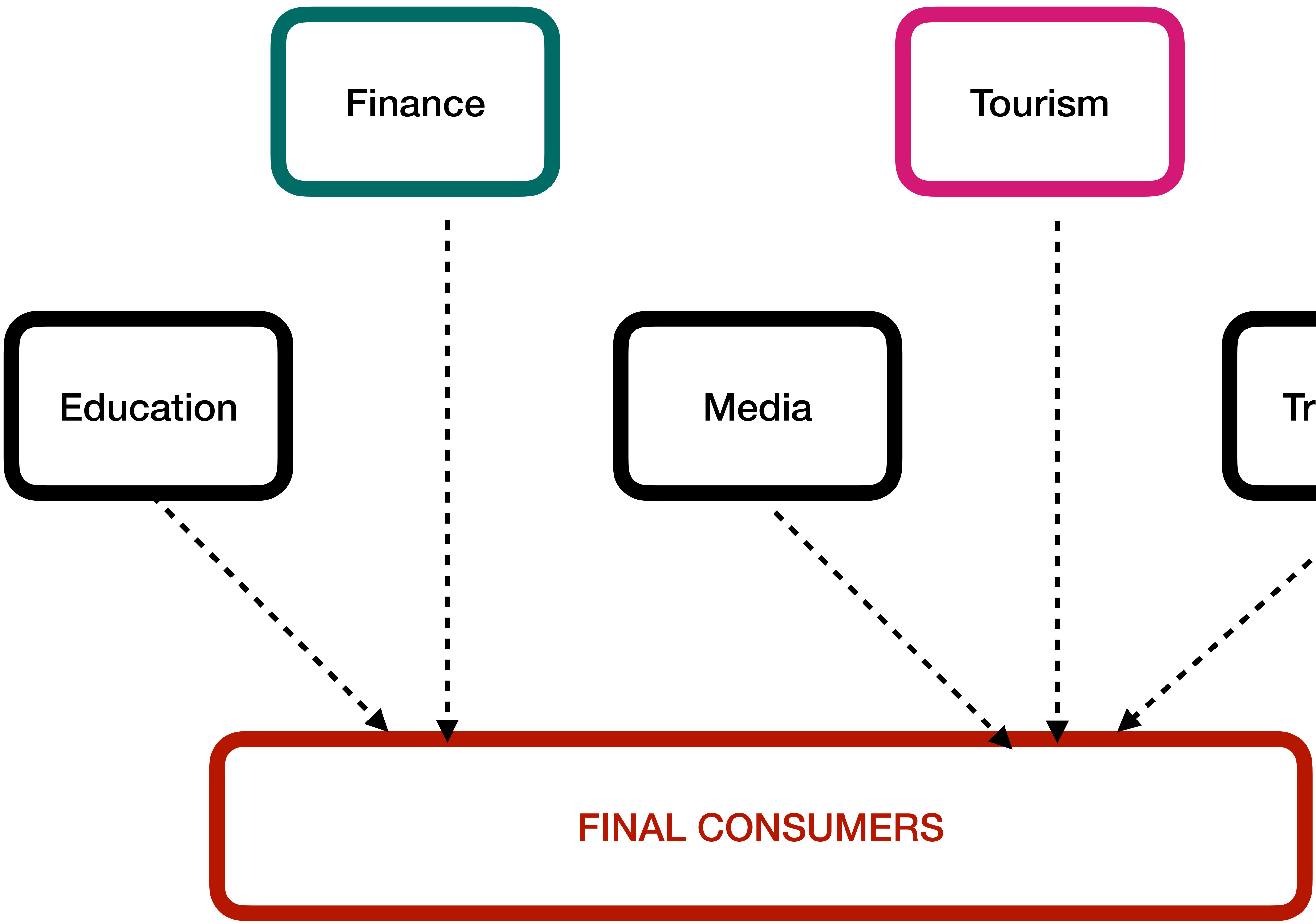

