Benjamin Casner NBER Digitization Workshop Application

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Graduate Course
Economics PhD Candidate at The Ohio State University
5th year of study

Primary Fields: Industrial Organization, Economic Theory

Selected Courses:
Theory of Industrial Organization, Applied Industrial Organization, Marketing Models, Information Economics.

Research Interests:

I study theoretical industrial organization, with a focus on consumer search models and the economics of platforms. I am particularly interested in the power large platforms possess to determine the rules of markets in which buyers and sellers operate. My recent work has investigated the implications of consumers shifting their search effort to platforms such as Google or Amazon after the advent of the internet, and the implications of allowing these platforms to design consumers' search experience.

The first chapter of my proposed dissertation (expected completion date May 2020) examines market platforms' incentives to curate the quality of sellers, and why they might avoid screening out low-quality sellers in situations where screening costs are minimal. In this model consumers participating in a platform's market must search for a seller whose product is a good match. Similar to Wolinsky (1986) or Anderson and Renault (1999), the more consumers are inclined to search the more intense competition between sellers and the lower will be market prices. The presence of low-quality sellers reduces the return to search and so softens competition between all sellers in the platform's market, increasing equilibrium price and the platform's revenue per sale. If the platform's market is sufficiently competitive then it admits a positive proportion of low-quality sellers to counteract excessive (from the viewpoint of the platform) search on the part of consumers.

Low-quality sellers make a profit by imitating high-quality sellers and attracting revenue from consumers who are fooled by their efforts. The ability to recommend a high-quality seller *increases* the platform's incentive to obfuscate search via low-quality sellers. Consumers are less willing to move on from the recommended seller when there are many low-quality sellers because they fear they might be fooled by a low-quality seller. This allows the recommended seller to attract many consumers at a relatively high price. Review scoring websites such as reviewmeta.com which detect low-quality sellers can improve consumer welfare by reducing the low-quality sellers' ability to imitate the high-quality sellers. However, the platform's primary cost from admitting low-quality sellers is consumers' lost confidence in the quality of products they purchase, these review scoring websites may actually *encourage* the platform to admit low-quality sellers by reducing the loss in consumer confidence. I am hoping to extend this investigation with an empirical paper which looks at search behavior on eBay. If consumers search less in markets where sellers' average rating is lower, then I would have indirect evidence for the mechanism described above.

The next chapter looks at online media markets and considers the implication of media platforms such as YouTube or Twitch which attract external content creators instead of or in addition to creating their own content. I describe an environment where a platform facilitates interaction between consumers, advertisers, and content creators to explore the effects of introducing a subscription which allows consumers to avoid ads. One of the significant advantages streaming platforms have over broadcast television networks is that they have a much broader "shelf space" in which to host content, so policies which encourage additional content creators can have a significant welfare impact. This plays out in the welfare implications of the subscription. Increased advertising and a consequently high subscription price may reduce the welfare of consumers who enjoy mass market content (similar to previous papers in the literature) but the subscription increases provision of niche content which can counteract these negative effects. The effect on total social welfare depends on how much the platform increases payments to content creators after introducing the subscription.

I also consider issues outside of platform economics. My next chapter was motivated by the UK's decision to separate British Telecom's network provision division into a separate firm. Before this policy BT acted as both a wholesaler (at a regulated price) to internet service providers and directly offered internet service to consumers. As a result of the separation there is

now a separate wholesale company providing “last mile” network connection between internet service providers and consumers. I compare the quality investment incentives for a monopoly network owner under vertically integrated and separate regimes. For a fixed level of quality retail prices are higher under the separated regime, meaning that more consumers will choose the outside option at that quality level. This implies that the marginal effect on demand for internet service from a quality increase is larger in a vertically separated regime (the number of consumers who buy internet because of the quality increase is larger). Therefore, if the retail market is highly competitive a vertically separate network owner will invest more than an integrated owner. However, if the market is uncompetitive then retail prices will be high relative to the regulated wholesale price. The ability to participate on the retail market in addition to the wholesale market means that a vertically integrated owner will have higher marginal revenue from quality investment even though the number of consumers switching away from the outside option is smaller.

Finally, I have an experimental project which investigates behavior when searchers are uncertain about the distribution of prospects. This paper is one of only a few search experiments to directly elicit subjects’ reservation values. I use this elicitation to show that an environment with well-behaved priors learning leads to a much stronger decline in reservation values within search spells than when subjects know the distribution in which they are searching. A pattern which had been predicted by the theory but not directly tested in a laboratory environment. This finding provides evidence that learning may be an explanation for declining reservation utility seen in field data. However, while the comparative statics match the theory, the strategies subjects employ do not. Calculation of the optimal reservation values is time consuming even for a computer, so many subjects instead set a high initial reservation value to gather information about the distribution and then adjust it only after a few observations. Subjects who use this strategy consistently have higher payoffs than those who do not, but not if they stick too it too rigidly. The most successful subjects adjust their reservation value downward quickly if the information contained in the initial draws was sufficiently strong evidence of an unfavorable distribution.