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Product market traps in social media: Evidence and policy implications

Leonardo Bursztyn, Benjamin R. Handel, Rafael Jiménez-Durán, and Christopher Roth

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Product market traps in social media: Evidence and policy implications

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Abstract

This policy brief presents evidence of a "product market trap" in social media markets and discusses the implications for policy. A product market trap exists when many people feel pressured to use a product because others are using it, even though they would prefer it did not exist. We describe an experiment we conducted among more than 1,000 U.S. college students that provides strong evidence that social media platforms create such traps. While the people in our experiment used TikTok and Instagram frequently, the average student would be willing to pay to eliminate these platforms on their campus. We also show that the "fear of missing out" (FOMO) is a key factor driving social media use among students who would prefer the platforms did not exist on their campus, indicating that the growth of social media markets imposes costs on nonusers. While our research provides evidence in support of a range of proposals to tax, regulate, or restrict social media use, it particularly strengthens the case for regulating or restricting platform and algorithm design features that exacerbate users' fears of being left out if they do not use social media products.

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Introduction

Social media has grown rapidly over the past two decades. There were 5.24 billion active users worldwide in late 2025, with a typical user spending more than two hours every day on various platforms (ThinkPod 2025). While one would typically assume that a popular product benefits its users, prominent critics have raised concerns that social media may instead be making many or most of its users worse off (Haidt 2022; U.S. Department of Health and Human Services 2023). These concerns reflect negative trends in mental health, particularly among teenagers, with one survey finding that nearly half of young adults wish several widely used social media platforms had not been invented (Skiera 2024). Anecdotally, it is common to hear people say that their motivation for engagement with social media is their "fear of missing out" (FOMO): They would rather not be using social media, but they are worried about what they will miss if everyone else uses it and they do not.

In economic terms, the emphasis on FOMO as a motivation for social media use suggests a potential product market trap, which we define as a product that people feel pressured to use because others are using it, even though they would prefer it did not exist.[1] In this policy brief we first discuss the economics of product market traps and why the concept is relevant to social media platforms. We then describe a large-scale experiment we conducted among college students in which we found strong evidence that social media platforms create a product market trap: While the people in our experiment used TikTok and Instagram frequently, the average student would be willing to pay to eliminate these platforms on their campus.

Finally, we discuss the policy implications of our findings for proposals to tax, restrict, or regulate social media use. While our research could strengthen the case for a range of policies aiming to reduce social media use, it has particularly clear implications for platform and algorithm design features that exacerbate users' fears of being left out if they do not use social media. We believe that policies that restrict these features are valuable, even in competitive social media markets and especially in the concentrated markets we see in practice.

The economics of product market traps in social media

There are many products for which the value of using the product depends on whether other people use it.

For example, many researchers have studied network effects, where a larger product user base increases the value of using the product. This is true, for instance, for products based on certain technological standards (e.g., iOS, Android), ride-sharing platforms (Uber, Lyft), and payment platforms (PayPal, Square). In these markets, new users create "positive externalities" for other users: Each additional driver or rider who joins Uber or Lyft makes the platform slightly more valuable for everyone already using it or considering using it.

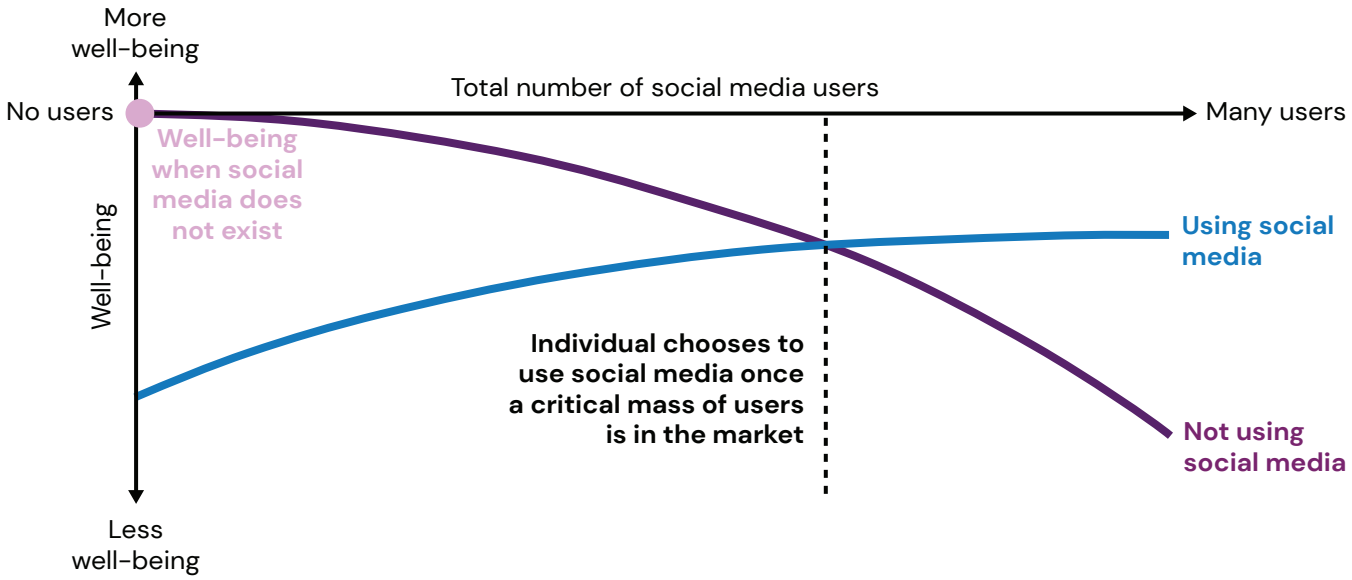
Our research focuses on cases where new users also (or instead) make people who are *not* using the product worse off: They create "negative externalities" for nonusers. One situation where this can occur is for products where social status, social pressure, and peer effects are important. For example, you might feel worse off if a neighbor, colleague, or friend owns a high-end or expensive product; importantly, you might be more inclined to buy that product yourself if others already own it.

