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# New Age Economy, Platform Markets and Challenges for Antitrust Enforcement

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AAKANSHA MEWAR<sup>1</sup>

## ABSTRACT

*This paper delves into the meaning and essence of New Age Economy, Platform Markets and Antitrust Laws. It shows the cohesiveness of the three and how one stems from the other and in turn gives life to one another. New Age Economy deals with the tech boom as the world noticed in the 1990s, Platform Market plays the role that provides the economy a platform to grow, and Antitrust Laws provides for the backbone according to which everything must function to be able to enjoy the benefits.*

**Keywords:** *New Age Economy, Platform Markets, Two Sided Market, Antitrust.*

## I. INTRODUCTION

The idea of New Age Economy is relatively new and dates back to the 90s when the word referred to a period of great technological advancements and therefore correlated to tech companies. It was seen as the driving force of economic growth and productivity. It was a time of hi-tech tools, particularly the internet and increasingly powerful computers that made their way into the consumer and business marketplace. The economy saw a shift from a manufacturing and commodity-based economy to one that used technology to create new products and services at a rate that the regular manufacturing economy could not match up to. The companies at recent times have emerged to be larger than the previous times that is, that of traditional manufacturing and completely replaced them.

The new age economy came to me known in various names like that of knowledge economy, data economy, e-commerce economy, etc. the period saw a vast spike in the tech world which took the world economy by a storm. However, in the long run this proved to be quite harmful in the sense that the surge of investors and financial institutions bidding on the stocks of such companies shot up considerably without fully considering the fundamentals; which pushed these companies to do better to be able to compete in the market hoping to reach the standards of companies such as Microsoft eventually leading a few companies with genuine potential to fizzle out. Companies like Google, Amazon, Facebook, however escaped the race unscathed.

In recent times the new economy is often used to describe different aspects of the technology

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<sup>1</sup> Author is a student at Amity Law School, Kolkata, India.

sector beyond simple Internet presence and functionality. Since the tech boom of the 90s, we've seen the growth of many new and exciting subsectors in tech. These include the sharing economy, the streaming economy, the gig economy, cloud computing, big data, and artificial intelligence.<sup>2</sup>

The term new age economy is based not only technologically but also takes necessary steps towards meeting social and environmental goals. This can be seen through its focus towards driving less on profits to shareholders through management and more on building good corporate citizenship, positive community impacts and distributing asset ownership differently. The term was originally set out to redesign global capitalism. The perks of this can be seen through the increased public involvement in the world of new economy.

Through the development of web browsers, people became more aware of their accessibility to people and products. The internet not only revolutionised the world of economy by making it accessible for people to gain information or store information more effectively and at a faster rate; but also changed the lives of people by simply giving them a platform to just be. The economic boom in the tech sector proved beneficial not only for the company but also for the people who invested their time and money through stocks or simply by accessing the browser. The race to be better and brighter not only motivated the companies to do better but also the people getting involved with it.

This begs the question of whether or not the new age economy is more superior. The answer to this can be given through the prime example of the year 2020, where novel Coronavirus or Covid-19, took the world by surprise. While the economy suffered tremendously, new age economy became the source of everyone's relief. These tech companies provided not only entertainment, provided by companies like Netflix, Prime Video, Hotstar, etc. but also as a means of communication which can be seen through mediums such as Whatsapp, Instagram, both owned by Facebook, Snapchat also provided a means of communication. The internet also provided ways to avail essential items and make purchases on Amazon, pharmaceutical websites and applications, etc. The vision of these companies is what gained them recognition and proves superiority.

Further, Barua et al. (1999) have proposed dividing the Internet Economy into four "layers:" (1) the internet infrastructure layer, consisting of hardware manufacturers, including IBM, Dell, HP, Cisco, Lucent, Sun, and many others, all included in either the computer hardware or

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<sup>2</sup> Kenton, *New Economy: Definition, History, Examples of Companies*, INVESTOPEDIA, (Apr. 9, 2021), <https://www.investopedia.com/terms/n/neweconomy.asp>.

telecommunications hardware industries. (2) The internet applications layer, consisting of software, consulting, and training, and includes such companies as Microsoft and its competitors (3) the internet intermediary layer, and (4) the internet commerce layer; both of these consisting of providers of both intermediate goods and consumption goods. Many aggregators, portals, and content providers, e.g., Yahoo and Travelocity, sell information and services both to business firms and to consumers. To the extent that e-commerce is provided by one business to another, it is an intermediate good and not directly relevant for computing the productivity of final output in the non-computer economy.<sup>3</sup>

In terms of consumer benefit, email can be considered as the most important. The use of the Internet for email long predated the invention of web browsers, and the hardware and software requirements for straight e-mail, as opposed to e-commerce, are very small.<sup>4</sup> The benefits of e-commerce includes a vast amount of free information that previously was expensive or inconvenient. There was a constant cycle of having to go out of ones way to purchase either a map to be able to ram a city or the news which was available only through news outlets making newspapers and magazines, flight or train tickets required to be purchased in person, or even the need for encyclopaedia required purchasing. The onslaught of the era of the internet made these issues, nonissues by making everything accessible to man at the click of a button. Tech companies progressed further by making accessing the internet even more accessible by formulating applications; ultimately diminishing the need to open a computer or laptop or rushing to your nearest cyber hub for information or entertainment.

