

Horizontal mergers mode and controlled policy

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Abstract

I probed into the relationship between market concentration ratio with horizontal mergers mode incorporate profit and social welfare in an oligopoly by 2-stage Generalized-Stackelberg-Nash-Cournot. We figured out which model a manufacture selected was decided by how many leaders and followers were before incorporation and importance degree they attached to various incorporate modes. In fact, most incorporate cases got profit but declined social welfare and the market concentration ratio took negative relation on social welfare after incorporation. However, market concentration ratio did not decrease but increased and social welfare increased too if two followers chose to become one leader and the number of followers was twice more than the number of leaders. Besides, a government should not intervene if a incorporation can increase social welfare and also get profit; on the contrary, a manufacture should be amerced the profit balance of pre-and post- incorporation.

Keywords: Horizontal Mergers, Social Welfare, Market Concentration Ratio.