Our hypothesis is that both positive and negative externalities from additional users are important in social media markets. We define the term "social media platforms" following Aridor et al. (2024), breaking the term into three core components. The "social" component refers to most content coming from users and the interactions between them. The "media" relates to traditional notions of media: that it is a two-sided market with users on one side and advertisers on the other. The "platforms" are online internet-based applications (apps) that use algorithms to provide content. Based on these three parts of the term, we define social media as two-sided platforms that primarily host user-generated content distributed via algorithms, while also allowing for interactions among users. Facebook, X, TikTok, Instagram, and to some extent YouTube are examples of social media platforms, based on our definition.

With this definition in mind, the economics of social media platforms differ from many other markets with network effects because platform adoption can create negative, as well as positive, externalities for other people. By adding to the opportunities for positive social connections, a new user who adopts a social media platform may increase the value of the platform for other users (positive externalities). But an additional user may also make people who do not use the platform worse off (negative externalities). This occurs because the more people use the platform, the greater will be nonusers' anxiety about missing out on key interactions or updates. This anxiety could result from a range of underlying mechanisms including (i) peer effects where others' actions are guideposts for your own, (ii) social pressure where others criticize you for not behaving like them, and (iii) a fear of missing out on key pieces of social information. If these effects are large enough, they can lead people who do not actually enjoy social media to start using it. The result is a product market trap: a situation where large numbers of people choose to use a product they also wish did not exist.

FIGURE 1

Example of an individual user experiencing the product market trap



Source: Authors' analysis (Bursztyn et al. 2026).

Figure 1 presents the concepts behind a product market trap in social media. For the person whose experience is depicted in the graph, well-being is highest when social media does not exist (zero users). When a social media platform is introduced and grows, if the person does not use social media their well-being declines as the extent of others' use increases. This results from a FOMO effect that increases with the number of users. Eventually, when the number of users reaches a critical mass, this person is better off using social media than not using it, and adopts the platform. But they remain much worse off than they were originally: Because of the negative externality created by other people's adoption of social media, they end up using a platform they would prefer did not exist. (See appendix B for an alternative, somewhat more technical, presentation of these concepts.)

In our research, we present an integrated framework with these principles that quantifies the impact of social media on consumer well-being (Bursztyn et al. 2025). In short, our framework shows the following:

- People who *do not* use social media are made worse off by the existence of social media, and this effect grows with the number of users.
- People who *do* use social media may be either better off or worse off because social media exists. In particular, early adopters—the people who join a platform when it has a small user base—will typically be people who benefit from the existence of social media: They choose to use it even when FOMO effects are small. As the platform grows, a growing share of users will be people caught in the product market trap.

Product market traps in real life: Our experiment

Are negative externalities from social media important in practice?

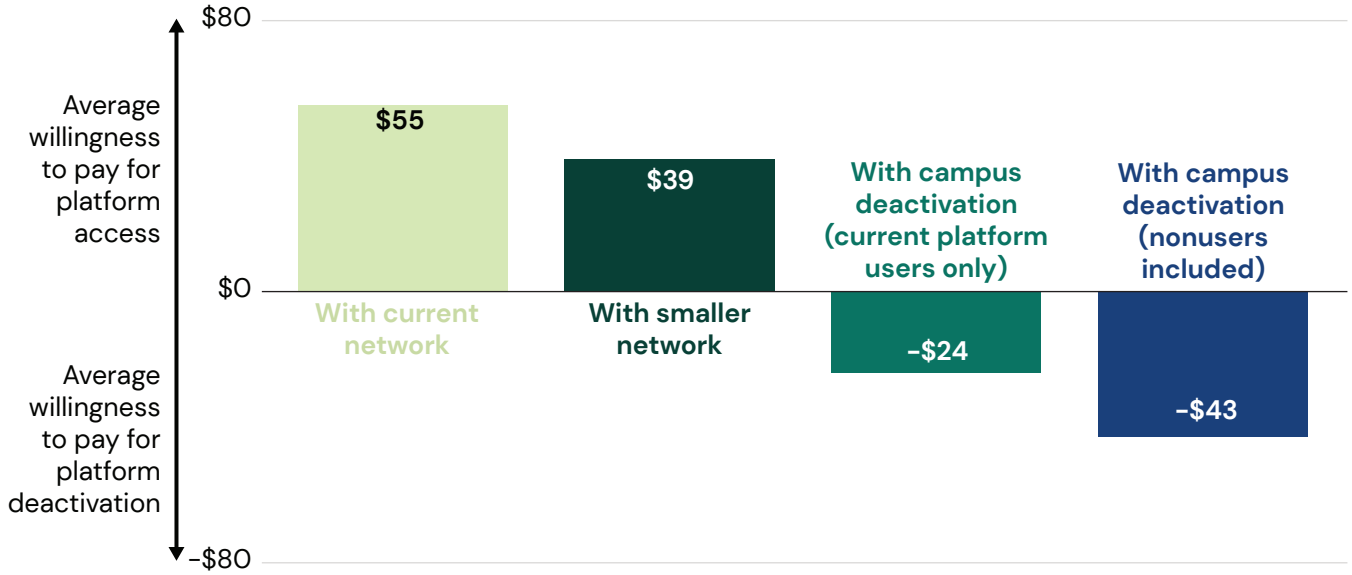
We designed an experiment with more than 1,000 U.S. college students to test that question. We focused on TikTok and Instagram, two widely used social media platforms, as well as Maps, a comparison app without a social component.

Our experiment separately quantifies (i) how much people value using social media given its existence and current user base, and (ii) how much people value the existence of social media; in other words, even if they are using it, do they wish it did not exist? We find that people value using social media given its existence and user base, consistent with existing research. But we also find that the average user wishes they could stop their entire network (including themselves) from using social media.

Our experiment is what is known as an "incentivized field experiment," where consumers face a

FIGURE 2

How people value 4 weeks of TikTok access



Source: Adapted from Bursztyn et al. 2025.

range of choices related to the questions we study, with the choices presented as having meaningful financial stakes. In one part of the experiment, for example, participants are asked how much money they would need to be paid to turn off Instagram for four weeks. To incentivize meaningful responses, they are told that, later, the experimenter will randomly select a dollar amount to offer participants to actually turn off Instagram for four weeks, and that they will only receive this offer if their earlier answers suggest that they will accept it. This is a commonly used framework in economic field experiments. We perform a range of checks to verify that consumers understand the experiment and its embedded incentives, finding that almost all understand the design well.

