

MaCCI Letter 2023

Dear reader,

The eighth Annual MaCCI Letter is on your screen or in your hands. We report on a few research highlights and alert to forthcoming events.

2023 was another year full of MaCCI activities. We ran the MaCCI Annual Conference, the MaCCI Summer Institute, the MaCCI Career Day, and the MaCCI Law and Economics Conference. In addition, we had our regular Mannheim Competition Policy Forum, our seminar series with practitioners as speakers, as a mix of in-person and virtual events, and organized several one-off events. Several talks, lectures, and panel discussions at different MaCCI events have been recorded and are made available on YouTube. Please subscribe to our [channel](#) if you want to stay informed, as we add recordings over time. The most popular recording of 2023 has been so far the fireside talk with Joshua Gans on “Artificial Intelligence and Economics.”

2024 promises to be another very active year for MaCCI. For the 2024 MaCCI Annual Conference, we have a great set of submissions and keynote speakers Pinar Akman (U Leeds) and Leslie Marx (Duke U). Apologies to those submitters we could not include because of space constraints. Many economics consultancies will be present at the 2024 MaCCI Career Day. For the first time, we include a panel on “Working as a competition economist”. The MaCCI Law and Economics Conference will focus on merger policy. Several additional events are planned. Please check our website regularly to find an updated list of MaCCI activities.

We are grateful for the continuing support from the other MaCCI Advisory Board Members. MaCCI receives financial support from the ZEW and the University of Mannheim through a variety of funding vehicles. In addition, the MaCCI Association, a charitable foundation, supports some MaCCI activities. This support is made possible through donations. In 2023, the MaCCI Association received donations from Compass Lexecon and CRA. In general, MaCCI accepts donations from charitable foundations, economics consultancies, and law firms.

If you are not yet on our mailing list, please drop a line to macci@zew.de to be included; similarly if you change your address or want to be removed from the list.

My thanks to everybody in the MaCCI community who has contributed to the success of MaCCI. Special thanks to Jacopo Gambato and Nadine Hahn for their dedication and their work mostly behind the scenes. Since both are on the job market, they will depart in the summer of 2024.

MaCCI is still up and running. Please spread the word.

Greetings,

Martin Peitz on behalf of the MaCCI Board of Directors



SCAN ME

// Research Highlights in 2023

ATABEK ATAYEV ON INFORMATION ACQUISITION AND DIFFUSION IN MARKETS

Consumers typically need to spend resources, such as time, to search and acquire information about products, such as prices, that they wish to purchase. Information can also be acquired in less costly ways, namely through word-of-mouth (WOM) communication via friends. WOM communication may come with a delay, however, as one has to wait for friends to communicate their information. Costly information acquisition and diffusion (WOM communication) are clearly related. When few people acquire information themselves, little information will be diffused, while if information is disseminated efficiently, people may not have the incentive to spend resources to acquire information themselves. The interaction between the incentives to acquire information and the efficiency of the information diffusion process is especially important for online markets and online interaction through social networks, such as Facebook or LinkedIn. Online technologies have significantly reduced the search cost related to information acquisition and increased the possibilities of diffusion and it is important to understand how these developments affect market outcomes.

In their forthcoming article in the *International Economic Review*, Atayev and Janssen study the interaction between information acquisition, diffusion and market power, and explain the impact of changes in the connectedness of people (impacting diffusion of information through WOM communication) and search costs on market outcomes. Their theoretical framework considers a homogeneous goods market where firms set prices and consumers engage in costly sequential search to acquire information about prices before buying one unit of the good. Consumers that have searched for prices spread this information through their network.

The authors report the following results. First, consumers that wait to obtain information from friends (i.e., free-riding consumers) are the only ones who compare prices and they have a positive effect on market competition and consumer surplus. Second, contrary to common expectation, when the network gets very dense and many consumers have many connections, prices do not converge to the marginal cost of production and price dispersion remains. Third, firms' profits have an inverted U-shape with respect to the speed of information diffusion. Finally, and contrary to common wisdom, prices may be decreasing in search cost when WOM communication plays a role.

