

Econ 106T: The Information Economy

Dodd 175; Tue, Thu, 11:00-12:15.

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

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Description

This class analyzes the information economy through the use of economic theory and case studies. It will identify the critical features that differentiate the information economy from traditional industries, and examine business strategies. The class will discuss topics such as network effects, switching costs, and reputation mechanisms. Evaluation is through case studies, presentations and a final paper.

Prerequisites: Econ 11, Econ 41, Econ 101.

Grading

“Meet the Boss” presentation 10%

Class participation 5%

Case write-ups 30%

Final paper 30%

Final 25%

Dates

Case studies:

1. Tuesday 11th January - Coles, Lakhani and McAfee (2007): “Prediction Markets at Google”, HBS 9-607-088.
2. Tuesday 25th January - Edelman (2010): “Online Restaurant Promotions”, HBS 9-909-034.

3. Tuesday 8th February - Piskorski, Halaburda and Smith (2008): “eHarmony”, HBS 9-709-424.
4. Tuesday 22nd February - Coles, Edelman, Hall and Bennett (2010): “TheLadders”, HBS 9-908-061.
5. Tuesday 8th March - Piskorski and Chen (2009): “Yelp”, HBS 9-709-412.

Other dates:

- Final paper proposal due - Tuesday 15th February
- Meet the Boss - Thursday 24th February
- Class cancelled - Tuesday 1st March
- Final paper due - Thursday 10th March

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.

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.
- 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.

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.

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.