Within this experimental framework, we studied three related questions:

1. How much are people willing to pay to access social media platforms, assuming current levels of use from other people on campus?
2. How much less are people willing to pay to access social media platforms when fewer other people use them?
3. How much would people pay or need to be paid to turn off social media platforms for themselves and everyone else on their campus?

1. How much are people willing to pay to access social media platforms, assuming current levels of use from other people on campus?

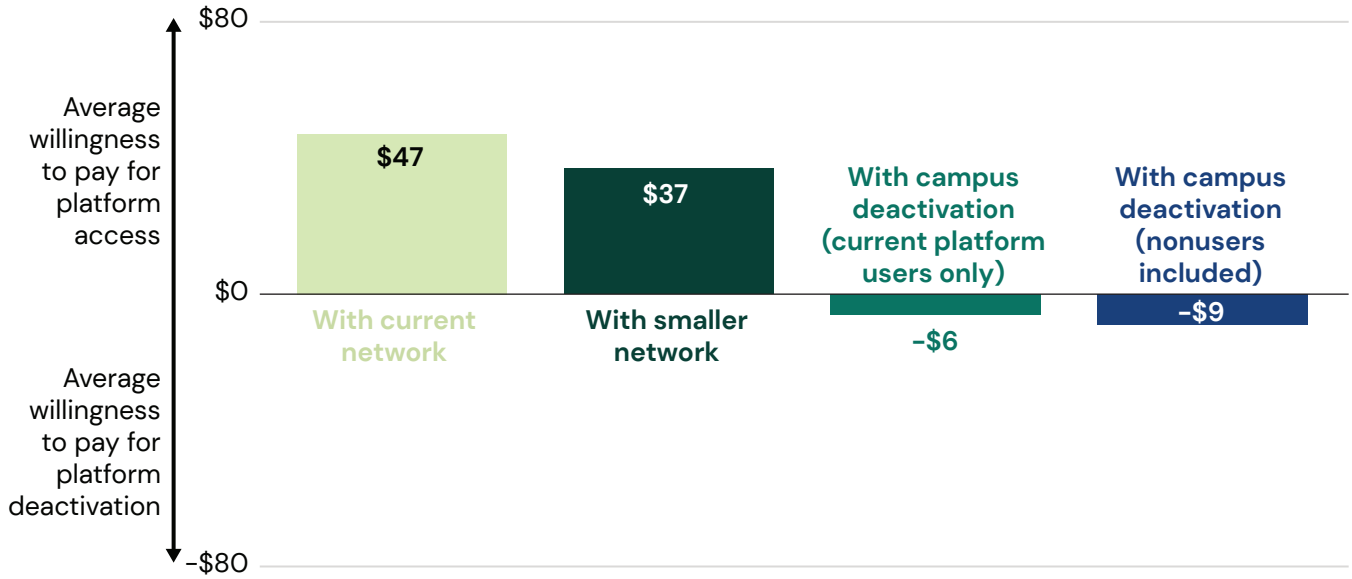
We measure how much a student needs to be paid to deactivate their TikTok or Instagram account for four weeks, assuming their peers' use remained unchanged. This measurement establishes a baseline of how much people value four weeks of access to social media given the status quo number of other users. We found that platform users require an average of $55 to deactivate TikTok for four weeks and an average of $47 to deactivate Instagram (see figures 2 and 3). About 90 percent of users attach positive value to social media under these conditions.

2. How much less are people willing to pay to access social media platforms when fewer other people use them?

Second, to isolate the value of standard network effects (positive externalities on other users), we measure how much participants need to be paid to deactivate their TikTok or Instagram account when they are told that all other participating people at their university will also be asked to deactivate, and some presumably will do so. This helps us determine how much less someone is willing to pay to use social media as the social network size shrinks. As one would expect,

FIGURE 3

How people value 4 weeks of Instagram access



Source: Adapted from Bursztyn et al. 2025.

when the number of users is smaller, people value the platforms less. Platform users require an average of $39 and $37 to deactivate TikTok and Instagram, respectively, and about 70 percent of users attach positive value to the platforms (see figures 2 and 3).

3. How much would people pay or need to be paid to turn off social media platforms for themselves and everyone else on their campus?

Finally, and most critically, we measure how people value the existence of social media. Participants were asked what they would be willing to pay, or would need to be paid, for a scenario where *all* participating people at their university, including themselves, were to deactivate their accounts. This part of the experiment measures the well-being derived from the platforms' existence relative to a world where they do not exist, at least in participants' immediate social circles.

We find that current users of social media would be willing to pay an average of $24 (TikTok) and $6 (Instagram) to deactivate the platforms on their campus for four weeks; 60 percent of TikTok users and 46 percent of Instagram users attach negative value to the platforms. We also find that people who do not use these platforms have even higher willingness to pay to deactivate them, providing direct evidence of the negative externalities that users impose on nonusers. As shown in figures 2 and 3, average willingness to pay for a four-week deactivation grows to $43 (TikTok) and $9 (Instagram) with nonusers included; 83 percent (TikTok) and 56 percent (Instagram) of nonuser participants in our experiment are willing to pay at least some amount for a four-week deactivation.

We also asked participants directly about their preferences (figure 4). Among all participants, 57 percent (TikTok) and 58 percent (Instagram) responded that they would prefer to live in a world without the platform. Among those using the platforms, the shares were 33 percent (TikTok) and 57 percent (Instagram). Additionally, these survey measures are highly correlated with individual participants' willingness to pay for a four-week deactivation of the platforms, providing further validation of those results.