Atayev, Atabek and Maarten Janssen, "Information Acquisition and Diffusion in Markets", *International Economic Review*, forthcoming.

MARTIN PEITZ ON ADVERTISING NUISANCE AND CONGESTION IN MEDIA MARKETS

Commercial media often rely exclusively or predominantly on advertising for revenue. The last decades have seen a proliferation of television and radio channels — and now digital media sites — and an increase in advertising time. Critics of mass media decry advertising clutter: Viewers are swamped with ads, viewers are annoyed and ad impressions are wasted.

Simon Anderson and Martin Peitz provide a novel framework that captures both aspects: consumers dislike content to be replaced by advertising (ad nuisance) and their attention to advertising is limited, which leads to ad congestion. They study the interplay of multiple, asymmetric media platforms that compete for viewer attention against an outside good. Content serves as bait to attract viewer attention, some of which is diverted to advertising, which eats into the time available for content. Consumers allocate their time over different channels (i.e., they multi-home) and thus are exposed to advertising from different channels.

Anderson and Peitz analyse how the limited ability to absorb ads affects media market outcomes and leads to a trade-off between variety and quality in media. An increase in media diversity through platform entry can lead to more advertising and so cause a negative relationship between media diversity and media quality. Advertising becomes more congested making it more difficult for high-quality advertisers to reach consumers. Furthermore, despite a positive gain from variety, consumers can be worse off, as programming carries more advertising.

The standard model of two-sided markets as applied to media economics builds in a “competitive bottleneck” feature which implies there is no direct competition for advertisers. Put briefly, when viewers patronize at most one platform (i.e., they single-home), a platform has a monopoly position over delivering its viewers to advertisers. The competitive bottleneck means that competition among platforms is effectively competition for viewers, and so an increase in the number of platforms is predicted to decrease equilibrium ad levels, much like product prices decrease with the number of firms in many oligopoly models.

The proposed time-use model also has a competitive bottleneck property: even though consumers choose how much time to spend on each platform, at any point in time a particular viewer can only be reached through the single channel she is watching at that moment in time. Whereas the time-use model on its own does not change the structure of the media economics interaction, combining it with limited viewer attention for advertising (congestion) makes the difference. This introduces strategic interaction among platforms on the advertiser side. Viewer multi-homing ensures that no media platform has exclusive access to a viewer’s attention and attention can be seen as a common property resource. A platform that airs more advertising decreases the overall effectiveness of advertising and thus exerts a negative externality on other platforms.

Entry of a media platform will lead media platforms to internalize less of the negative congestion effect. Thus, more competition among media platforms will increase ad levels by each platform and the total number of ads seen by viewers. This shows a tension between media diversity and media quality.

Simon Anderson and Martin Peitz (2023), Ad Clutter, Time Use, and Media Diversity, *American Economic Journal: Microeconomics*, vol. 15, 227-270.

STEFANIE EGIDY ON THE DIGITAL CONSTRUCTION OF THE ADMINISTRATIVE STATE

The rapidly developing digital technology is transforming decision-making within the administrative state. Public actors are increasingly making use of automated information processing tools. What started with simple steps of digitizing the executive sector has developed into a growing number of pilot projects that employ more sophisticated algorithmic governance instruments up to machine learning techniques. The design of these programs exerts a growing influence on the processes and outcomes of decision-making, but lacks a corresponding guidance from constitutional or administrative law.

Administrative action always has to adhere to the constitutional principles of democracy and the rule of law. Their implication for the design of administrative technology, however, remains vague. Before this backdrop, Stefanie Egidy explores the potential of the principle of resilience to fill this gap and guide the ongoing construction of the digital state. Borrowing from the fields of business management and administrative science, she defines organizational resilience as the ability of public actors, when faced with adversity, to revert back to the prior equilibrium or to adopt an equivalent one, in compliance with higher law.

