

Econ 106T: The Information Economy

Public Affairs 2270; Tue, Thu, 9:30-10:45.

<http://econ106t.wordpress.com/>

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Description

This course uses economic tools to analyse the world of technology and e-commerce. The course will draw from economic theory, empirical analysis and case studies to study a variety of new markets. Topics include network effects, lock-in, platform markets, online auctions, matching markets, prediction markets and reputation mechanisms. Students will be expected to write a case one particular firm and make a presentation.

Prerequisites: Econ 11, Econ 41, Econ 101.

Grading

“Meet the Boss” Presentation 10%

Case Write-Ups 30%

Final Paper 30%

Final 30%

Dates

No class - Thursday November 11th (Veteran’s Day) and Thursday November 25th (Thanksgiving).

Meet the Boss - Thursday November 18th, 8:00–10:45am.

Final paper topic chosen - Thursday 11th November.

Final paper due - Thursday 2nd December.

Introduction

- Shapiro and Varian (1999): “Information Rules”, Ch. 1

Strategy 101

- McAfee (2002): “Competitive Strategy”, Ch. 2.
- Porter (1996): “What is Strategy?”, Harvard Business Review.

The Nature of Information Goods

- Shapiro and Varian (1999): “Information Rules”, Ch. 2.
- Jonathan Levin (2010): “The Economics of Internet Markets”, Working Paper, Stanford University.
- McAfee (2002): “Competitive Strategy”, Ch. 3 and 4.
- The Economist: ”A World of Hits”, Nov 26th 2009; and “Economics Focus: Profiting from Obscurity”, 7th May 2005.

Pricing

- Shapiro and Varian (1999): “Information Rules”, Ch. 2-3.
- McAfee (2002): “Competitive Strategy”, Ch. 11.
- Edelman (2009): “Priced and Unpriced Online Markets”, Journal of Economic Perspectives.
- Edelman (2010): “Online Restaurant Promotions”, HBS 9-909-034.

Switching Costs and Lock-in

- Shapiro and Varian (1999): “Information Rules”, Ch. 5-6.
- Klemperer (1995): “Competition when Consumers have Switching Costs”, Review of Economic Studies.
- Eisenmann and Carpenter (2005): “RealNetworks Rhapsody”, HBS 9-804-142.

Network Effects

- Shapiro and Varian (1999): “Information Rules”, Ch. 7-9.
- Eisenmann (2007): “Platform-Mediated Networks: Definitions and Core Concepts”, HBS 9-807-049.
- Eisenmann and Coles (2009): “Skype”, HBS 9-806-165

Platform Markets

- Rysman (2009): “The Economics of Two-Sided Markets”, Journal of Economic Perspectives.
- Jonathan Levin (2010): “The Economics of Internet Markets”, Section 3.
- Eisenmann (2007): “Platform-Mediated Networks: Definitions and Core Concepts”, HBS 9-807-049.
- Eisenmann and Hagiu (2007): “Staging Two-Sided Platforms”, HBS 9-808-004.
- Eisenmann, Parker and Van Alstyne (2006): “Strategies for Two-Sided Markets”, Harvard Business Review.
- Ellison and Ellison (2005): “Lessons About Markets from the Internet”, Journal of Economic Perspectives.
- Coles, Edelman, Hall and Bennett (2010): “TheLadders”, HBS 9-908-061.
- Piskorski, Halaburda and Smith (2008): “eHarmony”, HBS 9-709-424.
- Edelman and Hagiu (2009): “Consumer Payments Systems: United States”, HBS 9-909-006 and “Consumer Payments Systems: Japan”, HBS 9-907-007.
- Eisenmann and Wong (2006): “Electronic Arts in Online Gaming”, HBS 9-804-140.

Dynamic Pricing

- McAfee (2002): “Competitive Strategy”, Ch. 11.
- Bulow (1982): “Durable Goods Monopolists”, Journal of Political Economy.
- Marmorstein, Rossomme, and Sarel (2003): “Unleashing the Power of Yield Management in the Internet Era: Opportunities and Challenges”, Californian Management Review, 45, 147–167.

- Scott Friend and Patricia Walker (2001): “Welcome to the New World of Merchandising”, Harvard Business Review.

Reputation Mechanisms

- Dellarocas (2007): “Reputation Mechanisms”, in Handbook on Economics and Information Systems, edited by T. Hendershott, Elsevier.
- Jin and Kato (2006): “Price, Quality and Reputation: Evidence from An Online Field Experiment”, RAND Journal of Economics.
- Morgan and Brown (2006): “Reputation in Online Markets: The Market for Trust”, California Management Review.
- Piskorski and Chen (2009): “Yelp”, HBS 9-709-412.
- Eisenmann and Nielsen (2009): “Sermo Inc.”, HBS 9-809-142.

Online Auctions

- Bajari and Hortacsu (2002): “Economic Insights from Internet Auctions”, Journal of Economic Literature.
- Klemperer (1999): “Auction Theory: A Guide to the Literature”, Journal of Economic Surveys.
- Augenblick (2009): “Consumer and Producer Behavior in the Market for Penny Auctions: A Theoretical and Empirical Analysis”, Working Paper, Stanford University.
- Roth and Ockenfels (2002): “Last-Minute Bidding and the Rules for Ending Second-Price Auctions: Evidence from eBay and Amazon Auctions on the Internet”, American Economic Review.
- Brown and Morgan (2009): “How much is a Dollar Worth? Tipping versus Equilibrium Coexistence on Competing Online Auction Sites”, Journal of Political Economy.

The Advertising Industry

- Evans (2009): “The Online Advertising Industry: Economics, Evolution, and Privacy”, Journal of Economic Perspectives.
- Coles and Edelman (2010): “Microsoft adCenter”, HBS 9-908-049.
- Edelman (2009): “Ad Classification at Right Media”, HBS 9-909-032.

Ad Auctions

- Levin (2010): “The Economics of Internet Markets”, Section 4.
- Edelman, Ostrovsky, and Schwarz (2007): “Internet Advertising, and the Generalized Second-Price Auction: Selling Billions of Dollars Worth of Keywords”, American Economic Review.
- Ostrovsky and Schwarz (2009) “Reserve Prices in Internet Advertising Auctions: A Field Experiment”, Working Paper, Stanford University.

Crowdsourcing and Prediction Markets

- Wolfers and Zitzewitz (2004): “Prediction Markets”, Journal of Economic Perspectives.
- Coles, Lakhani and McAfee (2007): “Prediction Markets at Google”, HBS 9-607-088.
- Coles, Lakhani and McAfee (2008): “Cambrian House”, HBS, 9-608-016.

Price Dispersion

- Varian (1980): “A Model of Sales”, American Economic Review.
- Baye and Morgan (2004): “Price Dispersion in the Lab and on the Internet: Theory and Evidence,” RAND Journal of Economics.
- Ellison and Ellison (2005): “Lessons About Markets from the Internet”, Journal of Economic Perspectives.
- Baye, Morgan and Scholten (2007): “Information, Search, and Price Dispersion” in Handbook on Economics and Information Systems, edited by T. Hendershott, Elsevier.

Open Source and Copyright

- Lerner and Tirole (2005): “The Economics of Technology Sharing: Open Source and Beyond”, Journal of Economic Perspectives.
- Varian (2005): “Copying and Copyright”, Journal of Economic Perspectives.