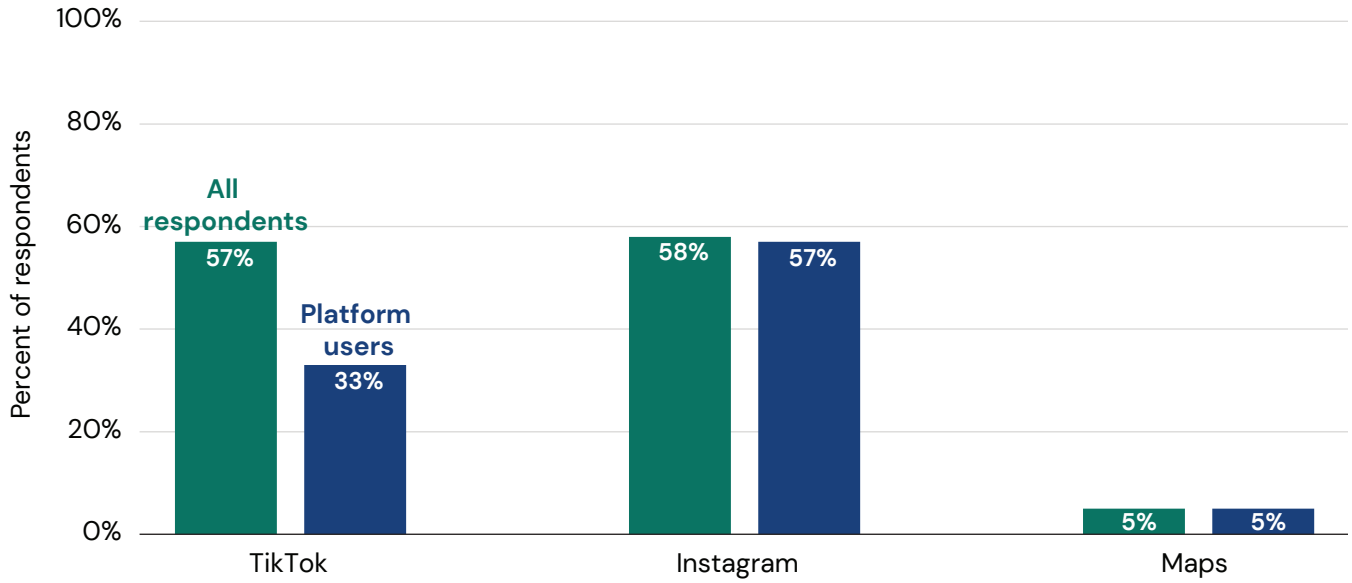
Consistent with our expectations, we find no evidence of a product market trap for the app Maps (figure 4). In our survey, only 5 percent of respondents say they would prefer to live in a world without the app.

We also ask users of TikTok and Instagram why they continue to use each platform, despite saying that they wish the platform could be deactivated for them and their social network.

Figure 5 shows the responses. The most common reason people continue to use the platform is FOMO—the fear of being out of the loop on key social content. In fact, 40 percent of TikTok users and 76 percent of

FIGURE 4

Share of participants who prefer to live in a world without the platform



Source: Bursztyn et al. 2025.

Instagram users highlight FOMO as their primary motivation. Other reasons cited for use, though to lesser extents, are entertainment, information, addiction, and productivity/convenience.

Survey responses show, as expected, that consumers obtain information from Maps and find it productive to use; however, responses do not highlight entertainment or FOMO as reasons underlying their use of that app.

Our results are stark, and they highlight how the product market trap framework is important for thinking about well-being and social media. Using standard measures, it seems as if consumers value social media. Yet, when digging deeper, it becomes clear that many feel compelled to use social media once it exists, even though they wish it did not exist to begin with.

It is important to note our experiment was limited to a sample of college students ages 18 and older. While college students are certainly not representative of all social media users, they are a highly active and policy-relevant demographic. Our experiment sheds light on the relevance of product market traps for adults, albeit young adults, whose preferences may differ in important ways from both older users and children. Additional research on the extent of negative externalities from social media use in the broader population would be valuable. Nonetheless, the fact that a majority of the college student participants in our experiment would be willing to pay to deactivate major social media platforms leads us to conclude that these externalities are likely relevant for other populations as well, even though magnitudes probably differ.

Policy implications

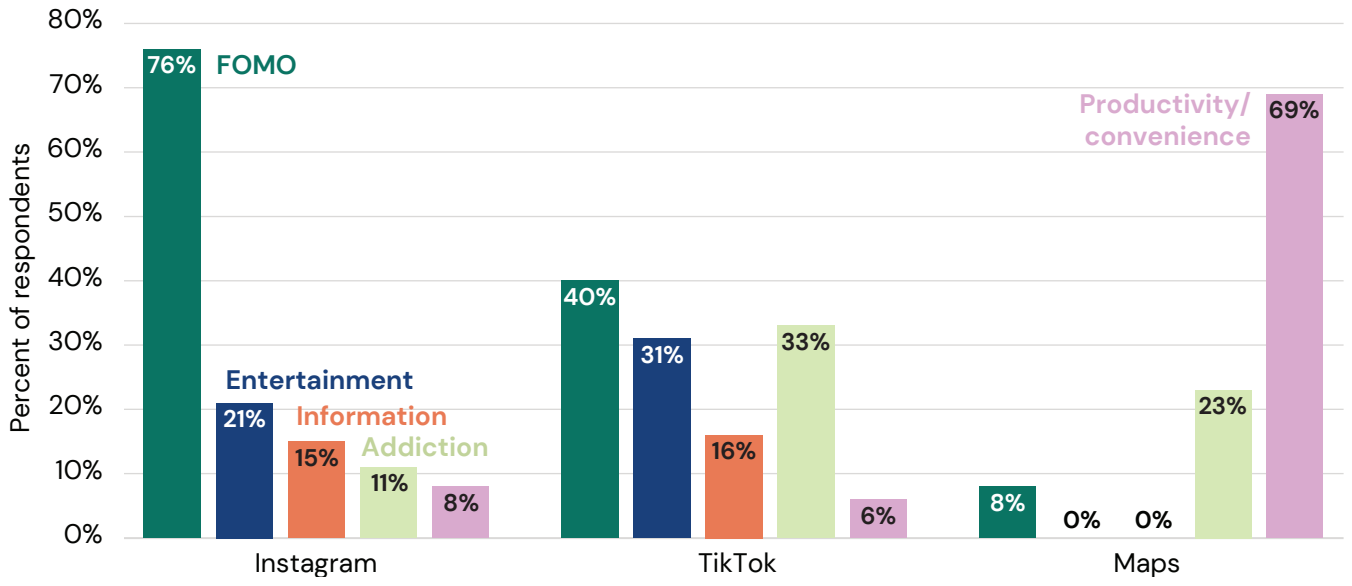
Our finding that many social media users are caught in a product market trap has implications for proposals to restrict or regulate social media or to tax social media use.

