



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

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AMERICAN ECONOMIC REVIEW
VOL. 91, NO. 3, JUNE 2001
(pp. 454-474)

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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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DOI: 10.1257/aer.91.3.454

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JEL Classification

L11 Production, Pricing, and Market Structure; Size Distribution of Firms

L86 Information and Internet Services; Computer Software

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

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