MaCCI Letter 2024

Dear reader,

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

2024 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 we organized several one-off events. Several talks, lectures, and panel discussions from various MaCCI events have been recorded and are available on YouTube. Please subscribe to our channel if you want to stay informed, as we add recordings over time. So far, the most popular recording of 2024 has been Pinar Akman's keynote lecture at the 2024 MaCCI Annual Conference on "A Critical Inquiry into 'Abuse' in EU Competition Law".

2025 promises to be another very active year for MaCCI. For the 2025 MaCCI Annual Conference, we have a great set of submissions and keynote speakers Nancy Rose (MIT) and Pablo Ibáñez Colomo (LSE). Apologies to those submitters whom we could not include because of space constraints. Many economics consultancies will be present at the 2025 MaCCI Career Day. Once again, we will include a panel on "Working as a competition economist". The MaCCI Law and Economics Conference will focus on "Advances in Competition Law & Practice". 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 2024, the MaCCI Association received donations from Compass Lexecon, CRA, and RBB Economics. 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 wish 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 Eliza Stenzhorn and Lion Holste for their dedication and their work mostly behind the scenes.

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 2024

YULIA EVSYUKOVA ON **LINKED-OUT? A FIELD EXPERIMENT IN JOB NETWORK FORMATION**

In today's digital age, informal networks play a crucial role in career development, with 50% of jobs found through them. Underrepresented groups rely on these networks to the same extent as the population majority, yet the former experience worse labor market outcomes than the latter. Existing studies show that the reason might lie in the quality of such job networks: underrepresented individuals have less advantageous networks, offering fewer job leads and referrals. However, whether this disparity is driven by discrimination or individuals' self-selection into 'wrong' networks remains unclear.

In their recent article, Yulia Evsyukova, Felix Rusche, and Wladislaw Mill provide the first causal evidence of the role of discrimination in shaping job networks and the information they provide. The authors conducted a large-scale, two-stage field experiment across all 50 U.S. states and the District of Columbia, using 408 AI-generated LinkedIn profiles—half representing Black users and half representing White users.

During Stage I of the experiment, the authors built the networks of the profiles and sent connection requests to the users suggested by LinkedIn. Each user in the sample received connection requests from two profiles with identical CVs and differing only in their race. The race was signalled exclusively through AI-generated pictures, while the profile names were kept race-neutral. To create the pictures, the authors developed an AI algorithm that transformed the race of a given picture, keeping all other picture characteristics stable. At Stage II, job-related information requests were sent for each profile to the members of the resulting networks seeking career or mentorship advice. To isolate the effect of discrimination in Stage I from that in Stage II, the authors swapped pictures for half of the profiles with identical CVs, so that half of the Black profiles ended up in the White networks and vice versa.

The findings reveal that the Stage-I networks of Black profiles are 13% smaller than those of White profiles, with discrimination observed across nearly all user groups—most pronounced among women and younger users. However, in Stage II, conditioning on Black and White profiles having equal access to networks, they receive similar response rates and quality of advice. Despite this, Black profiles are expected to receive less valuable information due to their smaller networks, a result driven by Stage-I disparities.

These results are consistent with a "gate-keeping" mechanism, where Black and White profiles face differential treatment during the initial network formation, while they are treated similarly once part of the network. The findings highlight the importance of fostering inclusive environments and implementing measures to enhance networking opportunities for underrepresented groups.

Evsyukova, Yulia, Felix Rusche and Wladislaw Mill, 2025, "LinkedOut? A Field Experiment on Discrimination in Job Network Formation", *Quarterly Journal of Economics*, vol. 140(1), 283-334.

VOLKER NOCKE ON **CONSUMER SEARCH; STEERING; AND CHOICE OVERLOAD**

Consumers face a large and ever-growing number of products from which to choose. Finding out which product fits best (and what its final price is) has become a complicated and time-consuming task for which consumers increasingly rely on steering in the form of recommendations, rankings and the like. Indeed, experimental evidence suggests that, absent such help, consumers can suffer from choice overload and refrain from purchasing. For example, Iyengar and Lepper (2000) document that an increase in the number of flavors sold at a jam tasting booth in an upscale grocery store induced a significant reduction in the share of customers making a purchase. More recently, in a forthcoming paper in Marketing Science, Olivia Natan studies an online restaurant-to-consumer delivery platform and finds that expanding the set of restaurants discourages consumer search.