Thus far, policy conversations regarding social media have largely revolved around deteriorating mental health, especially among teens and children, and the addictive properties of social media platforms. Our research offers a different rationale for intervention in social media markets: namely, that the growth of these markets imposes negative externalities on nonusers, with the result that, unlike in typical product markets, the fact that people use a platform does not necessarily mean that they benefit from its existence.

This section discusses the relevance of our results for four policy tools: targeted interventions focused on mitigating negative externalities on nonusers, taxes or fees, broad restrictions on social media use, and antitrust policy. (Appendix A summarizes a range of policies that have been used or considered to address harms from social media use.)

FIGURE 5

Reasons given for using Instagram and TikTok among users who would prefer the platform not exist



Source: Bursztyn et al. 2025.

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Targeted efforts to reduce negative externalities on nonusers

Our findings are most directly relevant for regulations that would target features of platform or algorithmic design that create or exacerbate negative externalities for nonusers.

The existence of product market traps creates perverse incentives for firms in designing social media products. A company can increase demand not by making its product intrinsically better, but by making the experience of *not* using it worse.

Social media platforms use a range of features to increase divisions between account holders and non-account holders. For example, TikTok hides comments on video, and X blocks full threads for non-account holders. These features can make it more costly for people to stay away from a platform that some of their social network uses, deepening the product market trap. Regulators could scrutinize features that primarily serve to increase the social cost of nonconsumption, since these may be anticompetitive and welfare-reducing.

Another related avenue for reducing nonuser externalities is the extent to which algorithms steer consumers toward certain kinds of content. User feeds and notifications may be designed to increase FOMO, in a way that perpetuates engagement and decreases nonuser utility. In addition to increasing engagement with the platform overall, notifications may be designed to steer consumers toward the content that induces the most FOMO if not consumed—in other words, the content with a high social capital benefit.

These policies may be challenging to implement in practice, since adjusting algorithms can be a subtle and difficult endeavor. However, to the extent that algorithms promote content that creates an "in group" vs. an "out group," which thus necessitates continued use of the platform, regulators might be able to find feasible ways to moderate these effects and reduce the linkage of algorithmic recommendations to product market traps. The 2022 European Union (EU) Digital Services Act highlights the need to regulate algorithmic recommendations, with a minimum requirement to explain to users how algorithms work and to offer alternatives that are not based on very targeted profiling. In addition, regulators could consider changing the required default setting on social media apps in relation to (i) the number of notifications and (ii) the types of notifications received. This kind of policy could have a positive impact in this domain while still giving users the opportunity to opt in to recommendation systems that are more typical currently. One outside-the-box approach is to move regulation toward approaches like

those currently used by Mastodon, which is a nonprofit platform that allows users to tune recommendation algorithms. A recent report by the Knight-Georgetown Institute (Moehring et al. 2025) focuses on policies to promote algorithms that "put people first." The report highlights policies related to (i) algorithm design transparency, (ii) algorithmic default options on platforms, and (iii) a requirement for public-facing algorithm impact analysis, which are consistent with our framework for mitigating product market traps.

Our findings also point to the potential value of voluntary coordination mechanisms that reduce pressure to use social media, since they suggest that certain groups may value collective, self-imposed restrictions on social media use. College students are a natural population for such policies that could, for example, discourage social media use during certain hours, or in general, and provide for a collective mechanism to limit use. These limits could occur either on the extensive margin (any use) or on the intensive margin (amount of use via time limits). Social norms could be effective, as could "phone free" entertainment alternatives. Agreement on collective reductions could shift norms, which could also help reduce the effects of negative nonuser externalities.

Another possible solution comes from the private sector. If consumers wish that they could collectively reduce social media use within their peer groups, it is possible that firms could help develop mechanisms to make this collective commitment. Some members of our author team have worked on this solution by founding the company Nomo. Nomo forms partnerships with other private firms (e.g., large retailers) to encourage people to spend collective periods of time away from social media, while engaging in other social activities. This gives users an avenue to temporarily deactivate social media use in their networks. While these types of solutions seem promising, it is an open question whether they will be widely adopted.

Taxes or fees

Taken at face value, our results could justify imposing sizable "Pigouvian" taxes on social media use, with the goal of limiting the extent of the nonuser externalities and partially reversing the product market trap. ("Pigouvian" taxes are taxes designed to correct for negative externalities.) Taxes of this form have been used to help account for negative externalities in many domains, including cars or firms that pollute, the use of plastics, and traffic congestion, as well as to address the harms of products that create negative externalities and are also addictive and directly harmful to users, such as tobacco and alcohol.[2]

With social media use, the implications of Pigouvian taxes are less straightforward than in the examples referenced above because there are simultaneously positive externalities from use for other users and negative externalities from use for nonusers. This creates a scenario where, on the margin, a tax that reduces social media use can reduce well-being among platform users but increase well-being for nonusers, with ambiguous effects for people who stop using the platform because of the tax.

Nonetheless, our analysis yields some insights. At least in the setting of our experiment, a heavy tax that leads all users in our sample to stop using social media would be welfare-improving relative to current use. While shutting down this market altogether is unrealistic and likely undesirable, given the harm to users who do value these platforms, these findings imply that some smaller, positive tax could improve overall well-being in our setting. Conceptually, a small tax could shrink the market, reducing FOMO, with the result that a larger share of social media users would be people for whom the platforms improve well-being, rather than people who feel pressured to use them.

