

SOCIALIZATION

The integration of Zuckerberg not Marx

WELFARE

- Natural inefficiencies in markets
- Consumer Welfare
- Producer Welfare



CONSUMER

- “There are many economic interactions where the social context is not a second-order consideration, but is actually a primary driver of behaviors and outcomes” (Jackson 1)
- Example: the phone industry
 - “49 percent of the entire U.S. population uses a smartphone, according to previous research from IDC. By 2017, the percent of smartphone users is expected to reach 68 percent” (Sebastian).
 - “the smartphone users surveyed don’t associate their devices with feeling stressed out or lonely as much as they do with feelings of ‘connectedness’ and ‘productivity’” (Sebastian).

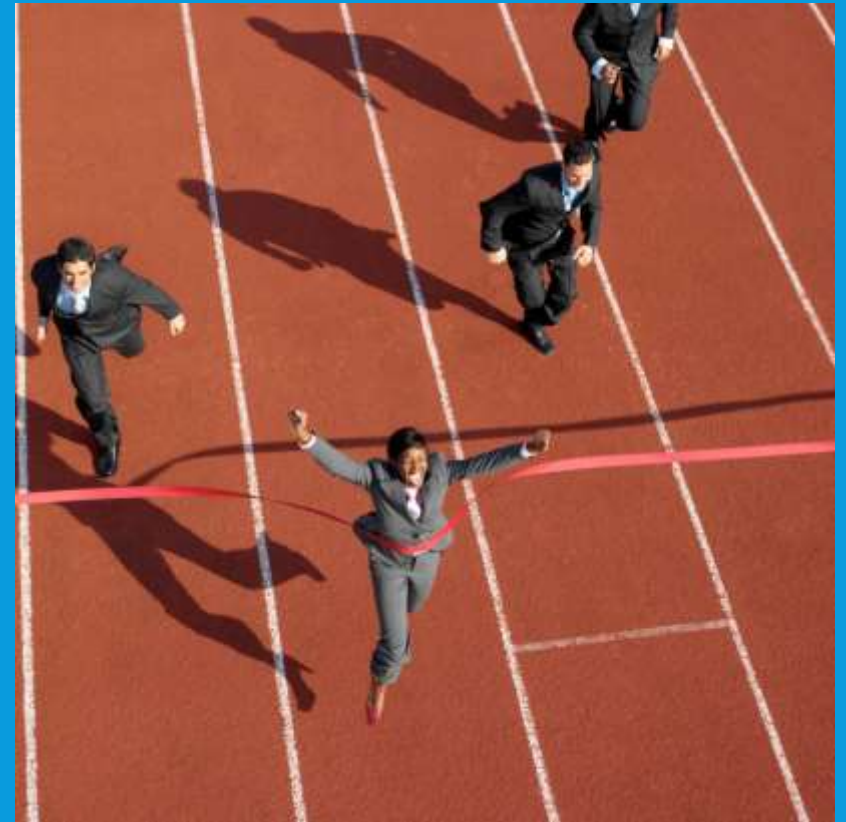


CONSUMER

- “There are many economic interactions where the social context is not a second-order consideration, but is actually a primary driver of behaviors and outcomes” (Jackson 1)
- The social integration must provide some welfare for consumers to choose it over the less expensive, non-social media enhanced good.
- More firms in the online marketplace
- Prices must be driven lower

CONSUMER

- =Competition
 - More firms in the market
 - Technological innovation
 - Lowered Prices
 - Increased Welfare



CONSUMER

- Reviews
 - “people value the opinions of other people ... Nielsen reports that 90 percent of people trust their peers’ opinions” (Qualman 72).
 - Lemons Problem



CONSUMER

- “Socialization”
 - value gains to consumers when others consume
 - Facebook or YouTube which are completely developed from user generated content.
 - Modern gaming consoles

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- The Xbox One is designed to serve as a beachhead in the home for Microsoft, with the console’s capability to interact with—and interface to—other devices, such as televisions, set-top boxes, smartphones and tablets” (Wilson).

