Danielle Hagemeister **Real Life Application**

Summary:

In 2011 AT&T announced it's intention to acquire T-Mobile for $39 billion. The merger would make AT&T the largest mobile telecommunications provider in the United States, surpassing Verizon. At the time this article was written the merger has just been announced and will go to trial to be reviewed by the FCC and anti-trust division over the next year. There is speculation as to if the merger would help or harm the consumers involved.

Analysis:

The **strategic**[1] (deliberately done by firms) merger between AT&T and T-Mobile would consolidate the mobile service provider **market**[2] (Any arrangement through which buyers and sellers exchange final goods and services, resources used for production, or, in general, anything of value) into two **market powers**[3] (a firm has the ability to raise price without losing all sales) , or the **market structure**[4]
(The collection of factors that determine how buyers and sellers interact in a market, how prices change, and how different levels of the production and selling processes interact) known as a **duopoly**[5] (Only 2 firms supply a particular product). In a market where there are only two providers these **firms**[6] (produce goods and services) are able to become **price-setters**[7] (Has the ability to raise its price without losing all sales because the product is somehow differentiated from rivals'). This problem is amplified when the product in question is something as **inelastic**[8] (quantity demanded is less responsive to changes in price) as mobile phone **service**[9] (intangible items). It is possible that this type of merger could benefit the **consumer**[10] (individual who pays to consume goods and services produced) however. With access to more infrastructure we could see a change in **economies of scale**[11] (reductions in minimum average costs that come about through increase in the size of equipment or plant) as the firms consolidate their **technology resources**[12] (resulting in the practical application of scientific knowledge) to operate with more **allocative efficiency**[13] (resources are used to produce the combination of goods and services wanted by society) with reduced **transaction costs**[14] (the cost of making transactions for both buyer and seller: time finding buyer/seller; gathering information about prices, qualities, creditworthiness) and offer services at a lower **price**[15] (constraint of consumers) to consumers. Although it's typical of **monopolies**[16] (the only supplier of a unique product with no close substitutes) and duopolies to act in the interest of **profit maximization**[17] (a firm whose primary goal is to maximize the difference between total revenue and total costs), if consumers, **behaving rationally**[18] (Individuals are assumed to act rationally – a given person's goals and knowledge will cause them to try and achieve a certain set of goals), stop to do a **marginal analysis**[19] (comparison of marginal benefits and marginal costs) of the potential **marginal benefits**[20] (additional benefits that arise from using one additional unit) of the merger they may realize the **opportunity costs**[21] (The value of the next best option or the value of the best alternative choice sacrificed) could still be in their favor.