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# SI 646: INFORMATION ECONOMICS

## PROF. JEFFREY MACKIE MASON

### 1. COURSE DESCRIPTION

This course is a half-semester module, Information Economics. In the second half-semester I teach a companion module, Incentive-Centered Design: Contracting and Signaling. My goal is to give you a strong grounding in the economics of information goods and services. We will analyze strategic issues faced by for-profit and not-for-profit organizations: pricing, bundling, versioning, network externalities and rights management.

My teaching objectives are:

- To provide you with a framework for understanding information problems that involve the allocation of scarce information resources.
- To familiarize you with the analysis of information problems through the application of economic principles (e.g., rationality, efficiency)
- To prepare you to analyze realistic, incompletely specified problems of the sort that confront consultants, product and pricing managers, policy makers, entrepreneurs and others.

### 2. ADMINISTRATION

The weekly schedule is available in CTools under "Schedule".

**Email:** I typically receive dozens of work-related messages a day (there's a reason we call it the School of Information). If you are sending course related e-mail, you'll get a response within one business day if you put "646" somewhere in the subject line. There's no guarantee of response time otherwise.

**Office hours:** There is little substitute for a face-to-face conversation about something you find interesting, or confusing. My scheduled office hours are at West Hall. If I need to add more hours I will, but they will be at my North Campus office. I like the split campus less than you do. Please vocally complain to the administration about any learning difficulties you experience due to the split campus.

**Blog:** I have created a blog for the use of our course. Anyone registered for the course can post an item, or a comment. Since no one else can, we should be spam free (if you post spam, you'll have to deal with me). I will occasionally start discussion items; you should feel free to do so as well, and to participate in discussions started by me or others. I will check on discussions at least once a week; if you have something more urgent, contact me directly. The blog is for discussion; for critical announcements, see below. The blog is not a teacher-student Q&A tool; it is for peer, multilateral discussions.

**Official announcements:** I will occasionally post critical announcements (changes to the course schedule, etc.) to the Announcements section of CTools, and will send them out via email.

**Phone:** I rarely answer the phone (I like to control my interruptions so I can get work done), and I often forget to check voice mail for a few days at a time. Email is a much more reliable way to reach me.

### 3. COURSE REQUIREMENTS

3.1. **Summary and Dates.** The requirements for all students are:

- (1) Read assignments marked "Mandatory" before class.
- (2) Prepare for challenging debate about issues in the assigned case for each class (except the first week).
- (3) Attend class and participate in discussion.
- (4) Two homework assignments
- (5) In-class final exam
- (6) Submit a written self-evaluation of your participation and performance in this class.

Your grade will depend 20% on class preparation and participation, 50% on the homework assignments and 30% on the exams.

3.2. **Elaboration.** You must come to class prepared for discussion. Some weeks the reading is quite lengthy; other weeks less so. Do not wait until the night before to start. Discussion will count towards your grade, and I will be cold-calling on you to answer questions and participate in discussion, so you must be prepared.

As a supplement, participation in discussions of class material (and related ideas or applications) in the blog will count towards class participation (you can earn up to 5 percentage points of your 20 participation points through thoughtful, not infrequent postings to the blog). I encourage everyone to continue and initiate discussions in the blog but it is not a perfect substitute for class discussion (which is more dynamic and challenging). I offer the blog option in part to assist students who have difficulty with class participation due to having English as a second language, or other barriers, and also because it is a good way to capture your ideas closer to when they occur to you, and to extend peer discussion before and after class time.

There will be two homework assignments, distributed via CTools. I will ask you to solve some specific problems, and to respond to short discussion questions. For each assignment, I will post my suggested answers. Late assignments will be graded down one letter grade if submitted within one week; you will receive no credit if later than that.

Assignments must be submitted electronically via the Assignments tool on CTools, or in hard copy to the N. Campus secretary or to the faculty secretaries. I prefer electronic assignments, though this will for many of you require scanning some handwritten analyses.

At the end of the semester you must submit a written self-evaluation. This should be about one paragraph to one page (maximum), discussing your weekly preparation, in class participation, work on assignments, and blog participation.

#### 4. USEFUL RESOURCES

Here are some useful collections of information if you want to learn more about the economics of the Internet, communications technology in general, networks, etc.

- Information Economy
- Economics of Networks
- Agent-Based Computational Economics
- Al Roth's game theory and experimental economics page
- Resources for Economists on the Internet
- Scholarly Electronic Publishing bibliography

#### 5. POLICY ON ORIGINAL WORK

**5.1. Collaboration.** I strongly encourage collaboration while working on homework problems, and while discussing and interpreting the reading assignments. Active learning is much more effective. Collaboration will be especially valuable in summarizing the reading materials and picking out the key concepts. You must, however, write your homework submission on your own, in your own words, before turning it in. If you worked with someone on the homework before writing it, you must list any and all collaborators on your written submission.

**5.2. Plagiarism.** All written submissions must be your own, original work. Original work for narrative questions is not mere paraphrasing of someone else's completed answer: you must not share written answers with each other at all. At most, you should be working from notes you took while participating in a study session.

Largely duplicate copies of the same assignment will receive an equal division of the total point score from the one piece of work.

You may incorporate selected excerpts from publications by other authors, but they must be clearly marked as quotations and must be attributed. If you build on the ideas of prior authors, you must cite their work. You may obtain copy editing assistance, and you may discuss your ideas with others, but all substantive writing and ideas must be your own, or be explicitly attributed to another. See the Rackham Graduate Student Handbook for the definition of plagiarism, and associated consequences.

#### 6. MUTUAL RESPECT

I will listen respectfully to your ideas, and will respond to any complaints or concerns you raise, with the nature of the response tailored to the nature of the concern.

I will be prepared for class, and will strive to guide you towards learning a large amount of challenging but

powerfully useful material.

I will use clear criteria for my grading to the extent possible, and will answer questions you have about how grades were assigned. If you want me to review grading on an assignment, I will do that, but to be fair to all students I will review and re-grade the entire assignment, not just the question or specific issue to which you draw attention. (If you haven't learned about how selection biases work yet, now would be a good time to ask me; it's a very important concept with applications throughout life.)

I expect you to be prepared for class. I expect you to arrive on time (mostly out of respect for your fellow students). I expect you to participate in the discussions I am leading, and not to hold side discussions during class.

I expect you to respect the dignity of your fellow students.

#### 7. Accommodations for students with disabilities

The University Faculty Senate (SACUA) in 2006 endorsed the following language for inclusion on course syllabi:

If you think you need an accommodation for a disability, please let me know at your earliest convenience. Some aspects of this course, the assignments, the in-class activities, and the way we teach may be modified to facilitate your participation and progress.

As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities (SSD) to help us determine appropriate accommodations. SSD (<http://www.umich.edu/sswd/>) typically recommends accommodations through a Verified Individualized Services and Accommodations (VISA) form. I will treat any information you provide as private and confidential.