Firms' ability to steer consumer search---both online and offline---raises the concern that they may do so in a way that is self-serving rather than in consumers' interest. For instance, Petroski (2003) reports that supermarkets and other brick-and-mortar shops often place more popular products at the back of their stores. Likewise, McDevitt (2014) finds that plumbers appearing on Google's sponsored search links receive substantially worse ratings on Yelp than those that do not. And in recent years, steering by large online platforms has been increasingly scrutinized by consumer protection and competition agencies and has led policy-makers to propose—and, in some instances, adopt—regulations aimed at curbing steering practices.

In their recent article in the Journal of Political Economy, Volker Nocke and Patrick Rey develop a model of within-firm sequential, directed search and study a firm's ability and incentive to steer consumers. A monopolist chooses which products to offer and positions them in distinguishable slots. Consumers observe the size of the product line and can engage in sequential and directed search to learn about prices, whether they have a match, and, if so, their conditional valuations. While searching, consumers update their beliefs about the not-yet-inspected slots. Whether the firm has the incentive to steer consumers toward the most popular products first is shown to be governed by a trade-off between extensive and intensive search margins. Pure positioning enables consumers to infer products' locations and thus encourages them to start searching; it therefore maximizes the extensive search margin. The flip side is that consumers with higher search costs stop searching if they do not have a match with the most popular products. Introducing noise in the allocation of products to slots instead encourages consumers who start searching to keep searching until they find a match, thereby maximizing the intensive search margin. The flip side is that it reduces consumers' incentive to start searching in the first place. The most profitable equilibrium may feature noisy positioning of some products and pure positioning of others. Nocke and Rey provide conditions under which the most profitable equilibrium involves pure or noisy positioning over all offered products.

Nocke, Volker and Patrick Rey, "Consumer Search, Steering, and Choice Overload", *Journal of Political Economy*, 2024, vol. 132(5), 1684–1739.

JENS-UWE FRANCK AND MARTIN PEITZ ON **THE DIGITAL MARKETS ACT AND THE WHACK-A-MOLE CHALLENGE**

The gist of the EU's Digital Markets Act is that it imposes specified commands ('dos') and prohibitions ('don'ts') on designated gatekeepers to promote contestability and fairness in digital markets. This regulatory technique brings up the whack-a-mole challenge: whenever a digital gatekeeper, against her interests, is forbidden from engaging or forced to engage in a certain conduct, she has strong incentives to look for alternative routes not covered by the DMA to achieve the same or a similar desired outcome.

Under the heading 'Anti-circumvention', Article 13 of the DMA aims to avoid the whack-a-mole problem by prohibiting DMA gatekeepers from pursuing circumvention strategies: the DMA rules should apply to any practice of a gatekeeper that 'corresponds to the type of practice that is the subject of one of the [DMA] obligations'.

To inform the implementation of the DMA's anti-circumvention instrument, we set out and illustrate an approach that centres on the examination and evaluation of market effects: a business practice should be considered a strategy to circumvent an obligation if it can lead to a market outcome and economic effects equivalent to those that the obligation in question seeks to avoid or, similarly, if it can prevent a market outcome that the obligation in question seeks to achieve. Thus, we propose the following three analytical steps.

First, it needs to be clarified what market effects the (possibly circumvented) DMA obligation seeks to achieve or avoid. This is a matter of interpreting the relevant DMA obligation. The link to the DMA's overall objectives needs to be elaborated: how did the legislature envisage the obligation promoting 'contestability' and/or 'fairness'?

Second, the market effects of the business practices that are suspected of 'circumvention' need to be explored. Information on potentially prohibited circumvention practices can be expected from market participants who repeatedly interact with a platform and therefore may have a sound intuitive understanding of its business model and strategy. The analysis of ensuing market effects should be conducted in the light of the identified regulatory objectives of the respective obligation.

