

What Have the Intermediaries Ever Done for Us?

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Executive Summary

Intermediaries may not be the consumer welfare hero we want, but more often than not, they are one that we need. Policymakers often assume that intermediaries and centralization serve as a cost to society, and that consumers are better off when provided with “more choice.” Concrete expression of this view can be found in regulatory initiatives that aim to turn “closed” platforms into “open” ones (see, in Europe, the Digital Markets Act; and in the United States, the Open App Markets Act and the American Innovation and Choice Online Act). Against this backdrop, we explain that, as with all economic goods, intermediation involves tradeoffs. Intermediaries emerge when it would otherwise be too difficult (or too costly) for groups of users to meet and interact. There is thus no guarantee that government-mandated disintermediation — such as that contemplated in the European DMA and the U.S. AICOA bill — will generate net benefits in a given case. The ongoing *Epic v Apple* proceedings are a good example of why it is important to respect the role of intermediaries in digital markets, and the unique benefits intermediation can bring to consumers. The upshot is that intermediaries are far more valuable than they are usually given credit for.

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