

# [A. the market. the effects of the merger](https://assignbuster.com/a-the-market-the-effects-of-the-merger/)

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A.          The effects of the merger on the market’sconcentration ratio would be wide in the amount .

One main effect would be theprice of the merger and the effects of the price to the company. Another wouldbe the effect it would have on the competitors . It might put some companies ina position where they might have to merge with another company in order to stayin business . In addition to that the merger would make the concentration ratioeffect the market. The effects of the merger on the Herfindal-Hirchman indexwould somewhat match the ones of the market’s concentration ratio.

The HHI is acommonly accepted measure of market concentration. So the effects of the marketconcentration ratio would have the same effects on the HHI . B.           Antitrustguidelines call for close scrutiny of mergers in moderately concentratedmarkets (HHI between 1, 500 and 2, 500) if the resulting HHI increase is morethan 100 to 200 points. This rule would apply to the AT&T merger withT-Mobile in several ways . One main way is that the market price change for thecompanies . This would change competitors price as well .

The increase between100 to 200 points would effect the competitors negatively . The hyptuheticalmerger between T-Mobile and TracFone when have different outcomes . One mainway would be the prices would rise in a positive way . This would be difficulton the other competitiors because the placing of the market standings of thephone companies . This scenario would have positive outcomes .  C.

AT&Targued that the merger would extend its network, providing more reliable andfaster cell phone service (particularly to existing T-Mobile customers who onaverage have lower-grade service plans at cheaper rates). With this merger itwould extend the network but it also does bring doubts . Market Observers wereworried that after the merger the company would raise the cellular rates . There will pros and cons with this particular scenario of the merger .

Onemajor pro would be the expansion of the network . This would bring more customersas well by the expansion of the network . One major con would be the cost forthe customers . This would mean the cost for phone plans would “ sky rocket” . The cost would effect the market in a major way . It would make the competitorsreact adversely by lowering their prices and offer better plans for lowerprice.

This would be the pros and cons of the argument that the merger wouldextend its network.