

E-COMMERCE: EFFICIENCY AND WELFARE

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ABSTRACT

This study assesses arguments which have been made for the efficiency of e-markets compared to the conventional markets. The study examines whether differences in economic factors such as menu and transaction costs between e-commerce and the conventional trade are responsible for the efficiency of e-markets and also compares welfare gains and losses by buyers and sellers. The study sheds light on price setting behavior of firms in the two environments and suggests some policy implications. The findings of the paper can also be used by the private and public sectors for an effective resource allocation toward achieving societal efficiency.

Keywords: *E-commerce, Market Efficiency, Welfare, Menu Cost, Search and Transaction Costs, Price Discrimination.*