Advertisement

Journal of Economics & Management Strategy / Volume 28, Issue 1 / pp. 159-172

ORIGINAL ARTICLE

The economics of markets and platforms

Daniel F. Spulber

First published: 02 November 2018

https://doi.org/10.1111/jems.12290

I gratefully acknowledge research support from Qualcomm, the Ewing Marion Kauffman Foundation, and the Kellogg School of Management.

PDF

Abstract

Advances in the study of both markets and platforms contribute to economics. Platforms are typically digital markets, although platforms can designate markets generally. So, the economics of markets and the economics of platforms are one and the same. Platforms show the critical role of intermediaries in endogenous price adjustment and market clearing. The platform model remedies problems with general equilibrium analysis by combining and extending the basic Walrasian and Marshalian market models. The analysis of platforms provides explanations for the bid–ask spread, including market power, search costs, matching costs, adverse selection, and moral hazard. The study of platforms demonstrates the importance of participation and coordination in the formation of markets. The discussion emphasizes that platforms have significant implications for the theory of the firm. The analysis further considers how platforms affect innovation and entrepreneurship.

REFERENCES

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Alexandrov, A., Deltas, G., & Spulber, D. F. (2011). Competition and antitrust in two-sided markets. *Journal of Competition Law and Economics, December*, **7**(4), 775–812.

Web of Science® | Google Scholar

Alexandrov, A., & Spulber, D. F. (2017). Sufficient decisions in multi-sided and multi-product markets. *Journal of Industrial Economics*, **65**(4), 739–766.

Web of Science® | Google Scholar

Baldwin, C. Y., & Woodard, C. J. (2009). The architecture of platforms: A unified view. In A. Gower (Ed.), *Platforms, markets and innovation* (pp. 19–44). Cheltenham, UK: Edward Elgar.

Google Scholar

Braudel, F., & Reynold, S. (1992). *Civilization and capitalism, 15th to 18th century: The wheels of commerce*. Berkely, CA: University of California Press.

Google Scholar

Cabral, L., & Hortaçsu, A. (2010). The dynamics of seller reputation: Evidence from eBay. *Journal of Industrial Economics*, **58**(1), 54–78.

Web of Science® | Google Scholar

Caillaud, B., & Jullien, B. (2003). Chicken and egg: Competition among intermediation service providers. *Rand Journal of Economics*, **34**(2), 309–328.

Web of Science® | Google Scholar

Casadesus-Masanell, R., & Ghemawat, P. (2006). Dynamic mixed duopoly: A model motivated by Linux vs. Windows. *Management Science*, **52**(7), 1072–1084.

Web of Science® | Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Casson, M., & Lee, J. (1992). The origin and development of markets: A business history perspective. *Business History Review*, **85**, 9–37.

Web of Science® | Google Scholar

Cournot, A. A. (1838). Recherches sur les principes mathématique de la théorie des richesse. English edition, N. T. Bacon, Translation 1897, *Researches into the mathematical principles of the theory of wealth*. New York: Macmillan.

Google Scholar

Cusumano, M. A., & Selby, R. W. (1995). *Microsoft secrets: How the world's most powerful software company creates technology, shapes markets and manages people*. New York, NY: Free Press.

Google Scholar

Debreu, G. (1959). *Theory of value: An axiomatic analysis of economic equilibrium, cowles foundation monographs series*. New Haven, CT: Yale University Press.

Google Scholar

Dyer, C. (1996). Market towns and the countryside in late medieval England. *Canadian Journal of History*, **31**(1), 17–35.

Google Scholar

Economides, N., & Katsamakas, E. (2006). Two-sided competition of proprietary vs. open source technology platforms and the implications for the software industry. *Management Science*, **52**(7), 1057–1071.

Web of Science® | Google Scholar

Einav, L., Farronato, C., & Levin, J. (2016). Peer-to-peer markets. *Annual Review of Economics. October*, **31**(8), 615–635.

Web of Science® | Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Hagiu, A., & Wright, J. (2014). Marketplace or reseller? *Management Science*, **61**, 184–203.

Web of Science® | Google Scholar

Hagiu, A., & Spulber, D. (2013). First-party content and coordination in two-sided markets. *Management Science*, **59**(4), 933–949.

Web of Science® | Google Scholar

Hałaburda, H., & Yehezkel, Y. (2013). Platform competition under asymmetric information. *American Economic Journal: Microeconomics*, **5**(3), 22–68.

Web of Science® | Google Scholar

Harris, L. (2003). *Trading and exchanges: Market microstructure for practitioners*. Oxford, UK: Oxford University Press.

Google Scholar

Horton, J. J., & Zeckhauser, R. J. (2016). *Owning, using and renting: Some simple economics of the 'sharing economy'* (Report 22029). Retrieved from National Bureau of Economic Research.

Google Scholar

Gehrig, T. (1993). Intermediation in search markets. *Journal of Economics & Management Strategy*, **2**, 97–120.

