

Competition Policy in Selection Markets

E. Glen Weyl

joint work with Neale Mahoney, Chicago, and André Veiga, Oxford

Microsoft Research New England and University of Chicago

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- Combines Mahoney-Weyl (2014), Veiga-Weyl (2014)

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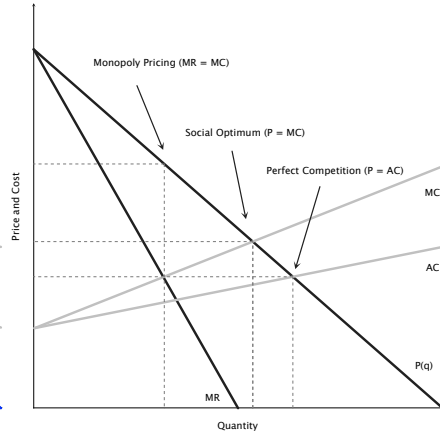
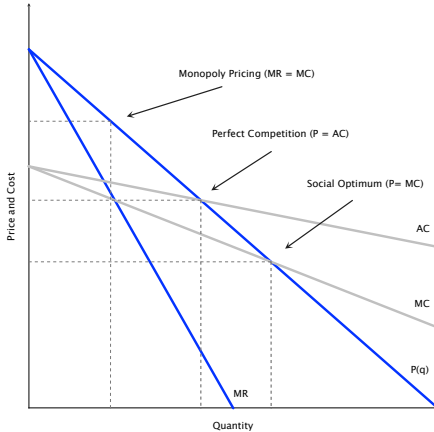
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 - Analyze, illustrate graphically

Visualizing adverse and advantageous selection



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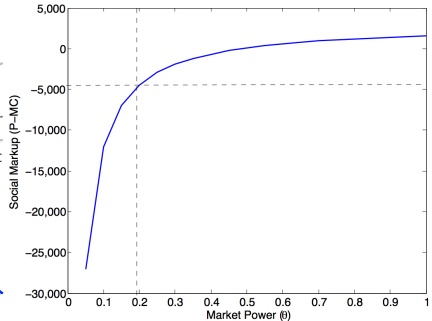
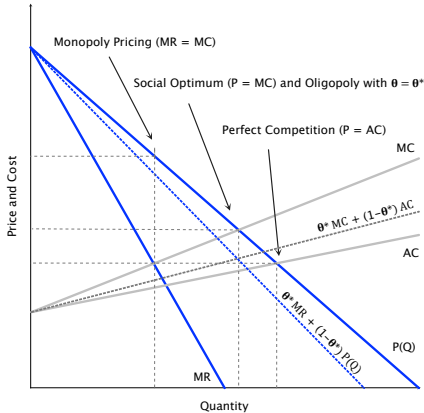
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⇒ Pro-competitive reforms may have caused real harm

Why and how beneficial is market power?



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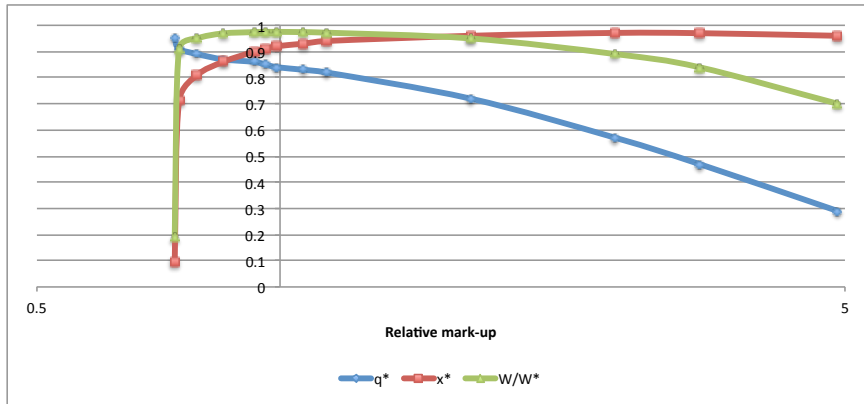
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 - Can it restore positive insurance, or even good outcome?

Surprising benefit of market power in insurance



Concrete challenges for merger policy

Most canonical tool of competition policy merger analysis

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- First-order condition backs out incorrect cost for UPP

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- Currently not formal, hard to say much about it!