

Abstract :

This paper studies the strategic and welfare effects of the “failing ...firm defense” in declining markets. All solvent ...firms prefer a clearing of the rescue merger to the failing firm exiting the market. Acquisition of the failing firm extends its lifetime. The acquiring firm closes the failing firm before any solvent firm exits and, therefore, does not affect their exit time. Consumers benefit from maintained product variety that outweighs the cost of higher prices, as long as horizontal product differentiation is sufficiently high and the rescue merger does not result in a monopoly. We also provide a welfare assessment of the failing firm defense and find that a temporary government intervention, like a public bail-out, is welfare superior when the number of firms is sufficiently low.

.....

Jan Bouckaert holds a PhD in Economics from Tilburg University. He is currently a professor of economics at the University of Antwerp where he teaches industrial organization and competition policy. He has published in leading scientific outlets like the International Journal of Industrial Organization, the Journal of Industrial Economics, the European Economic Review, Economic Journal, Journal of Regulatory Economics, Games and Economic behavior.



We are pleased to invite you to the
Lunchtime Seminar in Economics:

The failing firm defense in declining markets

Jan Bouckaert
University of Antwerp

January 11, 2012
13:00 – 14:00

Campus Limpertsberg
Building of Science, Room BS001
162a, avenue de la Faïencerie L-1511 Luxembourg

Lunch is planned for the registered participants

Registration: by email to fdef-colloques@uni.lu

Contact : crea@uni.lu (+352 46 66 44 6336 / 6139)

