abstract

“A merger will often affect several different product and geographic markets. In many cases the merger is cleared subject to remedies being implemented in some of those markets. This paper develops a framework in which an antitrust authority bargains with merging firms over which remedies to implement. Remedies are modeled as asset divestitures. The antitrust authority maximizes aggregate consumer surplus, subject to the constraint that consumer surplus in each market must exceed some threshold. We first solve for the “minimum divestitures” needed to meet the market-level constraints, and provide conditions under which they are lower in more competitive markets. We then show that the solution to the cross-market bargaining problem is bang-bang. In particular, in a given market it is optimal to implement either the minimum divestitures, or else divest as many assets as possible. We also provide conditions under which these “maximal divestitures” are implemented in more competitive markets.”