



University of Cyprus
Department of Business and
Public Administration

The Department of Business and Public Administration
invites you to a guest lecture

by

Dr. Seth Gordon Benzell

**Assistant Professor of management science at Chapman University,
Argyros School of Business and Economics**

**“Multisided Platform Strategy, Taxation and Regulation:
Model and Application to Facebook”**

The lecture will take place on

**Tuesday, July 5th, 2022
4:00 p.m.**

Place: in the room: B223 (MBA amphitheater), Building: FEB 01 (floor: -2)

Or Via zoom
Join Zoom Meeting

<https://ucy.zoom.us/j/91915853851?pwd=NUhBY1BLcTAXTUEzWVpiVnVoa1o4QT09>

Abstract:

Digital platforms, such as Meta’s Facebook, create value by connecting users, vendors, and contractors. Their strong supply and demand economies of scale can give them market power, and have led to increasing calls for special regulations and taxes as well as anti-trust lawsuits from the Federal Trade Commission. We construct a digital platform model that allows for heterogeneity in demand elasticity, disutility from advertising, and network effects across users and time. We analyze the model theoretically, and find conditions under which government interventions raise or lower social welfare. We calibrate our model using a survey of over 57,000 Internet users in the U.S. on their demand for Facebook. Facebook creates \$14 billion in social value per month, with consumer surplus concentrated among female and older users. We simulate six proposed policies for government management of digital platforms. We find a 3% tax on Facebook’s ad-revenue raises social welfare by 1.1%, by shifting Meta’s incentives towards maintaining a larger platform. Achieving perfect competition in Facebook-like services, while preserving network effects across platforms, would raise social surplus from Facebook by 4.8% of current value. A “data dividend” rebate of Meta’s profits from Facebook to users would increase social surplus by 30.3%.

Short Bio: Seth Gordon Benzell is an assistant professor of management science at Chapman University, Argyros School of Business and Economics. He is a fellow of the MIT Initiative on the Digital Economy, and the Stanford HAI Digital Economics Lab. His research has appeared in prestigious economics and general science outlets, including AEJ: Applied Economics, the National Tax Journal, and PNAS. He can be followed on Twitter at @sbenzell.

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