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Threatening to Buy: Private Equity Buyouts and Antitrust Policy*

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ABSTRACT

Private equity firms (PE firms) have become common owners of established firms in concentrated markets. We show that the threat of a PE acquisition can trigger incumbent mergers in an otherwise merger-stable industry. This can help antitrust authorities maximize consumer surplus because previously privately unprofitable—but consumer surplus-enhancing—mergers now take place. We thus predict that merger waves among incumbents should follow the development of a local PE industry.

Keywords: Antitrust policy, M&As, Private equity, Temporary ownership.

JEL Codes: G32, G34, L13, L22, L40.

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