PRODUCER

- Marketing
 - Cheap
 - Must be part of firm strategy
 - Compete in any market



PRODUCER

- Production
 - McKinsey Global Institute found “that by fully implementing social technologies, companies raise the productivity of interaction workers—20 to 25 percent” (Chui et al.).
 - Connect their workers and businesses across larger firms



PRODUCER

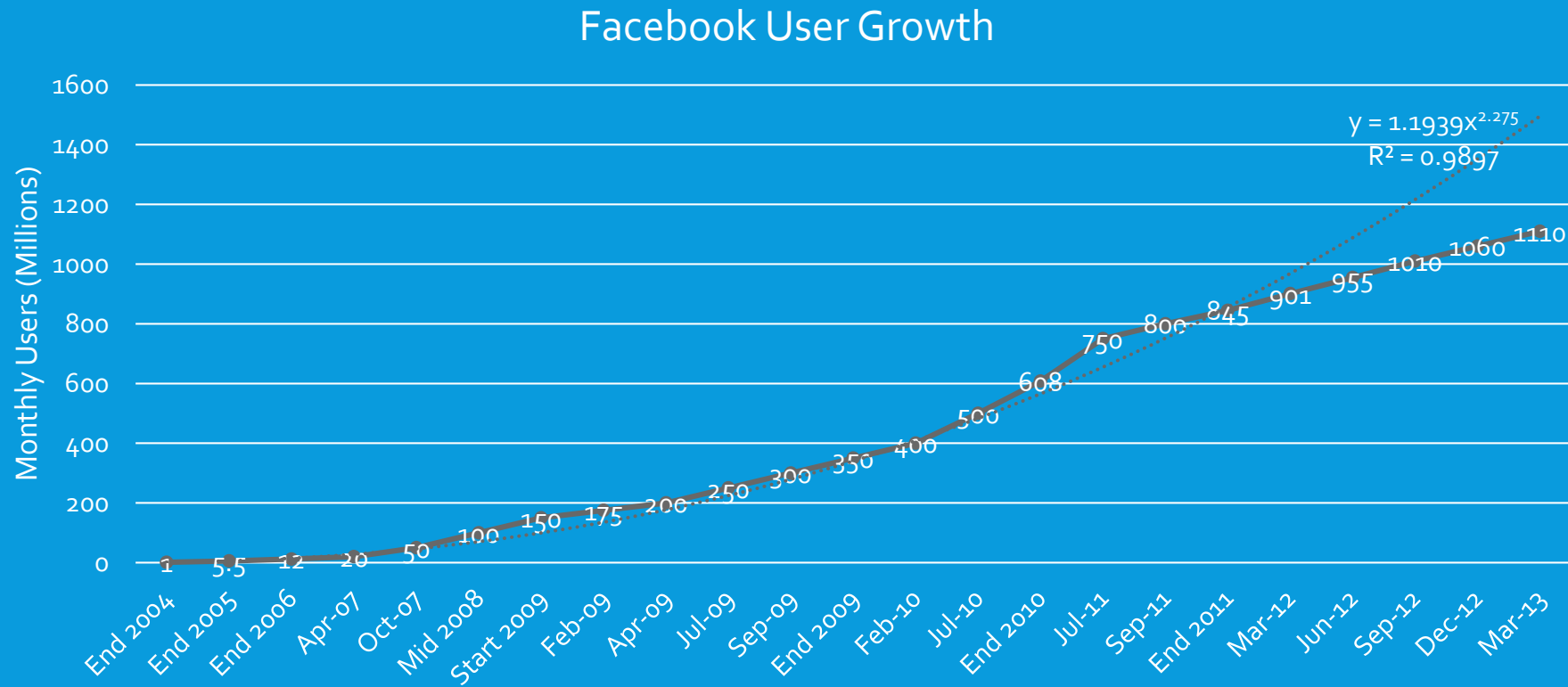
- Data
 - Target consumers
 - Price discriminate
 - Economically Efficient