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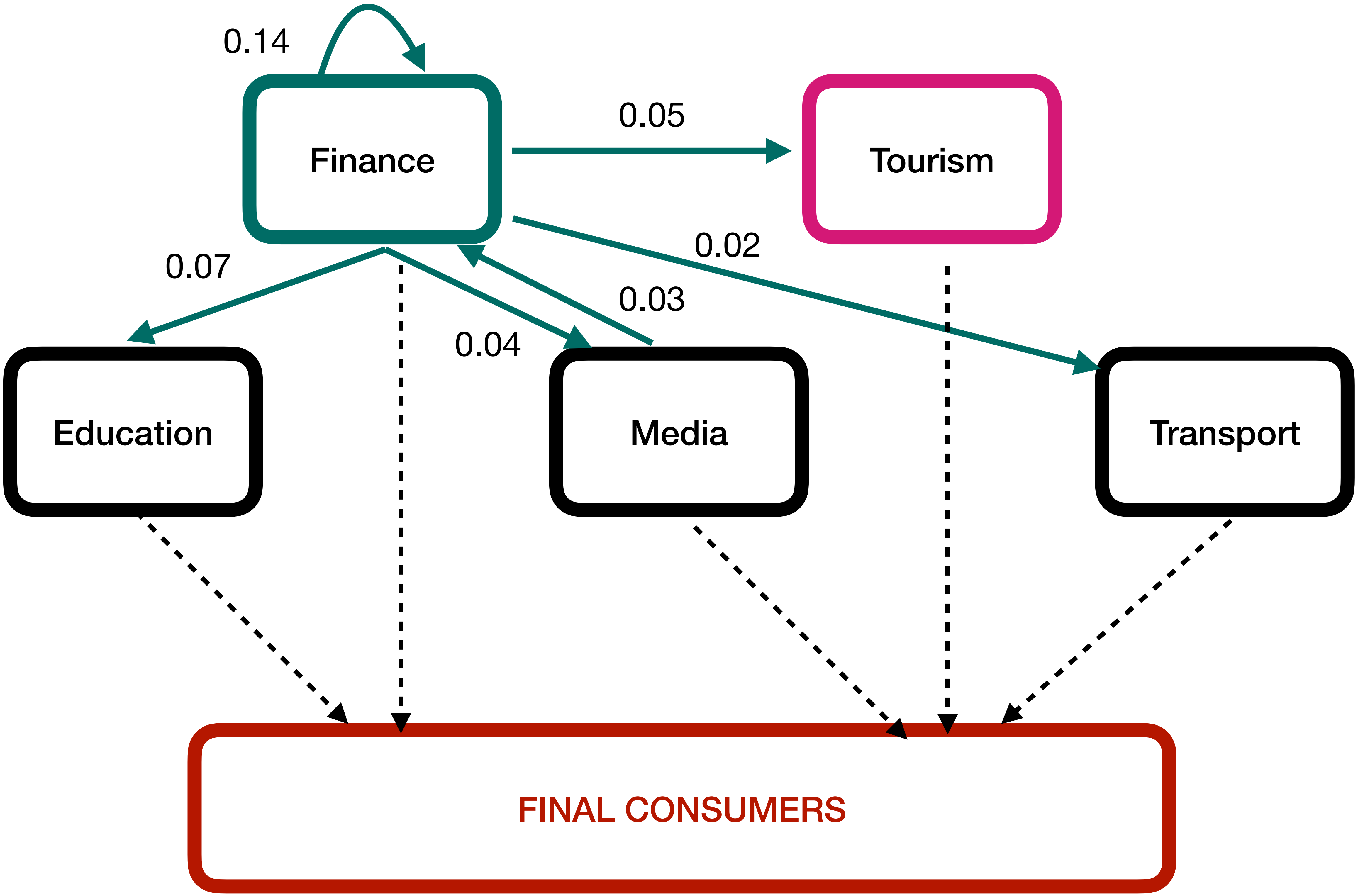

