

Syllabus for Economics of Network Industries, ECON 104
Winter 2010

Professor Silke Forbes

Office: Economics 229.

Office hours: Wednesday, 11:30-12:30, or by appointment

Email: Please use email on WebCT.

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

Prerequisites: ECON 100B 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
4. Technology Advance and Standardization
 - Shy, Chapter 4
5. Software Variety and Software Piracy
 - Shy, Chapter 3
 - 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).

6. Two-sided platforms

- Key concepts: EHS, Chapter 3
- Supply: EHS, Chapter 9
- Pricing: EHS, Chapter 10

7. 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

8. Summary and Review

Grading:

Your grade will be based on two midterm exams (40% of the grade EACH) and a term paper (20% of the grade). **The term paper will be instead of a final exam and will be due during final exam week.** (Of course, you may hand in the paper earlier if you like.)

Midterm exam dates:

Midterm 1: February 1, in class

Midterm 2: March 3, in class

Term paper:

You will be required to write a 4-page term paper which will be due during final exam week. As your topic, you may pick one of the four industries discussed in the EHS textbook, chapters 4-7 (personal computers, video games, personal digital assistants, mobile phones). Your paper should discuss the development of your industry from 2005 until now.

No classes on:

January 8, January 27, February 19