Developing and assessing actual tax policy for social media would require a far more detailed analysis of demand and feedback effects in the general population, as opposed to just the college students in our experiment. Additionally, it would require grappling with important implementation problems that are beyond the scope of this brief. We highlight just a few of those problems:

- Would the fee be collected by the firm through the app? In this setting, the decision about who remits the tax could change its economic effects, since firms would have a strong incentive to reduce the salience of the tax for users as much as possible.
- Would firms be allowed to pay consumers in order to cancel out the impact of the tax on consumers' behavior?
- Would the tax be for any use or for users who have use above some threshold level? Any use is much simpler to implement than use above some threshold level, which requires a higher degree of implementation difficulty and leaves more room for consumer or firm responses to avoid the tax.
- Would the tax be the same for all social media platforms? Or would it differ depending on some characteristics?

A recent policy proposal from Massachusetts Representative Jake Auchincloss, the Education Not Endless Scrolling Act, discusses taxing social media firms with the goal of recognizing the harm they

can cause users (U.S. Congress 2025a). A key goal of Auchincloss' proposal is to use the funding generated by the tax for social media education and wellness programs. While his proposal targets firms and is not per se geared toward product market traps, the user tax described here would have many of the same downstream implications.

Broad restrictions on social media use

While taxes are one policy approach to limit social media use to mitigate product market traps, there are a range of more-direct approaches that have been used or proposed to restrict children's use, for example: (i) limits on cellphone use in schools and (ii) age-based restrictions on social media accounts and access.

The bipartisan Kids Off Social Media Act (S.278), introduced in 2025 with 14 sponsors and cosponsors, would (i) prohibit children under the age of 17 from accessing personalized recommendations and (ii) prohibit use of social media by children in schools (U.S. Congress 2025b). This legislation, still under consideration, would be one of the largest-scale policy restrictions on social media use. As of early 2026, 34 U.S. states and the District of Columbia prohibit or restrict cellphone use in schools (Prothero, Langreo, and Klein 2026). By late 2025, nine U.S. states had passed bills to regulate social media for minors while at least 11 others had introduced legislation with that intent. These bills range from requiring parental permission to blocking social media access on school Wi-Fi to limiting algorithmic feeds and data collection (Dornsife 2025; Mullins 2025). Internationally, by the end of 2024 about 40 percent (UNESCO 2025) of education systems had cellphone bans, with this number rising to 85 percent in central and southern Asia. While these bans do not directly target social media per se, reduced use of social media is a primary motivation. Australia recently banned children under the age of 16 from having social media accounts (Parliament of Australia 2024), and some other EU countries have taken steps towards similar restrictions (Gkritsi 2025; Pineau 2026).

Product market traps offer an additional reason for these policies, alongside concerns like addiction, low self-control, misinformation, disrupted education, and poor mental health more broadly.

In principle, product market traps could also be a reason to more directly regulate social media use for adults. However, we find it both unlikely that such policies would be implemented and not obvious that such policies make sense. Adults may have less FOMO than children (or older adults may have less FOMO than the college students in our experiment), and older adults may leverage social media more for purposes like information and entertainment. Even in our sample of college students, while users on average would prefer TikTok and Instagram to not exist in their environment, there are still many users who do want it to exist and benefit from using it. This suggests that targeted regulations like those discussed above, or policies like warning labels or, perhaps, moderate taxes (i.e., the approaches used for cigarettes and alcohol use among adults), likely make more sense than broader bans on social media.

Implications for antitrust policy

Finally, it is important to note that product market traps may have important implications for antitrust policy, although the existence of product market traps does not necessarily strengthen the case for stronger antitrust enforcement.

Negative nonuser externalities strengthen platform network effects and can lead to greater size and market power, making it more likely that scale is achieved through means that are not socially valuable. This, in turn, implies that the potential negative consequences of breaking up a large firm or disallowing a merger are muted if externalities to nonusers are strong relative to network effects for users.

However, to determine whether intervention is warranted, and, if so, what intervention that should be, policymakers would need to understand the relative size of positive versus negative network effects. They would also need an understanding of what products substitute for given social media platforms. It is not obvious that having a more fragmented social media marketplace (with more separate platforms) per se would ameliorate product market traps. While some of the broader points here are discussed in the recently dismissed Federal Trade Commission (FTC) case against Meta (Jamali 2025), application of the product market traps framework to antitrust seems both highly relevant and highly context specific.

Conclusion

Our research highlights new economic foundations for policy interventions in industries with nonuser externalities, i.e., products where nonusers are made worse off by users consuming the product. We show that these nonuser negative externalities are present in social media for the college students in our experiment, and, moreover, that they are crucial for assessing well-being and impact of potential policy interventions. We find (i) that almost all users are willing to pay for access to social media platforms given the overall user base, but (ii) that roughly half of users are willing to pay to collectively stop themselves *and all their peers* from using social media, and (iii) that users on average would be better off if none of them used social media. Moreover, we find that FOMO is a key factor driving use of social media among people who would prefer it did not exist.

