

Discussion of: "The Consolidation of the Hard
Disk Drive Industry, 1996–2015"
by Mitsuru Igami and Kosuke Uetake

John Rust, Georgetown University

FTC Micro Conference
November 12, 2015

Great Paper on Important Question

- Methodological Innovation
- Substantive Questions
- But overall, still much we don't understand about mergers, concentration and innovation incentives

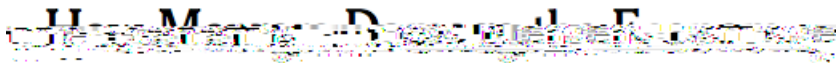
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New York Times – Too Many Mergers

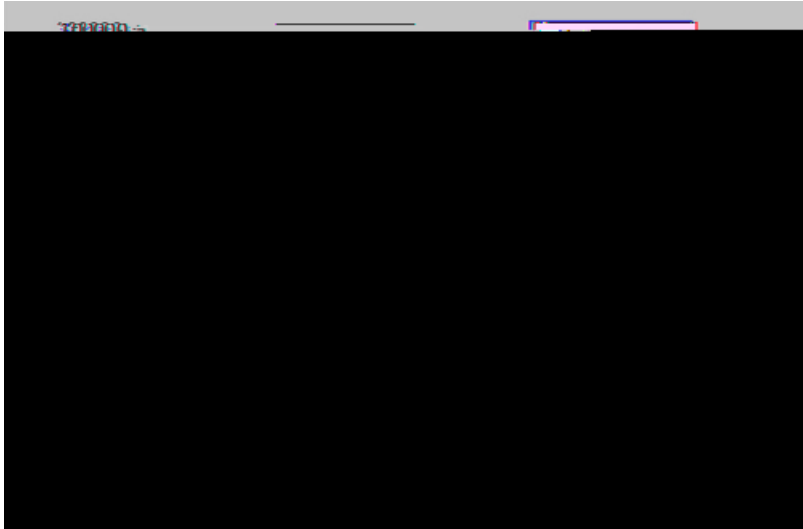
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By THE EDITORIAL BOARD OCT. 31, 2015

Successive S curves: The end of Kryder's Law?



Does AMD spur Intel to innovate more?

TABLE 3
 Industry Outcomes under Various Scenarios

AMD-Intel Duopoly (1)	Symmetric Duopoly (2)	Monopoly (3)	No Spillover Duopoly (4)	Myopic Pricing		Social Planner (7)
				AMD-Intel (5)	Monopoly (6)	

Price competition with leap-frogging investments

- Monopolist adopts new innovations at the socially efficient rate
- Duopolists generally adopt faster than the socially optimal rate
- This leads to inefficiency: 1) duplicative investments, and 2) too many (not properly timed) investments
- Extreme result (Riordan and Salant): investment pre-emption and full rent dissipation
- Our calculations suggest inefficiencies are not huge: efficiency levels of 95% or higher

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