When items are purchased over the web rather than obtained for free, selection is often much better (especially for books, CDs and videos) than at traditional bricks and mortar stores, and prices are often lower, sometimes even when shipping costs are included. Auctions on sites like E-Bay provide a new mechanism that allows the flea market to spread from local communities and neighbourhoods to a worldwide community of potential buyers and sellers. According to Smith, Bailey, and Brynjolfsson (1999), "early research suggests that electronic markets are more efficient than conventional markets with respect to price levels, menu costs, and price elasticity . . . although several studies find significant price dispersion in Internet markets."<sup>5</sup>

In this aspect, the internet can be quite a daunting and scary place. Open to internet scammers in addition to a variety of viruses prone to stealing identity, credentials, bank statements, etc.

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<sup>3</sup> Robert J. Gordon, *Does the "New Economy" Measure up to the Great Inventions of the Past?*, 7833 NBER, (2000).

<sup>4</sup> Ibid at 2.

<sup>5</sup> Ibid at 2.

As easy as it might be to locate information, it can also be quite difficult for those who are not on with the times.

## II. PLATFORM MARKETS

Platform Markets, or, Two-sided Markets, are those that try to bring together two or more sides for mutual benefit, but may or may not be charged. An example for this can be seen through a customer wanting to shop, having a mall as the platform and stores at the mall as a means to meet their demand. An important example for the internet age is that Google is a platform of search users and advertisers.

Platform businesses have revolutionized the economy and how other companies conduct business. Not only do they bring together consumers and producers and create a valuable network, but they also solve countless connection and efficiency issues.<sup>6</sup> A platform business consists of three main types of platforms. The first being Transaction Platforms which refer to those markets that provide the customer to be able access either products or connect people through mediums like Amazon and Facebook. The second type of platform market can be seen in Innovation Platforms where the platform provides an individual to customise his wants and needs and change them as and when he desires. Microsoft stands as a solid example. The third and final type of market is an Integration Platform that is a combination of transaction and innovation platform, similar to online application marketplaces like the Apple App Store or Google Play.<sup>7</sup>

Platform markets have been divided into two scenarios. The first one being, the relationship between the buyers seeing the platform as a means of gaining access to sellers, but they neither consider characteristics of the platform itself, nor do they believe that sellers on the other side of the platform represent the platform as a whole. This essentially means that a buyer only sees the platform at face value and fails to recognise the platform as being a much bigger and comprehensive entity. The buyer updates only on the seller that it has interacted with. The second scenario is that the buyer uses outcomes of individual transactions to form beliefs about the whole platform. To consider this, imagine a dynamic Bayesian decision problem of a buyer who arrives at the marketplace platform for the first time and is contemplating whether or not to purchase an item. His decision to purchase will rely on three basic elements: first, how much he enjoys the site experience; second, what are his expectations about the quality of the

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<sup>6</sup> Decker, *The Ultimate Guide to Platforms and How They Can Benefit Your Business*, HUBSPOT BLOG (Oct. 20, 2020), <https://blog.hubspot.com/marketing/platform>.

<sup>7</sup> Fitzgibbons, *What is Platform Economy?*, SEARCHCIO (Apr. 3, 2019), <https://searchcio.techtarget.com/definition/platform-economy>.

transaction; last, conditional on his belief, how price competitive is the site compared to other comparable marketplaces. If he decides to purchase, then after he receives the item he will update his beliefs about the quality of the site, and decide whether or not to purchase again.<sup>8</sup>

The platform business model has revolutionized business and technology immensely. This can be seen through business models that grow considerably faster than traditional business models; owing to the fact that they don't own the resources that create the value, i.e., the applications, content, service providers, or products. Their growth isn't contingent upon resources or capital. Their model is based on a reciprocal, self-sufficient community created from the supply of buyers and sellers, users and providers, or consumers or creators. They rely heavily on tools that and applications that help in growing their business, reach their customers as well as collaborate with their teams at a global level. This type of business model can be seen in companies such as Uber, Airbnb, Facebook, Amazon, etc. all of these companies are global companies and rely heavily on the previously mentioned facts. All of these companies operate globally and grow increasingly due to their availability as well as their ease and accessibility.

### III. ANTITRUST LAW IN INDIA

Competition Law, also known as Antitrust Law, are laws that are formulated so as to curb anti-competitive etiquette or unfair trade practices. The main focus of Competition or Antitrust Law is to avoid activities that harm trade practices either on the consumers' side or the side of the business. It tries to limit practices violating the ethical behaviour of the market.

