“Equilibrium and Strategies of Horizontal Mergers in Asymmetric Differentiated Cournot Oligopoly”

(in English)

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**Venue:** SO322, Dorothy Y. L. Wong Building

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**Abstract:**

Building an asymmetric differentiated goods quantity competition model, the present paper explores how substitutability of products, one of the factors affecting the unilateral effect, determines horizontal mergers and acquisitions equilibrium and strategies. It seems intuitively obvious that the merger between firms with goods that are sufficiently close substitutes can be more profitable. However, this paper’s counter-intuitive results show that, for some parameter values, a merger is more profitable for the merging firm when the target firm produces a distant substitutes (i.e., when it is not the closest competitor to the acquiring firm in the market). The theoretical analysis shows that to merge with firm with low substitute parameter is more profitable provided that target firms are close enough and the both of them are distant enough from merging firms. The paper also extends the classical “horizontal merger paradox” to a setting of asymmetric differentiated oligopoly.

All are welcome