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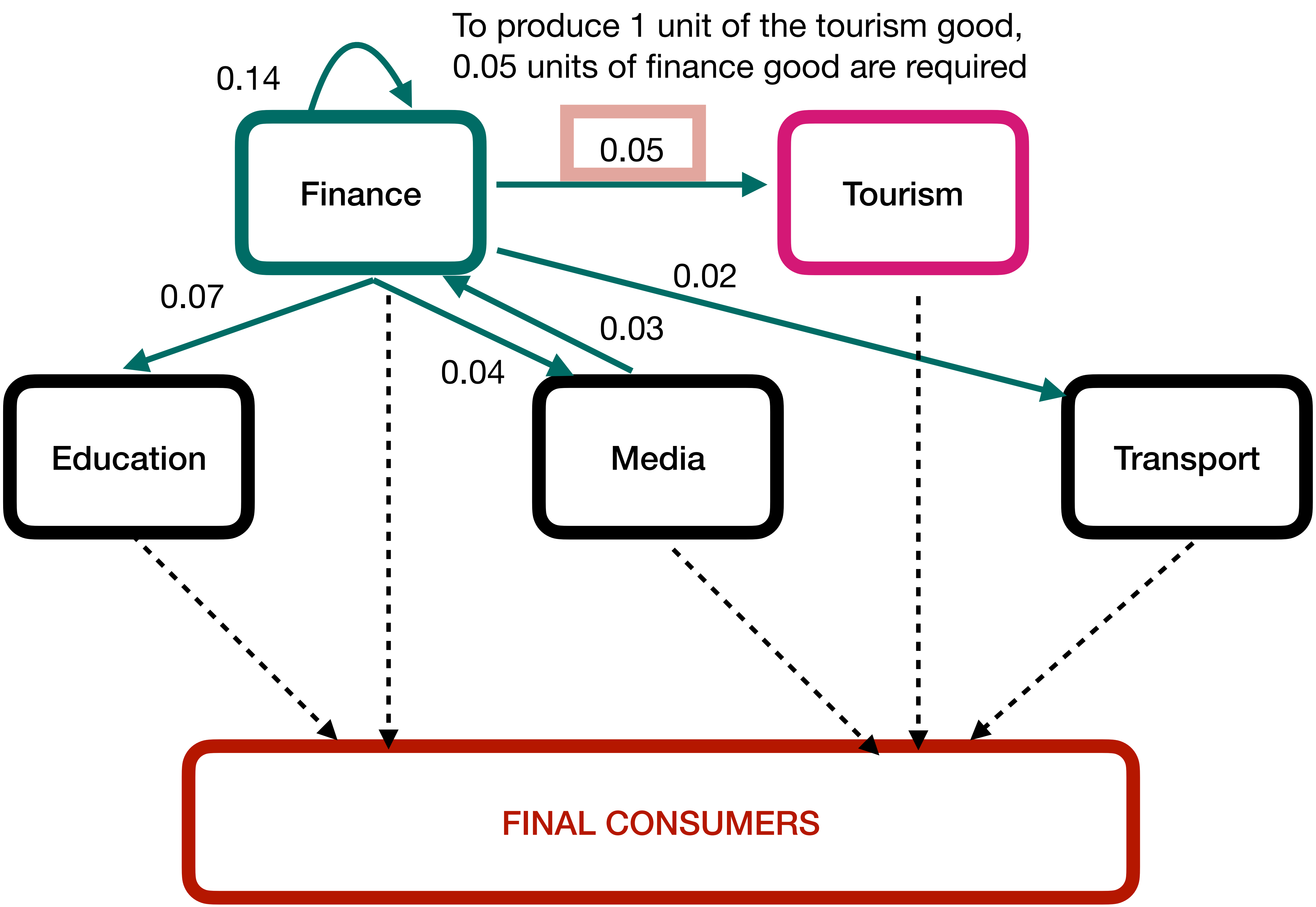