The paper specifies different resources of resilience and identifies the cognitive and behavioural channels through which they impact administrative personnel. Ultimately, it suggests three mechanisms in order to foster said resilience. First, administrative actors should develop administrative technology in accordance with specific normative goals to be set through future-oriented foresight methods. Second, administrative processes need strategy-proofing and stress-testing, in particular to counter anti-democratic forces seeking to undermine the integrity of administrative decision-making. Third, it is essential to put a special focus on the choice architecture implicit in the tools used for digital administration.

Egidy, Stefanie, Resilient Administrative Technology, *Georgia Law Review* 58 (2024), forthcoming.

// Selected MaCCI News in 2023

JULY 2023: INTERNATIONAL SCHOLARS DISCUSS DIGITAL ECONOMY AT ZEW

On 6 and 7 July 2023, the ZEW Research Unit “Digital Economy” hosted the 21st Conference on the “Economics of Information and Communication Technologies”. Held at ZEW Mannheim, the event attracted international scholars who presented and discussed their latest empirical and theoretical research findings in two parallel sessions. The annual conference was organised by Irene Bertschek, Francesco Clavorà Braulin, and Dominik Rehse, and has been regarded as one of the most important scientific conferences in the field of digital economy for many years. This is evident from the submission of over 100 scientific papers and the registration of around 85 participants for this year’s edition.

Over the course of 14 sessions, a diverse range of topics were explored, including digital technologies, innovations, platforms, privacy, data economy, and social media. Between sessions, scholars had valuable opportunities to exchange ideas about their current research and extend their networks.

MAY 2023: MACCI IO DAY

Last year’s MaCCI IO Day was held on 5 May 2023. More than 30 members gathered for a day of presentations and discussions of papers on productivity, carbon pricing and emission fees, block chain, search, platforms, and innovation.

The MaCCI IO Day is an annual workshop for members of the departments of law and economics as well as ZEW to present current theoretical and empirical research in the field of industrial organization - in its full variety of shades and colours.

MARCH 2023: WORKSHOP ON COMPETITION AND CORPORATE LAW

On 27 and 28 March 2023, MaCCI, in cooperation with Lund University and the University of Strasbourg, hosted a workshop at ZEW on the relationship between competition law and corporate law. Five sessions examined various aspects of the interplay, such as common ownership, compliance, and corporate governance. After introductory short presentations, participants engaged in fruitful discussions. Speakers offered not only the EU perspective, but also insights from the US, Israel, and Japan. In addition to 15 in-person participants, many academics also took part via Zoom. The workshop served to prepare a Research Handbook on Competition and Corporate Law, edited by Florence Thépot and Anna Tzanaki, to be published later this year.

MARCH 2023: TWELFTH MACCI ANNUAL CONFERENCE WITH A FOCUS ON ANTITRUST AND DIGITAL ECONOMICS

MaCCI hosted its twelfth annual conference on 23–24 March 2023 at ZEW Mannheim. This year’s conference programme consisted of approximately 80 presentations in parallel sessions, two keynote speeches, and a panel discussion. With over 120 participants, this was the largest in-person MaCCI Annual Conference to date.

The first conference day focused on various aspects of the digital economy, merger analysis, and market power from both an economics and a law perspective. A highlight of the first conference day was the keynote speech by Professor Niamh Dunne from the London School of Economics (LSE).

You find the extensive list of MaCCI News in our Activity Report 2023 and on our website.

// Upcoming Events

» 16.05.2024–17.05.2024

MaCCI-CREST Workshop

» 10.06.2024–14.06.2024

MaCCI Summer Institute on Competition Policy

» 20.06.2024–21.06.2024

MaCCI Law & Economics Conference



MORE INFORMATION

For more information on all activities of MaCCI please check
www.macci.eu