Web of Science® | Google Scholar

Jacobides, M. G., Cennamo, C., & Gawer, A. (2018). Towards a theory of ecosystems. *Strategic Management Journal*, **39**, 2255–2276.

Web of Science® | Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Google Scholar

Lucking-Reiley, D., & Spulber, D. F. (2001). Business-to-business electronic commerce. *Journal of Economic Perspectives*, **15**(Winter), 55–68.

Web of Science® | Google Scholar

Marshall, A. (1920). *Principles of Economics* (8th ed.). London, UK: Macmillan and Co. 8th ed., Online Library of Liberty. http://files.libertyfund.org/files/1676/Marshall_0197_EBk_v6.0.pdf

Google Scholar

McIntyre, D. P., & Srinivasan, A. (2017). Networks, platforms, and strategy: Emerging views and next steps. *Strategic Management Journal*, **38**(1), 141–160.

Web of Science® | Google Scholar

McKenzie, L. W. (1959). On the existence of general equilibrium for a competitive economy. *Econometrica*, **27**(1), 54–71.

Web of Science® | Google Scholar

Parker, G. G., & Van Alstyne, M. W. (2005). Two-sided network effects: A theory of information product design. *Management Science*, **51**(10), 1494–1504.

Web of Science® | Google Scholar

Rochet, J. C., & Tirole, J. (2003). Platform competition in two-sided markets. *Journal of the European Economic Association*, **1**(4), 990–1029.

Web of Science® | Google Scholar

Samuelson, P. A. (1941). “The stability of equilibrium: Comparative statics and dynamics. *Econometrica*, **9**(2), 97–120.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Shapley, L. S., & Shubik, M. (1972). The assignment game I: The core. *International Journal of Game Theory*, **1**(2), 111–130.

Google Scholar

Spulber, D. F. (1988). Bargaining and regulation with asymmetric information about demand and supply. *Journal of Economic Theory*, **44**, 251–268.

Web of Science® Google Scholar

Spulber, D. F. (1996a). Market microstructure and intermediation. *Journal of Economic Perspectives*, **10**, 135–152.

Web of Science® Google Scholar

Spulber, D. F. (1996b). Market making by price-setting firms. *Review of Economic Studies*, **63**, 559–580.

Web of Science® Google Scholar

Spulber, D. F. (1999). *Market microstructure: Intermediaries and the theory of the firm*. New York, NY: Cambridge University Press.

Web of Science® Google Scholar

Spulber, D. F. (2002a). Market microstructure and incentives to invest. *Journal of Political Economy*, **110**, 352–381.

Web of Science® Google Scholar

Spulber, D. F. (2002b). Transaction innovation and the role of the firm. In M. R. Baye (Ed.), *The economics of the internet and e-commerce (Advances in Applied Micro-Economics)* (**11**, pp. 159–190). JAI Press/Elsevier Science.

Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Web of Science® Google Scholar

Spulber, D. F. (2009b). Discovering the role of the firm: The separation criterion and corporate law. *Berkeley Business Law Journal*, **6**(2), 298–347.

Google Scholar

Spulber, D. F. (2009c). The map of commerce: Internet search, competition, and the circular flow of information. *Journal of Competition Law and Economics*, **5**(4), 633–682.

Web of Science® Google Scholar

Spulber, D. F. (2009d). *Economics and management of competitive strategy*. Singapore: World Scientific.

Google Scholar

Spulber, D. F. (2010). Solving the circular conundrum: Communication and coordination in two-sided networks. *Northwestern University Law Review*, **104**(2), 537–591.

Web of Science® Google Scholar

Spulber, D. F. (2014). *The innovative entrepreneur*. Cambridge, UK: Cambridge University Press.

Google Scholar

Vickrey, W. (1961). Counterspeculation, auctions, and competitive sealed tenders. *Journal of Finance*, **16**(1), 8–37.

Web of Science® Google Scholar

Walker, D. A. (1990a). Institutions and participants in Walras's theory of oral pledges markets. *Revue Economique*, **41**(4), 651–668.

Web of Science® Google Scholar

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential

Google Scholar

Wheelwright, S. C., & Clark, K. B. (1992). Creating project plans to focus product development. *Harvard Business Review*, **70**(2), 67–83.

Web of Science® | Google Scholar

Yavaş, A. (1992). Marketmakers versus matchmakers. *Journal of Financial Intermediation*, **2**(2), 33–58.

Google Scholar

Zhu, F., & Iansiti, M. (2012). Entry into platform-based markets. *Strategic Management Journal*, **33**(1), 88–106.

Web of Science® | Google Scholar

Citing Literature

Download PDF

ABOUT WILEY ONLINE LIBRARY

Privacy Policy
Terms of Use
About Cookies
Manage Cookies
Accessibility
Wiley Research DE&I Statement and Publishing Policies

HELP & SUPPORT

Contact Us

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences
Accept All
Reject Non-Essential

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. Privacy Policy

Manage Preferences

Accept All

Reject Non-Essential