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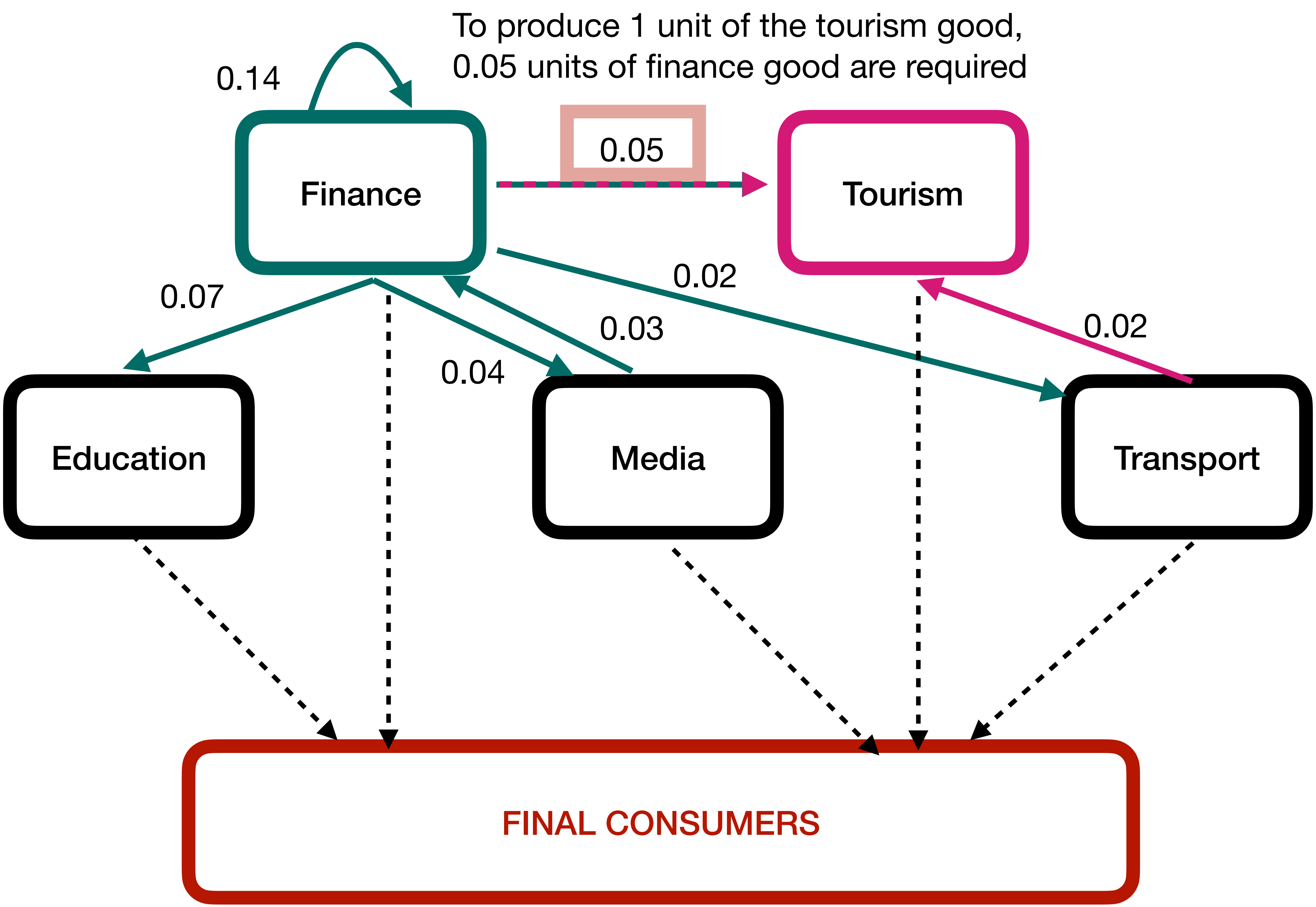

