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# FREE GOODS

Don't look a gift horse in the mouth

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# Free Goods Encourage Competition

- Are competition tools sufficient and flexible enough to measure competitive effects in “free” markets?
- Free products usually encourage competition
  - Multi-homing is easy
  - Expands consumption
  - Broadens offering to consumers who are otherwise priced-out
  - No switching costs (provided there is portability)
- History shows competitors reacting positively:
  - Successive growth of social media platforms (Friends Reunited, MySpace, Facebook, LinkedIn, Twitter)
  - Innovation in search (Alta Vista, Yahoo, Google, Amazon)
  - More free newspapers (Metro, City A.M., Evening Standard)

Hmmm...

Curiouser and  
curiouser...



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# Measuring Competitive Effects

- How should we measure competitive effects in “free” markets?
  - Effects on advertising market? Unlikely when advertising opportunities are so vast.
  - Is the SSNIP test meaningful? Yes, in theory.
  - Difficult to measure a degradation in quality of future innovation.
  - Evidentiary standard should be high.



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# Conclusion

- Free goods are generally good.
  - There is such a thing as a free lunch.
  - The person paying really doesn't mind.
  - And if you don't like it, walk out and eat somewhere else.
- Antitrust concerns are likely to be rare.
- But we have the tools to address them.





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