The problem of tracing causes and effects of mergers and acquisitions is difficult for two reasons. First, it is necessary to frame the discussion of these events in an appropriate model of the firm that can capture enough of their richness without the burden of undue complexity. The neoclassical firm of microeconomic textbooks that is assumed to be run by an entrepreneur-manager does not provide an adequate setting to capture the richness of the mergers and acquisitions in the modern corporate scene. Given the context of that model, it is not surprising that much of the discussion of mergers and acquisitions in economic literature is focused on their effects on the owners of the firm.

Second, it is necessary to anchor the discussion of the causes and effects of mergers and acquisitions in some equilibrium concept in order to impart at least a minimal degree of coherence to it. In the absence of a reasonably well defined idea of the equilibrium state of the system, there is no consistent basis for making comparative statements. Most models of economic equilibrium are static while mergers and acquisitions are dynamic events unlikely to be explainable in terms of static models alone. We discuss each of these problems in turn.