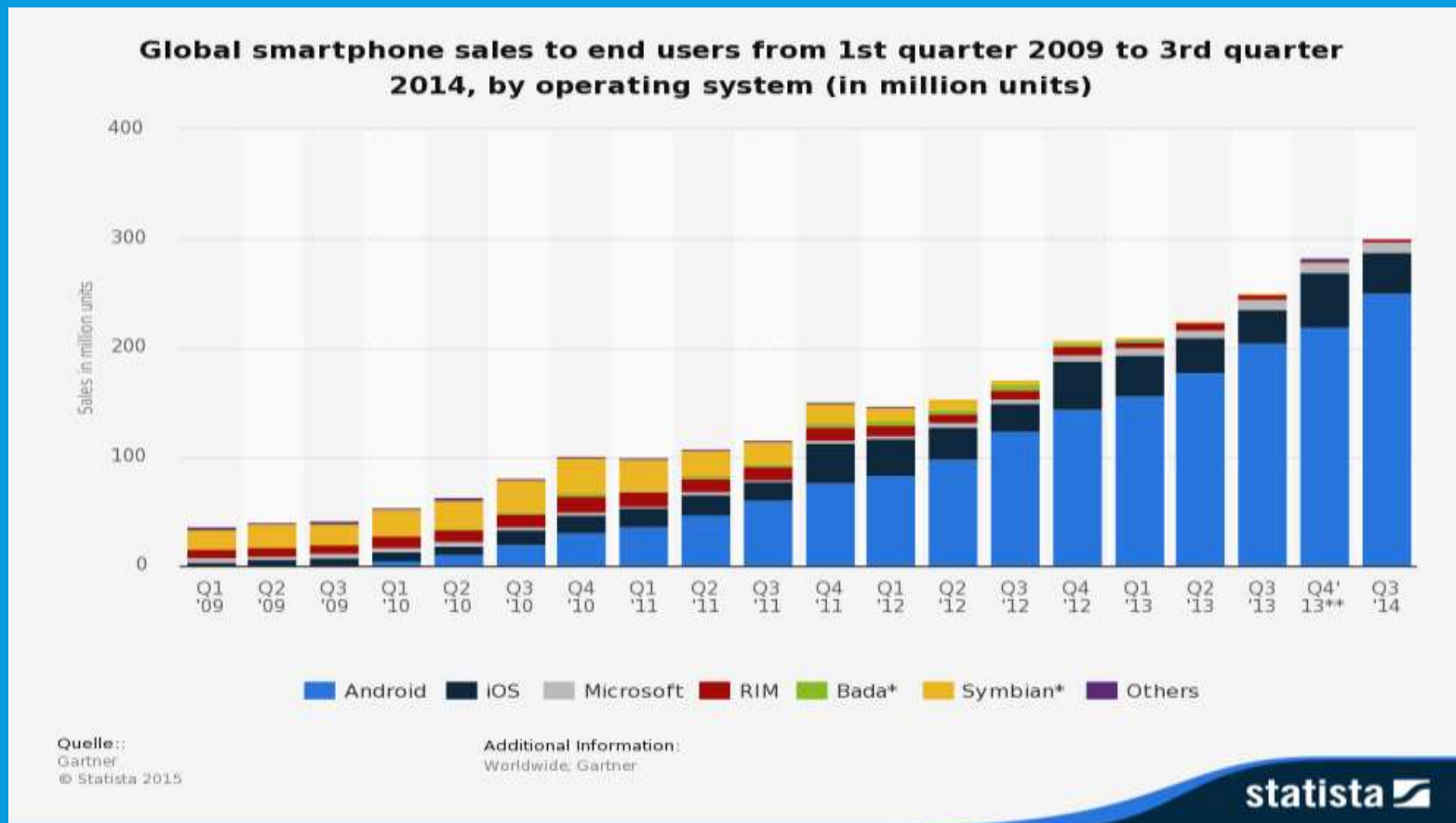
SOCIALIZATION

- Revisit Previous Idea
 - Value added to each consumer for each previous consumer
 - Products can “snowball” their value for consumers
- Economies of Scale
 - Idea is that as a company gets larger it becomes more efficient
 - Typically originates from fixed capital
 - Social media technologies follow this form in a classical sense
 - “Socialization” is a new sense
- Key idea: This forms potential Natural Monopolies

