

Syllabus for Economics of Network Industries, ECON 104

Spring 2012

Professor Silke Forbes

Office: Economics 229

Office hours: TBA

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

Prerequisites: ECON 100C or approval of instructor.

Required Textbooks (required sections outlined below):

- Shy, Oz, *The Economics of Network Industries*, Cambridge University Press 2001.
- Evans, David S., Andrei Hagiu, and Richard Schmalensee, *Invisible Engines*, MIT Press 2006 (free download available at mitpress.mit.edu) (EHS)

Course outline:

1. Introduction
2. Game Theory Tools
 - Shy, Appendix A-C
3. Network Externalities and Brand Preferences
 - Shy, Chapter 2.1-2.2
4. Software Variety and Software Piracy
 - Shy, Chapter 3.1-3.2 and 3.5-3.6
 - Rob, Rafael and Joel 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).
5. Switching costs
 - Shy, Chapter 8.1-8.2
 - Knittel, Christopher and Victor Stango (2009) "How Does Incompatibility Affect Prices? Evidence from ATMs", *Journal of Industrial Economics* 57(3), September 2009.
6. Topics in the Economics of the Internet
 - Edelman, Benjamin (2009), "Priced and Unpriced Online Markets", *Journal of Economic Perspectives* 23 (3), pp. 21-36.
 - Evans, David S. (2009), "The Online Advertising Industry: Economics, Evolution and Privacy", *Journal of Economic Perspectives* 23 (3), pp. 37-60.
 - Varian, Hal (2009), "Online Ad Auctions", *American Economic Review*
 - Varian, Hal (2006), "Position Auctions", *International Journal of Industrial Organization*

- Lee, Robin S. and Tim Wu (2009), “Subsidizing Creativity through Network Design: Zero-Pricing and Net Neutrality”, *Journal of Economic Perspectives* 23 (3), pp. 61-76.
7. Technology Adoption and Standardization
 - Shy, Chapter 4
 - Augereau, Angelique, Shane Greenstein and Marc Rysman (2006), “Coordination vs. Differentiation in a Standards War: 56K Modems”, *RAND Journal of Economics* 37(4), 887-909.
 - Bresnahan, Timothy and Pai-Ling Yin (2005), “Economic and Technical Drivers of Technology Choice: Browsers”, *Annales d'Economie et de Statistique* 79/80, pp. 629-670.
 8. Two-sided platforms: General Insights
 - EHS, Chapters 3, 9, 10
 - Rysman, Marc (2009), “The Economics of Two-Sided Markets”, *Journal of Economic Perspectives* 23, Summer 2009, 125-144.
 - Bajari, Patrick and Ali Hortacsu (2004), “Economic Insights from Internet Auctions”, *Journal of Economic Literature* 42, pp. 457-486.
 9. Case studies of two-sided platforms
 - Personal computers: EHS, Chapter 4
 - Video games: : EHS, Chapter 5
 - Personal digital assistants: EHS, Chapter 6
 - Mobile phones: : EHS, Chapter 7
 10. Summary and Review

Grading:

Your grade will be based on one midterm exam (40% of the grade) and a final exam (60% of the grade).

Exam dates:

Midterm: May 8, in class

Final: June 12, 11:30 am - 2:30 pm