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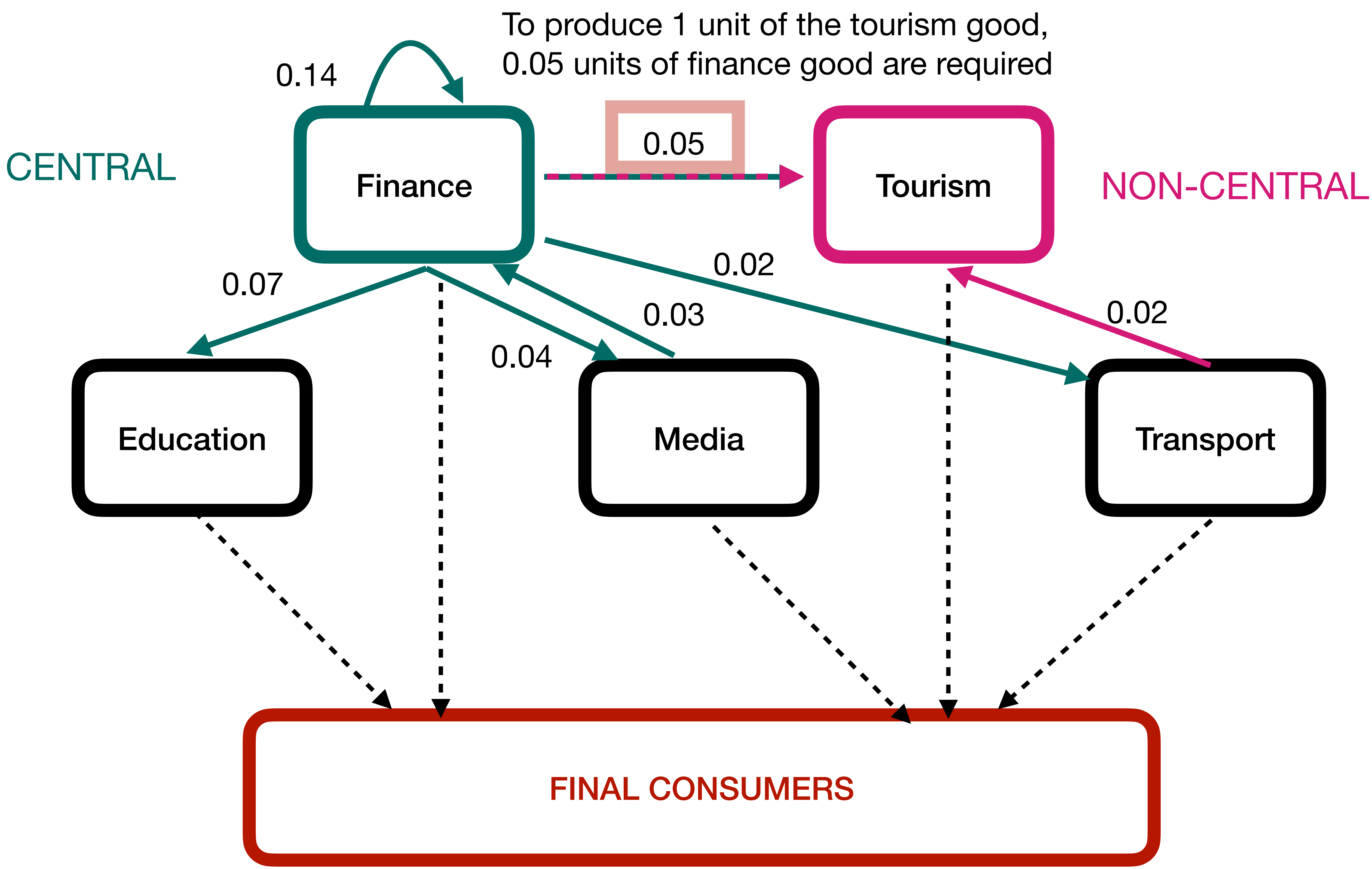