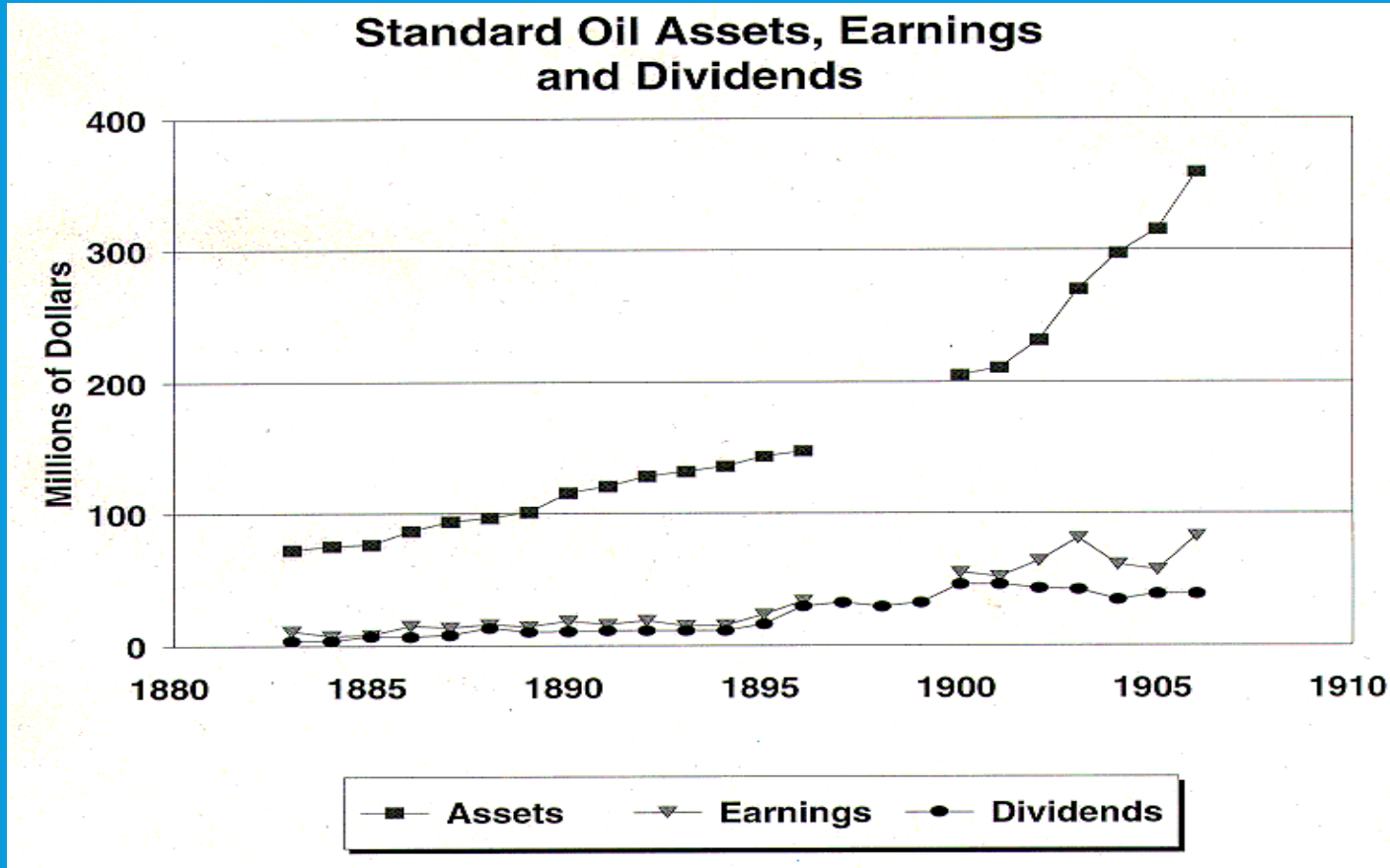
SOCIALIZATION



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SOCIALIZATION



POLICY

Protect

- Try to encourage what makes it good
- Keep individuals safe online
- More integrated

Regulate

- Block monopolies
- Monitor
- Connect



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