Insider Imitation

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Discussion by

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Timely topic

Enormous policy interest

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General but simple approach that doesn't get lost in second-order details

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Answers concrete questions:

- Can data-privacy policies foster innovation?
- If so, what policies and under what conditions?

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An area where theory can be both cutting edge and policy relevant

A Sketch of the Problem

1. E can innovate by launching product at private cost (innovation)
2. Upon entry, product demand α is observed by P (data)
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LF Solution: Platform commits to imitate only successful (high α) products

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1. Complete Data Ban

Does a data ban foster innovation? It depends...

Highlight 2. The paper finds elegant sufficient conditions:

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2. Data Patents

A temporary data ban

Highlight 3. Paper finds optimal data patent and shows it unambiguously improve on LF

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3. "Omniscient" Regulator

Useful benchmark to trace out first-best outcomes: info-design problem

Comments

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Three comments on:

1. The platform's commitment power
2. The need for new laws
3. The regulator's objectives

1. The Role of Commitment Power

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However, this is not the point. The qualitative message of the paper likely holds even with weakened commitment

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Mr Bezos: *I can tell you that we have a policy against using seller-specific data to aid our private label business*, **but I cannot guarantee you that that policy has never been violated.**

2. The Need for New Laws

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For this reason:

- You cannot patent a camera bag
- You can patent a smartphone technology

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For this reason:

- You cannot patent a camera bag (isn't this **incremental**?)
- You can patent a smartphone technology (isn't this **experimental**?)

Maybe there is a connection to be made?

3. The Regulator's Objective

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Copying good products and, by exploiting scale, lowering their price may even be good for consumer welfare...

...but it could stifle entry at the platform's level, by giving the platform an unfair advantage

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A follow-up paper: Are data-privacy policies effective tools to decrease BTE at the platform's level?

thank you