

Measuring Markets for Network Goods – Referee Report 1

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Let me go a bit more into the specifics. You can share these with the authors if you wish.

First, the underlying concepts are totally standard. There is not conceptual contribution here. The authors spend a few pages in Section 2 talking about the difficulty to define the market for reference but they do not offer any new conceptual insights. The point of that section seems to be: the conclusion on substitutability or complementarity between products can change if the analysis keep network size fixed or allow for network size to change. This is clearly not novel and in many ways trivial. If there are demand spillovers (in your case via network effects) and you ignore them then it is trivial that your conclusion may be different than if you incorporate them. So, I think that section 2 should be shorted and should clarify what the contribution is.

Second, the paper provides very interesting empirical results. It is refreshing to see an IO empirical paper that uses straightforward empirical methods and yet provides convincing results. This is because of the data collection design that the authors cleverly and timely implemented. In essence, for TikTok users they elicit the willingness to pay to adopt/use another platform, e.g., Instagram, in two scenario: TikTok is banned for everyone and TikTok is switched off only for the individual. The latter measures the degree of substitution between TikTok and the other platform keeping constant the network size of the two networks (you do not expect that other users will switch from TikTok to Instagram because nothing has happened to them). The former captures the degree of substitution when network size changes as the shock affects everyone. The results are, in large, what I would have expected but it is nice to have some clean evidence on this.

Finally, going back to the motivation of the paper. The authors push the market definition angle. But really you do not offer any new insights on how we should go about defining a market of reference when there is a merger or acquisition of a platform with network effects. You are saying that one should go beyond the analysis where you only evaluate the effect of the shock (merger/acquisition) keeping constant network size. But this is trivial and it is understood also by practitioners in antitrust. The point is that we lack methods to be able to evaluate empirically these spillovers in a way that is operational for competition authorities. You are not addressing this issue. So in this sense you are not providing new conceptual insights and your motivation seems not well focused. Your contribution is to say that, in a case which is important like the platform you are considering, these effects due to change in network size are large and so cannot really be ignored. This is an insight as we lack good evidence about the magnitude of such effects. I think the paper should be clear that this is the main problem.