Third, the obligation's intended impact on the market and the—actual or potential—market effects by the suspicious business practice need to be compared and examined for equivalence, based on the objectives and normative values that underlie the obligation.

We apply this approach to several practices suspected of circumventing the ban on parity clauses and analyse how our results fit into the Digital Market Act's concept and instruments for avoiding circumvention. Moreover, we elaborate on the role that the anti-circumvention rules may play in safeguarding the effectiveness of the restrictions on bundling and self-preferencing in ranking, thus illustrating how they may operate to future-proof the Digital Markets Act but also where their limitations lie.

Franck, Jens-Uwe and Martin Peitz, "The Digital Markets Act and the Whack-a-Mole Challenge", *Common Market Law Review*, 2024, vol. 61(2), 299–344.

// Selected MaCCI News in 2024

JUNE 2024: DIGITAL ECONOMY SCHOLARS FLOCK TO ZEW FOR CONFERENCE

On 27 and 28 June, more than 80 researchers gathered at ZEW Mannheim to participate in the 22nd ZEW Conference on the Economics of Information and Communication Technologies, hosted by the ZEW Research Unit "Digital Economy." The conference featured 14 parallel sessions where participants presented their research selected from more than 100 submissions to the conference committee. The presented papers covered the topics of digital literacy, AI, online advertising, social media, pricing in digital markets, and the economics and regulation of platforms.
The conference committee was particularly happy to welcome Tommaso Valletti (Imperial College London) and Maria Petrova (Universitat Pompeu Fabra) as the keynote lecturers of this year's edition. In his keynote, Tomaso Valletti elaborated on the political relevance of firms' lobbying expenditures, focusing on the effect of mergers and acquisitions on lobbying. Maria Petrova discussed how the homophily of peoples' circles of Facebook friends affects their offline social interaction.
The ZEW Conference on the Economics of Information and Communication Technologies gives theoretical, empirical, and policy-oriented researchers the opportunity to interact with researchers from related fields and engage in discussions within and between sessions to obtain fresh ideas for novel research.

MAY 2024: MACCI IO DAY

Last year's MaCCI IO Day was held on 24 May 2024. More than 30 members gathered for a day of presentations and discussions of papers on pricing (and "shrinkflation"), privacy, competition with recommendation systems, procurement, and trade. We were particularly happy to welcome Yossi Spiegel, who gave an overview of the Facebook-Giphy merger and an analysis of the UK CMA's reasoning for blocking it.
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 all its shades and colors.

MAY 2024: 2ND MANNHEIM WORKSHOP

The second edition of the CREST-Mannheim workshop (also known as "Journées Mannheim-Palaiseau-Paris") took place in Paris and Palaiseau on May 16-17. Researchers from CREST and MaCCI met in Paris and Palaiseau to discuss recent research on price discrimination, merger control, platform pricing, ad-blocking, bargaining in supply chains, and more.

MARCH 2024: 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. The conference programme consisted of approximately two keynote speeches and 80 presentations in parallel sessions. With over 120 participants, this was the largest in-person MaCCI Annual Conference to date.
The first conference day focused on various aspects of abuse of dominance, collusion, and mergers from both an economics and a law perspective. A highlight of the first conference day was the keynote speech by Professor Pinar Akman from the University of Leeds. On the second conference day Professor Leslie Marx from Duke University shed light on the relationship between information sharing and oligopoly pricing.

The extensive list of MaCCI News can be found in our Activity Report 2024 and on our website.

// Selected Events in 2025

» 24.02.2025–25.02.2025
Disclosure, Information Sharing, and Secrecy (DISS) Workshop

» 06.03.2025–07.03.2025
MaCCI / EPOS Workshop on Digital Markets

» 20.03.2025–21.03.2025
MaCCI Annual Conference

» 23.05.2025
MaCCI IO Day

» 02.06.2025–06.06.2025
MaCCI Summer Institute

» 26.06.2025–27.06.2025
23rd ZEW Conference on the Economics of Information and Communication Technologies

» 23.10.2025–24.10.2025
MaCCI Law & Economics Conference

MORE INFORMATION

For more information on all activities of MaCCI please check
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