

Syllabus for Economics of Network Industries, ECON 104 Winter 2008

Professor Silke Forbes

Office: Economics 229

Office hours: TBA

Email: Please use email on WebCT.

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

Prerequisites: ECON 100B or 170B or approval of instructor.

Required Textbook:

Shy, Oz, *The Economics of Network Industries*, Cambridge University Press 2001.

Additional reading (also required):

- Shapiro, C. and H. Varian, *Information Rules*, HBS Press 1999, Ch. 2, 3 and 5. (Will be put on e-reserves.)
- Links to additional articles will be made available on the course website.

Course outline:

1. Introduction
2. Game Theory Tools and Review
 - Shy, Appendix A-C
3. Hardware Industry
 - Shy, Chapter 2
 - Katz and Shapiro (1994), "Systems Competition and Network Effects", *Journal of Economic Perspectives* 8(2), 93-115.
4. Software Industry
 - Shy, Chapter 3
 - Oberholzer-Gee and Strumpf (2007), "The Effect of File-Sharing on Record Sales: An Empirical Analysis", *Journal of Political Economy* 115(1), 1-42.
 - Rob and Waldfogel (2004), "Piracy on the High C's: Music Downloading, Sales Displacement, and Social Welfare in a Sample of College Students", *NBER Working Paper* 10874.
5. Technology Advance and Standardization
 - Shy, Chapter 4, Section 4.1
 - Besen and Farrell (1994), "Choosing How to Compete: Strategies and Tactics in Standardization", *Journal of Economic Perspectives* 8(2), 117-131.
6. Internet
 - Shy, Chapter 7, Sections 7.3 and 7.4
 - Shapiro and Varian, Chapters 2, 3, and 5
 - Ellison and Ellison (2005), "Lessons about Markets from the Internet", *Journal of Economic Perspectives* 19(2), 139-158.

7. Telecommunication
 - Shy, Chapter 5, Sections 5.1 and 5.3.1
 - Economides (2003), “U.S. Telecommunications Today”
8. Broadcasting
 - Shy, Chapter 6, Sections 6.1 and 6.3
 - Berry and Waldfogel (2001), “Do Mergers Increase Product Variety? Evidence from Radio Broadcasting”, *Quarterly Journal of Economics* 116(3), 1009-1025
9. Airlines
 - Shy, Chapter 9
 - Borenstein (1992), “The Evolution of U.S. Airline Competition”, *Journal of Economic Perspectives* 6(2), 45-73.
10. **If time permits:** Banks
 - Shy, Chapter 8

Grading:

We will have a midterm exam (30% of the final grade) and a final exam (60% of the final grade). 10% of the final grade is based on class participation, including an in-class presentation. Homeworks are not graded but are an essential preparation for the exams.

Exam dates:

Midterm: February 5, 2008

Final: TBA