Uni ct ECONOMIA E IMPRESA

Seminar

Thursday, 5 November 2026, 11:00 am
3rd Floor Meeting Room - Palazzo delle Scienze
(Corso Italia 55, Catania)

When More Firms Hurt: Deadweight Loss and the Network-Stealing Effect in Oligopoly

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Abstract - We study how network externalities affect the welfare loss from Cournot oligopoly with demand of varying curvature and networks that may be industry-wide or firm-specific, with any degree of compatibility. We measure the loss relative to the first best and to a constrained first best that takes the network structure as given; the gap between them is a fragmentation component. With a single network, the loss rises with network intensity and falls with the number of firms, without vanishing. With firm-specific networks, each entrant steals customers, and hence network value, from its rivals, and this network-stealing effect adds to business stealing. When compatibility is low and network effects are strong, welfare falls and the loss relative to the first best rises with the number of firms, although output rises, whereas the loss relative to the constrained first best always falls. Compatibility reduces the former loss and increases the latter. At the free-entry equilibrium the number of firms is excessive in the absence of scale economies, while it can be insufficient with high compatibility, convex demand and strong network effects.

The seminar is open to all interested participants.