

# 0455-IGCSE ECONOMICS

## TOPIC : HORIZONTAL MERGERS

1. DO THE CONSUMERS BENEFIT FROM HORIZONTAL MERGERS?

**Ans: Definition :** A horizontal merger is a merger at the same stage of production producing the same product.

### Discussion:

#### In support of how it might:

1. They may enable the firms to take greater advantage of economies of scale. For example this will reduce the average cost of production and this will lower prices to consumers.
2. They may enable the firms to gain more profits which they can spend on research and development, increasing innovation thereby improving the quality of product.

#### In support of how it might not:

1. They may result in the firms experiencing diseconomies of scale. Example : this will increase the average cost of production and this may raise the prices for consumers.
2. The firms may gain greater market share move it closer to economy and this may result in higher prices.



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