Lingnan University 嶺南大學 香港 Hong Kong

Seminar

ECON DEPARTMENT OF ECONOMICS

"Proportional vs. Unit Fees: Welfare and Incentive"

(in English)

Dr. GU Dingwei
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Date: **14 January 2020 (Tuesday)**
Time: **10:30 a.m. – 12:00 noon**
Venue: **LBYG06, G/F, B.Y. Lam Building**

Abstract: We compare social welfare and business profitability between proportional and unit fees that are widely used in platform markets, retailing, technology licensing, and taxation. If the demand is super-convex or constant elastic, then proportional fees weakly improve welfare. If the demand is super-convex, then proportional fees improve welfare if there is sufficient competition among networks. Allowing merchants to multi-home on competing networks further increases the likelihood of welfare improvement. The conditions for welfare deterioration are also identified For profitability, while a monopoly network always benefits from proportional fees, competing networks may be hurt. If network competition is weak, the supply chain (i.e., all networks and merchants combined) gains if and only if consumers also gain. If network competition is strong, the supply chain always loses after switching to proportional fees. In that case, networks and merchants may each gain or lose, but they can never both gain.

Biography: Dr. Gu is a post-doctoral fellow at School of Economics, Fudan University. His research interests focus on IO theory, covering vertical related industry, platform, fintech, and corporate finance.

Dr. Gu received Ph.D. in Economics from Fudan University and B.S. in Finance from Sun Yat-sen University. In his free time, he likes playing badminton and football.

All Are Welcome

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