

Regulating Platform Competition in Markets with Network Externalities: Will Predatory Pricing Restrictions Increase Social Welfare?



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We consider an infinitely repeated platform competition in a market with network externalities. The platform that dominated the market in the previous period becomes the incumbent in the current period. We examine the effect of an antitrust policy that prohibits both platforms (symmetric regulation), or just the incumbent (asymmetric regulation) from charging predatory prices. We show that symmetric regulation decreases consumer surplus and does not affect efficiency. Asymmetric regulation increases consumer surplus and improves welfare when the size of the market remains constant over time. Yet, when market size varies over time, this policy may lead to inefficient entry.

The Information Content in Financial Markets



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One of the most controversial questions in financial economics is the aggregate information implied in market prices and fluctuations. Economists often attribute these fluctuations to various events and derive forecasts based on the assumption that the market is "efficient." This paper challenges the idea that financial market prices reflect the intrinsic values of traded assets. While empirical evidence supports market efficiency, there are notable limitations. We discuss primary market frictions preventing efficiency, such as herding behavior, short-selling constraints, and strategic information disclosure. These frictions often emerge during extreme asset value states. Despite these limitations, literature suggests that investors can leverage market price information to create value, using it as a guiding metric for decision-making (feedback effect).