The Competition Commission of India (CCI) plays the role of checking unethical market behaviour in India. The Competition Act, 2002 has been enacted to ensure the sustainability of competition in the market and also consider the interests of the consumers and also allow the participants of Indian market to trade with freedom. This law promotes the competition between enterprises and leaves the market unbound by the manipulation of stronger trading enterprises. The CCI started full-fledged operations in 2010, following the repealing of the Monopoly and Restrictive Trade Practices Act, which was in force from 1969 to 2009. Since its inception, till 31 March 2019, the CCI has noted 1008 instances of 'anti-trust' matters, meaning, and instances of anti-competitive practices. Over 20% of these cases have been in the real estate sector, followed by automobiles at 10%.<sup>9</sup>

The Office of the Director General exercises the authority to initiate an enquiry in relation to

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<sup>8</sup> Chris Nosko and Steven Tadelis, *The Limits of Reputation in Platform Markets: An Empirical Analysis and Field Experiment* 20830 NBER, (2015).

<sup>9</sup> Srinivas, *Why Antitrust is a Jumbo Indian Problem*, MINT (Aug. 3, 2020), <https://www.livemint.com/news/india/why-antitrust-is-a-jumbo-indian-problem-11596375452543.html>.

anti-competitive agreement or abuse of dominant position either on its own, on the basis of information or knowledge in its possession, or on receipt of information or on the receipt of a reference from the government or a statutory authority. Any person, consumer or their associations can file a complaint/information relating to anti-competitive agreements and abuse of dominant position. With respect to combinations, the CCI may initiate an inquiry either on its own or based on the notification by the firms proposing to enter into the combination.<sup>10</sup>

#### **IV. CHALLENGES FOR ANTITRUST ENFORCEMENTS**

E-commerce plays an increasingly integral part in the nation's economy as well as the lives of the people. Over the last decade, ecommerce has grown significantly all over the world on the side of the consumers as well as the providers due to the demand and supply chain which has been booming.

Growing ecommerce also gives way to growing competition, which in turn can lead to companies engaging in unethical practices to further their business. The world of ecommerce brings with it information transparency, to enhance consumer choice and to prompt and facilitate innovation in business models. This however does not mean that they are completely impervious to anti-competitive conduct. Also, the network effects that characterise the multi-sided platforms which are central to the ecommerce sector, may lead to the creation of a 'winner-takes-all' or a 'winner-takes-most' situations. While antitrust cannot and should not try and upend the economics that drive these markets, timely detection, and appropriate intervention to correct anti-competitive practices is of key importance in these markets so that the scales do not tilt further due to strategic barriers raised by incumbents.<sup>11</sup>

The Competition Commission of India or the CCI held a study in the e-commerce sector with the intention of deducting harm to competition caused by any pre-identified business practice(s) of any market player(s) that the study intended to test. The objective was to engage with industry and ascertain the Commission's enforcement and advocacy priorities in relation to ecommerce, based on a greater clarity on the market developments and emerging competition-barriers, if any. The study as a combination of secondary research and collection of primary data/information through a questionnaire survey of relevant stakeholders, focused group discussions (FGDs) with each surveyed stakeholder group and one-on-one meetings with

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<sup>10</sup> Samir Gandhi, Hemangini Dadwal and Indrajeet Sircar, *Antitrust and Competition Laws in India*, GLOBAL COMPLIANCE NEWS, <https://globalcompliancencnews.com/antitrust-and-competition/antitrust-and-competition-in-india/>.

<sup>11</sup> *E-commerce and Challenges for Antitrust Enforcement*, CCI.GOV, (Dec. 4, 2019) <https://www.cci.gov.in/sites/default/files/speeches/SpeechChairperson-AntitrustEnforcement.pdf?download=1>.

individual businesses.

There was a debate regarding the differences between a traditional market and an ecommerce market and how the two must be evaluated, what regulations or case by case law would be suitable for which type of market. The debate was held in order to get more practical insights and hence the market study.

The study saw issues such as platform neutrality in the context of online platforms. Under these, the businesses were operating under hybrid models wherein they provided digital infrastructure to connect sellers with buyers while simultaneously connecting sellers to the platform, putting them in direct competition with sellers creating an inherent conflict of interest as per the stakeholders. According to the business users, when e-commerce platforms serve as both a marketplace and a competitor on that platform, they have the incentive to leverage their control over the platform. The study also saw other issues such as platform-to-business contract terms which essentially meant that the platform was providing better real estate to certain businesses making sure it got more recognition. The third kind of issue noticed was platform price parity which meant that certain businesses were providing lower prices or terms for certain items therefore instigating other sellers to do the same so as to be able to compete in the market. Fourthly, the study saw exclusive agreements which is a means of negotiation wherein the aim is to provide the client with some protection so as to defer another party outbidding them. And finally, deep discounting, which in short means that selling a bond at a significantly lower price than that of its par value.

## **V. CONCLUSION**

New Age Economy, Platform Markets and Antitrust Enforcement are all bound together like vines and are all interdependent on each other. For any of the markets to function in an ethical manner it is essential to put in order Antitrust or Competition Laws. Platform Markets stems from the introduction of the New Age Economy which introduced the era of E-commerce. It was the means that looked so far ahead into the future that it was able to completely enmesh into the lives of millions and billions of people making it a person's go-to destination for just about anything. New Age Economy was the beginning which gave life to platform markets and many other such forms of markets and antitrust law is that which gave it the power to further the markets and the economy.

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