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$\downarrow$ central sector output

$\Downarrow$

$\downarrow\downarrow$ outputs of other sectors

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$\downarrow\downarrow$ demand of the central as an input

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Game: Firms choose quantities simultaneously

Equilibrium

Game written as a potential game. Equilibrium quantities:

$$\mathbf{q}^* = \left\{ \left(\mathbf{I} + \mathbf{1}\mathbf{1}'\right) \odot \left[\sigma\left(\mathbf{A} + \mathbf{M} \odot \mathbf{A}\right)(\mathbf{I} - \mathbf{F})'\right] \right\}^{-1} \left[(\mathbf{I} - \mathbf{F})\,\mathbf{b} - \mathbf{S}\mathbf{c}\right]$$

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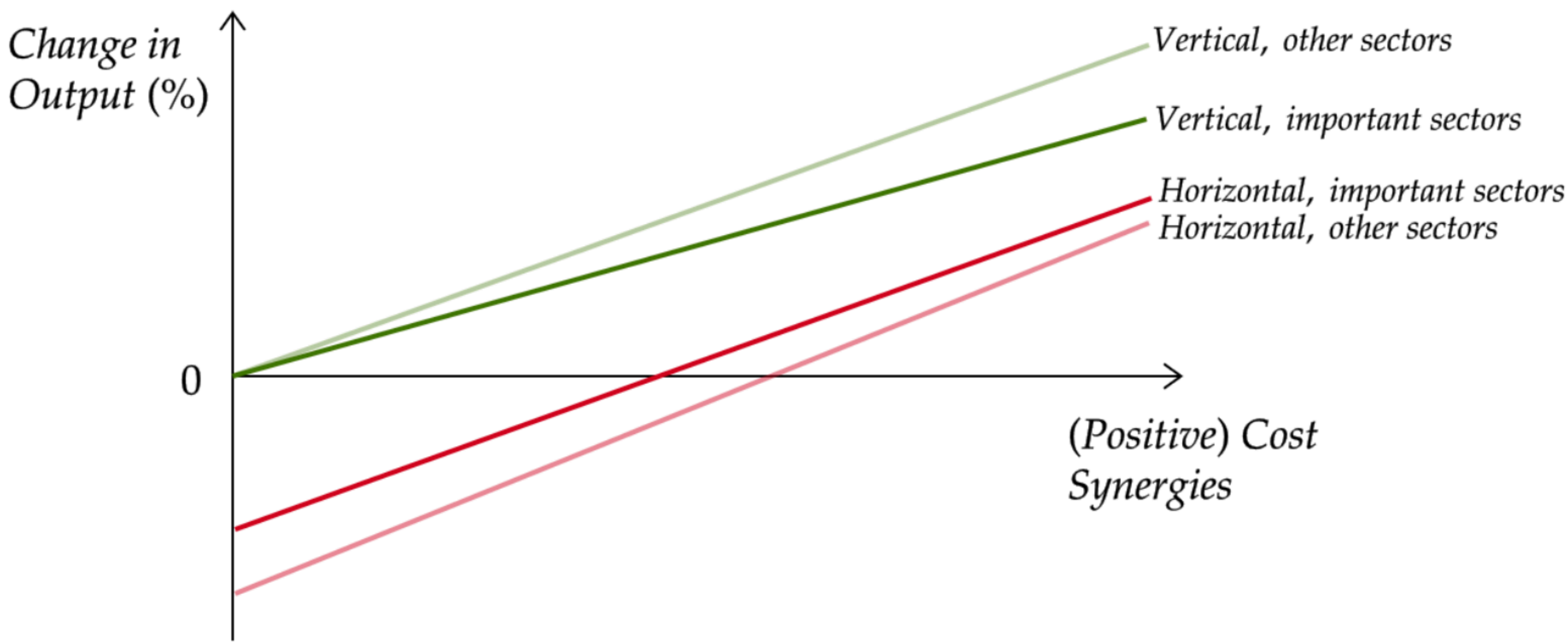

