

# **Title: Mergers and Innovation**

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## **Abstract**

Merger review is the most active area of U.S. antitrust policy. It is now widely believed that merger policy must move beyond its traditional focus on short-run, price and output effects to account for longer-run effects on technological innovation. The question is, how should merger policy adapt to technological change? Some have argued that the right response is for antitrust authorities to reduce merger enforcement to prevent unintended harm to innovation. Others have suggested that the enforcement agencies analyze a merger's effects on innovation using the same framework they use to analyze a transaction's effects on prices and output levels. We argue that merger authorities should neither treat innovation like price and output under the existing framework nor retreat from enforcement in the name of innovation. We examine how merger policy should change both to accommodate the influence of innovation on traditional, static efficiency concerns and to recognize that innovation can itself be an important dimension of market performance affected by a merger.