Appendix A: Summary of policies addressing harms from social media use

Pigouvian taxes	Pigouvian taxes, which are fees designed to address user externalities, are a natural policy tool to consider in social media. If negative externalities from users for nonusers are bigger than positive externalities from users on other users (as we find on average), taxes could limit these negative feedback effects and partially or fully reverse product market traps. Taxes of this form have been used to help account for negative externalities in many domains, such as, for example, cars or firms that pollute, the use of plastics, and traffic congestion. In our setting, the implications of Pigouvian taxes are subtle because there are simultaneously positive externalities from use for other users and negative externalities from use for nonusers. This creates a scenario where, on the margin, a tax reducing use both reduces utility for people who continue to use and increases utility for those who do not use. Our results suggest that (i) some positive tax will be better than no tax, since a tax that eliminates the market will make consumers better off, and (ii) a tax on the margin benefits nonusers and hurts consumers who continue to use. A full assessment of optimal tax policy requires more-complete estimates of how these externalities, and user and nonuser valuations, relate to each other. Additionally, (i) a tax has potential benefits to help consumers deal with addiction or internalities, but (ii) a tax also has several specific and challenging implementation issues.
Prohibition of social media for minors	By late 2025, nine U.S. states had passed bills to regulate social media for minors while at least 11 others had introduced legislation with that intent. These bills range from requiring parental permission to blocking social media access on school Wi-Fi to limiting algorithmic feeds and data collection. Most recently, in January 2025 the U.S. Senate introduced the Kids Off Social Media Act, which aims to prohibit children under age 13 from accessing social media and children under age 17 from accessing personalized recommendations. These regulations reflect growing concern over deteriorating youth mental health worldwide. Australia recently prohibited children under age 16 from having social media accounts; other countries, including France and the Netherlands, have vocalized support for more social media restrictions for minors.
Prohibition of phones in schools	As of July 2025, six U.S. states have statewide cellphone restrictions in schools, and 27 states and the District of Columbia require school districts to implement policies banning or restricting cellphone use. Some policies prohibit the use of cellphones throughout the school day, while others limit use during class time. Cellphone bans are becoming increasingly popular worldwide; by the end of 2024, about 40 percent of educational systems had cellphone bans. Almost 85 percent of systems in central and southern Asia have policies banning cellphone use in school compared to 40 percent in Europe and North America.
In group vs. out group	Social media platforms foster division between account holders and non-account holders by blocking or limiting features to non-account holders. For example, TikTok hides comments on videos, and X blocks full threads for non-account users. Likewise, companies like Apple encourage a social divide between users and nonusers by creating or allowing exclusive features on their products. A classic example is the iMessage bubble color, which is green for non-iPhone users and blue for iPhone users.
Algorithms	The development of algorithms that create addictive and specialized social media feeds based on user data and profiling has been the subject of recent attempts at regulating social media. In 2024 the EU Digital Fairness Act mission letter highlighted the need to address these issues. Similarly, the 2022 EU Digital Services Act, among other things, requires companies to explain to users how algorithms work and to offer an alternative feed that is not based on profiling.
Voluntary coordination mechanisms	There are emerging private solutions to the social media trap problem. For example, Nomo, a firm started by some members of our author team, forms partnerships with other private firms to encourage collective periods of time away from social media, engaging in other social activities. This gives users an avenue to temporarily deactivate social media use in their networks and instead generate social capital in other ways. Other solutions include platforms that seek to coordinate users around meaningful experiences.
Networks and antitrust solutions	Social media companies have long been acquiring emerging platforms as a way of eliminating competition and growing their networks. These acquisitions perpetuate "in-group" and "out-group" dynamics by increasing the prevalence of certain platforms and perpetuating subsequent network effects. Similarly, companies have an incentive to limit the interoperability of their platforms, thereby increasing network effects by preventing users from competitor platforms from engaging with their content. For example, X limited interoperability with LinkedIn and Instagram, and Meta limited interoperability with Vine. For a social media company, acquiring competitor platforms and/or preventing them from coexisting with their platform incentivizes people to flock to the company's products in order to remain in the "in-group." The 2020 FTC case against Meta over the acquisition of WhatsApp and Instagram, one of the most substantial antitrust cases against a social media company, went to trial recently and was dismissed in favor of Meta. The Augmenting Compatibility and Competition by Enabling Service Switching (ACCESS) Act, S.1634 , which was introduced in the Senate in May 2025 and is currently in committee, is the latest in a series of attempts to pass legislation mandating interoperability among online communication services. However, past bipartisan versions of this bill have not succeeded in Congress.

Appendix B

Figure B1 in this appendix provides an alternative depiction of the concepts behind a product market trap in social media. On the x-axis is the number of actual total users of the platform (X). On the y-axis is utility, a quantitative measure of consumer well-being. Here we define well-being relative to a world where social media does not exist (X = 0) in order to better capture our key concepts.

The blue line highlights utility from a marginal potential user when a consumer uses social media. The marginal user at a given level of X is someone who is considering using social media, given that there are X other consumers who have already decided to use it (i.e., those who value it the most). This blue line starts at a positive value when X = 0: There are some people who just love the idea of using a social media platform, being an initial user, and so on. Over time, the platform attracts users who are decreasingly excited about its existence, but who value using it, given that others are also using it. At some point, as the user base increases (X_2*), the marginal new user is indifferent between the platform existing or not (utility of using product relative to it not existing is zero). As further users accumulate, new potential users now receive negative utility from the product (relative to the product not existing) but nonetheless choose to use the product.

Why do users continue to use the product? The orange line highlights the welfare of the marginal user when they do not use social media. In a normal product market, this utility would be flat and equal to zero. In other words, in a typical product market, a consumer feels more or less the same not using the product regardless of whether others use it. In social media or other goods where social status matters, the orange line decreases as more users use the product. In other words, the utility of the new potential user if they do not use social media becomes increasingly negative as a greater number of others use the product.

This leads to a world where (i) marginal potential users at all levels of X decide to use the product, but (ii) many users have negative utility from the product's existence (those users for whom the blue line is negative). These users choose to use the product, nonetheless, because not using it when it exists is *even worse* than using it, despite the consumer wishing in either case that the product did not exist.

