

The Application of Law on Platform Monopoly¹

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In China, there are three types of law applicable to platforms: (a) the Anti-Monopoly Law for platforms' monopolistic activities, (b) the Anti-Unfair Competition Law for the unfair trade activities of platforms as enterprises and (c) the Law on Protection of the Rights and Interests of Consumers. Although there have been many consensuses on the latter in theory and practice, there are few in-depth studies on platforms' monopolistic activities.

First, platform economy is completely different from the traditional industrial economy in market structure. For the latter, there are only buyers and sellers who directly exchange goods. All analyses of social welfare in mainstream economics are based on such market structure. In platform economy, however, merchants, users, and platforms form a bilateral market: it is merchants rather than platforms that sells goods, and platforms are mere intermediaries of information exchange for facilitating transactions between users and merchants. Obviously, platform economy has a completely different market structure in the eyes of mainstream economists. Therefore, platforms' competitive market structure determines that the factors such as market dominance of platform enterprises have much more complex influences on social welfare.

Anti-monopoly law is formulated according to the theory on traditional market economy in industrial period, which is very different from platform economy. The core for market division is market share. Only when how to divide market is determined can market share be meaningful as an index. Platform has a feature of duality by its combination of enterprise and market. Therefore, it brings about a challenge to market division, and market share will be out of question if market division is not clearly determined.

Under anti-monopoly law, different distribution channels are also a criterion for market division. Then, a question is: Should platforms be classified into different

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markets because they have different users? If so, the market share of many different platforms is 100%. Although this does not mean that every platform is a monopolistic enterprise, it cannot be denied that many platforms try to have their own features by attracting different groups of users. This is the very feature for them to making excessive profits.

Therefore, there must be an update of concept on the determination of platform's monopolistic activities according to market share. And this can be understood from three perspectives:

First, due to the role of its cross-network externality, platform economy has a feature that "winner takes all", which will easily lead to a situation for the emergence of oligarch that will be usually beneficial to consumers.

Second, when providing exclusive information as intermediaries on market with potential rivals, platforms will face a high competition in terms of price, and such an equilibrium in competition may be a maximization of social welfare.

Third, if there were no potential rivals, a platform would have an absolute power in price determination. Thus, if a platform has an activity of monopoly, there may be an introduction of systematic regulation to bring price back to an equilibrium.

Conclusion: the determination of platform's equilibrium price is a key for anti-monopoly.