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Information Gatekeepers on the Internet and the Competitiveness of Homogeneous Product Markets

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Article Information

Abstract

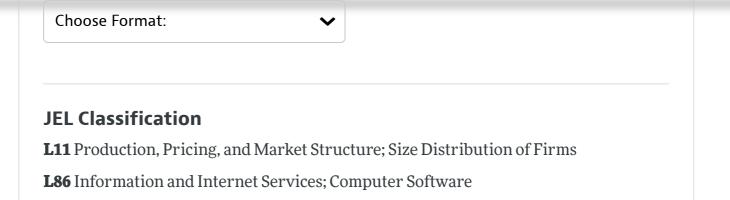
We examine the equilibrium interaction between a market for price information (controlled by a gatekeeper) and the homogenous product market it serves. The gatekeeper charges fees to firms that advertise prices on its Internet site and to consumers who access the list of advertised prices. Gatekeeper profits are maximized in an equilibrium where (a) the product market exhibits price dispersion; (b) access fees are sufficiently low that all consumers subscribe; (c) advertising fees exceed socially optimal levels, thus inducing partial firm participation; and (d) advertised prices are below unadvertised prices. Introducing the market for information has ambiguous social welfare effects.

Citation

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D83 Search; Learning; Information and Knowledge; Communication; Belief

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