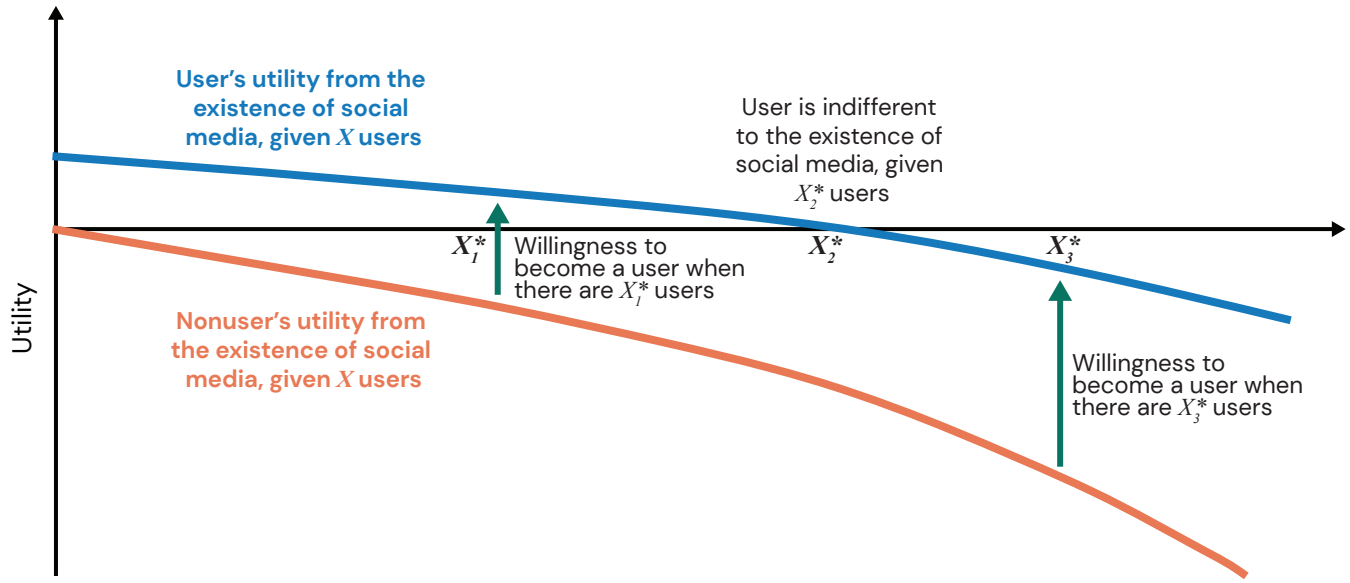
Figure B2 presents a different vantage point: What do the demand curve (willingness to pay) and the welfare curve (relative to no product existing), or marginal benefit curve, look like for a given user base for the platform X*? Willingness to pay, represented by the demand curve, is higher than the welfare curve, precisely because nonusers are worse off in a world where social media exists and they do not use it. In a traditional economic analysis, the welfare generated by the platform's existence would equal the areas of A + B (which will always be positive). In a world accounting for status effects, negative nonuser utility, and product market traps, actual welfare is B + C + D, which could be negative if nonuser utility is large enough.

Endnotes

1. People may also regret their social media use if it is driven by addiction. While this policy brief focuses on product market traps, see Allcott, Gentzkow, and Song (2026) for a discussion of social media use and addiction.
2. Our discussion here focuses on the user and nonuser externalities that our research studies, rather than the issue of addiction. Incorporating addiction would argue for using taxes earlier in the adoption cycle, prior to the creation of a large user base, and would necessitate the use of complementary policies to pair the tax with tools to combat addiction. See Allcott, Gentzkow, and Song (2022) for further analysis and discussion of addiction in social media.

FIGURE B-1

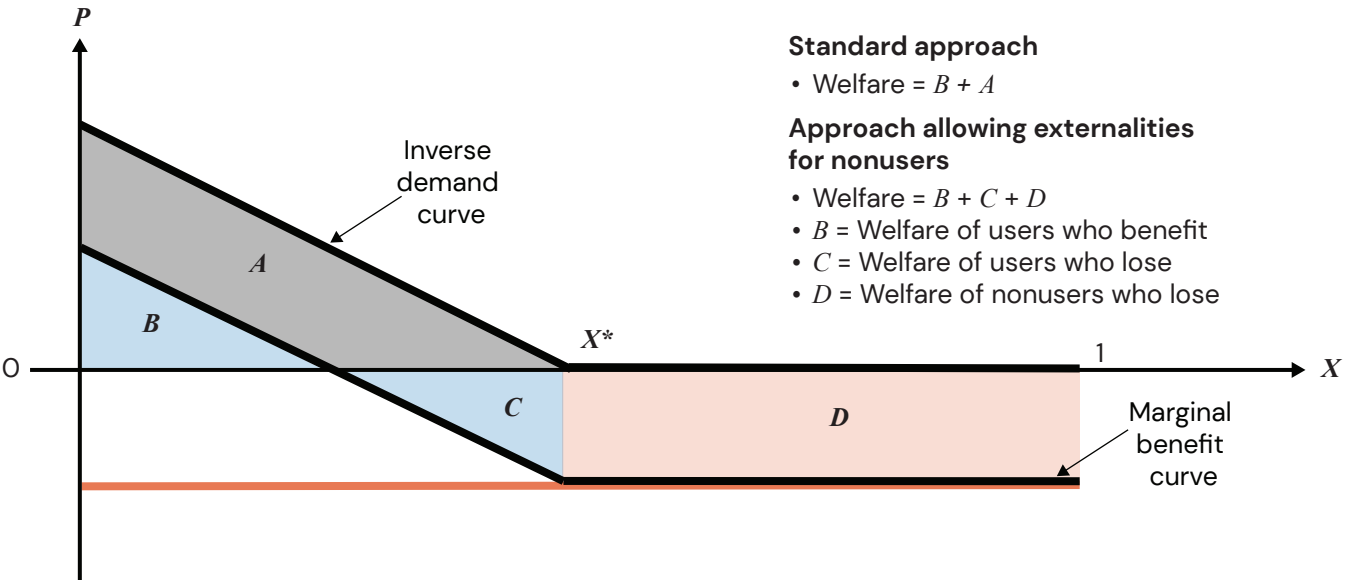
Illustration of the product market trap



Source: Authors' analysis (Bursztyn et al. 2026).

FIGURE B-2

Comparison between welfare measures given market share X*



Source: Bursztyn et al. 2025.

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This policy brief presents evidence of a "product market trap" in social media markets and discusses the implications for policy. A product market trap exists when many people feel pressured to use a product because others are using it, even though they would prefer it did not exist. We describe an experiment we conducted among more than 1,000 U.S. college students that provides strong evidence that social media platforms create such traps. While the people in our experiment used TikTok and Instagram frequently, the average student would be willing to pay to eliminate these platforms on their campus. We also show that the "fear of missing out" (FOMO) is a key factor driving social media use among students who would prefer the platforms did not exist on their campus, indicating that the growth of social media markets imposes costs on nonusers. While our research provides evidence in support of a range of proposals to tax, regulate, or restrict social media use, it particularly strengthens the case for regulating or restricting platform and algorithm design features that exacerbate users' fears of being left out if they do not use social media products.

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