

Unit 7

MERGERS

Why do Companies Merge?

- ▶ Mitigate monetary loss (make losses less severe)
- ▶ Make a profit
- ▶ Spread liabilities (responsibilities)

Types of Mergers

- ▶ Horizontal Merger: Two or more companies that make similar products combine
 - ▶ Substitute Goods
- ▶ Vertical Merger: Two or more companies that operate at different levels
 - ▶ Complimentary Goods
- ▶ Conglomerate: Two or more companies that have totally different products blend together

Monopoly v Oligopoly

- ▶ Monopoly: One company that makes a product
 - ▶ Natural Monopoly: allowed because there isn't enough physical room to have multiples of that product/service
 - ▶ Duke Power – privately owned/highly regulated
 - ▶ Government: makes sure everyone gets product/service
 - ▶ Water/sewage – if not taken care of it can affect our health

Monopoly v Oligopoly

- ▶ Oligopolies: a few firms in control of a product
 - ▶ Can conspire on prices and products
 - ▶ Can make it hard for new companies to form

Government Intervention

- ▶ Anti-Trust Laws: prevent or break up monopolies

