

## Contents

<i>List of Figures</i>	<i>page</i> viii
<i>List of Tables</i>	ix
<i>Acknowledgments</i>	x
<b>1 Introduction</b>	1
1.1 Three Case Studies: A Spectrum of Natural Concentration	4
1.2 Rethinking the Interface Between Competition Policy and Regulation	7
1.3 Outline	9
<b>2 Technological Change and Natural Monopolies in Digital Industries</b>	10
2.1 Technological and Economic Drivers of Increasing Concentration	10
2.1.1 Platform Intermediation and the Theory of the Firm	18
2.1.2 Data, Algorithmic Predictions, and Digital Matching	20
2.2 The Economics of Platforms: Are New Legal and Policy Tools Needed?	23
2.2.1 Economic Literature on Multisided Platforms	24
2.2.2 Identifying the Boundaries of Desirable Policy Changes	29
2.2.3 The Relevance of This Debate for Digital Platforms	35
2.3 Applying the Natural Monopoly Framework	36
2.3.1 The Standard Natural Monopoly Paradigm	37
2.3.2 Determinants of Natural Monopoly in Digital Platform Markets	40
2.3.3 Alternative Approaches for Naturally Monopolistic Markets	43
2.4 Conclusion	45
<b>3 Horizontal Search</b>	47
3.1 The Evolution of Online Search: From Neutral to Universal Results	48
3.2 Alternative Business Models	51
3.3 Horizontal Search as a Naturally Monopolistic Market	55

3.3.1	Cost Structure with High Fixed Costs and Marginal Costs Close to Zero	57
3.3.2	Network Externalities and the Value of Data for Horizontal Search Predictions	57
3.3.3	The Consequences of Natural Concentration	59
3.4	Regulating Market Power of a Natural Monopolist in Search	62
3.4.1	Regulating the Price of Searches and Search Ads	66
3.4.2	Structural Remedies to Separate the Natural Monopoly Segment	67
3.4.3	Access to Horizontal Search as an Essential Facility	70
3.5	Conclusion	74
<b>4</b>	<b>E-Commerce Marketplaces</b>	<b>76</b>
4.1	The Evolution of Amazon: From Niche Entry to the Everything Store	77
4.2	Concerns About Amazon's Market Power	81
4.2.1	Antitrust Investigations Regarding MFN Clauses	81
4.2.2	Predatory Pricing	83
4.2.3	Dominance in E-Commerce, Vertical Integration, and Discrimination	84
4.3	Why Amazon Marketplace Is Not a Natural Monopoly	87
4.3.1	Network Effects Between Buyers and Sellers	88
4.3.2	The Importance of Physical Infrastructure for Logistics, Storage, and Delivery	90
4.4	Venues for Stronger Competition Policy Intervention	91
4.5	Conclusion	95
<b>5</b>	<b>Ride-Hailing Platforms</b>	<b>97</b>
5.1	The Structure of Sharing Economy Transportation Platforms	99
5.1.1	The Pure Marketplace for Drivers and Passengers	101
5.1.2	One-Sided Models: Drivers vs. Automated Cars	103
5.1.3	Hybrid Models: The Current Structure of Ride-Hailing	105
5.2	Antitrust Concerns over Inter-Platform and Intra-Platform Competition	108
5.2.1	Predation	108
5.2.2	Exclusivity	109
5.2.3	Collusion Facilitated by the Platform	110
5.3	Is On-Demand Transportation and Ride-Hailing Naturally Monopolistic?	113
5.3.1	Network Externalities and Matching: Availability, Waiting Times, and Ratings	114
5.3.2	Data and the Efficiency of Centralized Algorithmic Routing and Planning	115
5.3.3	Supply-Side Economies of Scale	116

*Contents*

vii

5.4	A Range of Policies Between Competition and Natural Monopoly	117
5.4.1	Regulating Ride-Hailing Platforms	118
5.4.2	Auctioning the Market to a Single Network	121
5.4.3	Promoting Inter-Platform Competition	122
5.5	Conclusion	124
<b>6</b>	<b>The Institutional Dimension of Alternative Policy Options</b>	126
6.1	Sector-Specific Regulation	126
6.1.1	Price and Entry Regulation	127
6.1.2	Vertical Integration and Leveraging	129
6.1.3	The Limits of Standard Regulatory Approaches	131
6.2	Franchise Bidding: Auctioning the Market to a Single Platform	132
6.3	Public Ownership	134
6.4	Reliance on Competition Policy and Schumpeterian Competition	136
6.4.1	Promoting Monopoly Displacement and Potential Competition: A Substantive Perspective	136
6.4.2	The Institutional Limits of Ex Post Enforcement	152
6.5	Rethinking the Interface Between Competition Policy and Regulation	154
6.6	Conclusion	155
<b>7</b>	<b>Conclusion</b>	157
7.1	Lessons and Open Questions	158
7.1.1	Natural Monopolies and Digital Platforms	158
7.1.2	Break-Up Policies	161
7.1.3	The Economics of Platforms and the Boundaries of Desirable Legal Changes	161
7.1.4	Institutional Refinements for a Schumpeterian Framework	163
7.1.5	Political Economy Considerations	164
7.2	Conclusion	164
	<i>Bibliography</i>	167
	<i>Index</i>	183