Syllabus for Economics of Network Industries, ECON 104

Winter 2009

Professor Silke Forbes

Office: Economics 229.

Office hours: Monday, 2:30-3:30 pm.

Email: Please use email on WebCT.

Course webpage: On WebCT (webct.ucsd.edu).

Prerequisites: ECON 100B approval of instructor.

Required Textbooks (required sections outlined below):

- Shy, Oz, *The Economics of Network Industries*, Cambridge University Press 2001.
- Shapiro, Carl and Hal Varian, *Information Rules*, HBS Press 1999 (available as free e-book on the UCSD library website)
- Evans, David S., Andrei Hagiu, and Richard Schmalensee, *Invisible Engines*, MIT Press 2006 (free download available at mitpress.mit.edu)

Course outline:

1. Introduction
2. Game Theory Tools
   - Shy, Appendix A-C
3. Network Externalities and Brand Preferences
   - Shy, Chapter 2.2
   - Shapiro-Varian, Chapter 7 **(Student presentations)**
4. Technology Advance and Standardization
   - Shy, Chapter 4.1
   - Shapiro-Varian, Chapters 8 and 9 **(Student presentations)**
5. Internet: Product Strategy and Pricing
   - Shy, Chapter 7.4

- Shapiro-Varian, Chapters 2, 3, 5 and 6 **(Student presentations)**

6. Software Piracy

   - Shy, Chapter 3.5

   - Rob and Waldfogel (2006), "Piracy on the High C's: Music Downloading, Sales Displacement, and Social Welfare in a Sample of College Students", *Journal of Law & Economics* 49(1). **(Student presentations)**

7. Two-sided platforms

   - Key concepts: Evans *et al.*, Chapter 3

   - Supply: Evans *et al.*, Chapter 9

   - Pricing: Evans *et al.*, Chapter 10

8. Case studies of two-sided platforms

   - PCs: Evans *et al.*, Chapter 4 **(Student presentations)**

   - Video games: : Evans *et al.*, Chapter 5 **(Student presentations)**

   - Mobile phones: : Evans *et al.*, Chapter 7 **(Student presentations)**

9. Summary and Review

Grading:

We will have one midterm exam (25% of the final grade) and a final exam (50% of the final grade). Each student will participate in a group project presenting one of the readings. The project grade will make up the remaining 25% of the final grade.

Exam dates:

Midterm:	**February 12, in class**
Final:	**March 19, 11:30am – 2:30pm**
	(This date and time is set by the scheduling office. Check for updates at blink.ucsd.edu.)