

Answer to the anonymous referee 1

We would like to thank the anonymous referee for helpful comments and suggestions. We will address them in a revised version of our paper.

We propose a model of horizontal mergers with informational asymmetries concerning the production cost of the merged entity. Competing firms can be either leaders or followers and produce an homogeneous product. In a game where the insider behaves as a leader, we assume that an outsider-follower perfectly observe the output level of merged firm and consequently infer the exact value of merged firm's cost while an outsider who behaves as a leader cannot infer the actual cost of the insider since the two firms define their production decisions during the same stage.

Due to the timing of the output decisions, this information structure is different from the one proposed by Amir et al. (2009) where after a merger no outsider is informed about the merged firm's cost. This specific design allows us to analyze a merger game in the context of close relationship between the distribution of roles and the information structure.

The referee wonder if the increase in the expected profits of informed players with respect to the variance of the cost might be due to errors of uniformed players. This is absolutely right since this increase in the expected profits of informed players reflects the informational advantage these agents benefit when uncertainty on cost goes up. The novel element in the model is that increased uncertainty on the production cost not only benefits to the insider (informed agent) but also to the outsiders when the timing of output decision indirectly transmits information. Nevertheless, we show that the informational advantage of informed players is stranger when the player acts as an insider.

If we now consider the impact of uncertainty on the anti-trust authorities decisions (criteria are based on consumer surplus or aggregate welfare), the model demonstrates that when antitrust decisions are taken on the basis of the expected consumer surplus, most of merging scenario which unambiguously increase the consumer surplus also guarantee total welfare enhancement (but the reverse does not hold). This result justify practices of competition authorities based on the criteria of the consumer surplus when the public authority suffers from informational asymmetries

We agree with the recommendations concerning consolidation either some subsections (in sections 3 and 4) and some propositions in the text.