Dynamic Merger Effects: What Do We Know?

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- a conceptual framework on how to think about dynamic effects of mergers
- based on academic research, both theoretical and empirical, on the topic

This presentation

In the interest of time, I will concentrate on horizontal mergers, in 4 parts:

1. Evidence on what effect an individual merger has on innovation **on average**
2. Evidence on how different potential mergers in the same market affect innovation and consumer welfare.
3. Evidence on how (simple) merger rules perform when applied across all markets.
4. Conclusions

1. Effect of an individual merger has on innovation

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- using data from several industries
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- concentrating on the effects on e.g. merging parties, their rivals, particular types of firms, ...

1a. Effect of an individual merger has on innovation: Cross-industry

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Negative effects on

- patenting (Stiebale and Szücs 2022; Morzenti 2023)
- number of products (Chan et al. 2025)
- #citations to patents if acquirer and startup in same 3-digit industry (Fons-Rosen et al. 2024)

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Positive effects on

- sales of "core" products (Chan et al. 2025)

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Positive effects on

- patenting of rivals with little overlap and low R&D (Haucap et al. 2019)
- product termination and patenting when acquirer and target close in technology and product market (Malek et al. 2025)

2. Evidence on the effects of different potential mergers in the same market

- HDD: Frontier technology level and CS stable (at least) for $N \geq 3$; what matters is R&D that pushes the frontier (Igami and Uetake 2020)

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- Enterprise software: Acquisitions by GAFAM reduce entry, acquisitions by financial buyers & industry outsiders encourages entry (Eisfeld 2025)

3. How (simple) merger rules perform when applied across all markets

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- Welfare differences modest between merger rules with $N_{min\ merger} \geq 3$ (Guthmann and Rahman 2026)
- A ban on startup acquisitions lowers the startup rate; this is only partially compensated by incumbent innovation and startup effort (Fons-Rosen et al. 2024)

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- Merger to monopoly is bad but so is banning all mergers; less clear how concentrated a market can be before damage (on innovation, CS) is inflicted.
- Evidence on CS still worryingly thin, especially given its central role in merger control.
- The empirical evidence is not super helpful in determining how to take dynamic merger effects into account in merger analysis.
- BUT: While this is not an endorsement, the (thin) existing evidence suggests that static merger rules of thumb are not doing badly in the presence of dynamic merger effects.

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