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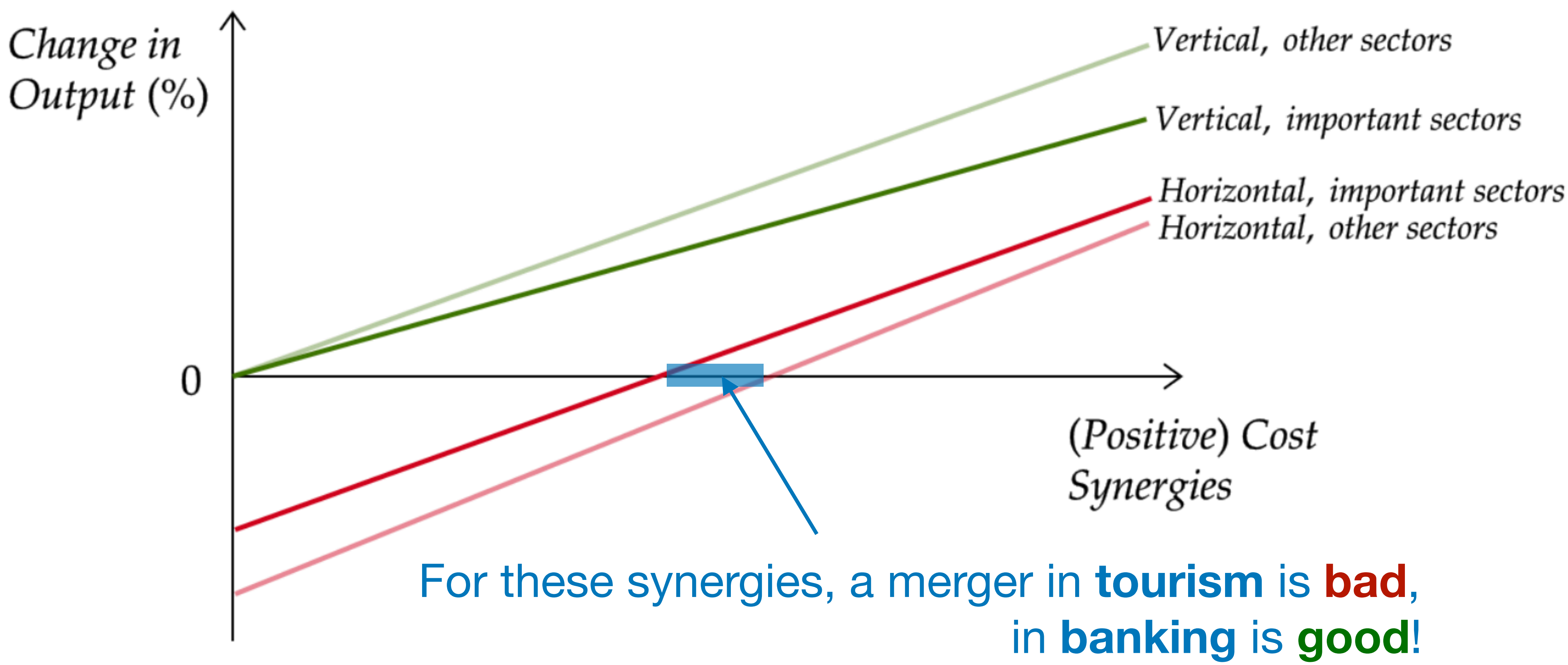

Some discussion

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- Empirically:
  - What is the Commission actually, even implicitly, doing? Is the Commission stricter/more lenient in central sectors? (Duso's database?)
  - Can anything else be observed through data? Perhaps studying a large merger in a specific sector to analyze the effects? Not sure!