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Reading List – SI 646 – University of Michigan

Required texts:

Shapiro, C. and H. Varian. Information Rules (Harvard Business School Press, 1998).
(abbreviated SV throughout the course schedule)

ISBN: 087584863X

[WorldCat](#)

WEEK 1

Introduction to Economics of Information

Objective: Is information different? What are the scarce resources to allocate? What types of useful questions can we answer with information economics?

Mandatory Read:

1. SV ch. 1
2. Hayek, F. A. (1945), "The Use of Knowledge in Society," American Economic Review, XXXV, 519-530.

[WorldCat](#)

[Library of Economics and Liberty](#)

3. Hirshleifer, J. (1973). "Where Are We in the Theory of Information?" American Economic Review, 63(2), 31-39. (JSTOR)
4. [Stiglitz, J. E.](#) (2000), "The Contributions of the Economics of Information to Twentieth Century Economics," Quarterly Journal of Economics (Nov), p 1441-1478. (JSTOR)

Supplemental Read:

1. DeLong, J. B. and Froomkin, A. M. (2000). "Speculative Microeconomics for Tomorrow's Economy". [First Monday](#) 5 (2, February). (First Monday) (Reader comments)
2. Lucky, R. W. (1989). Silicon Dreams: Information, Man and Machine. New York, St. Martin's Press. Pp. 1-35.

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WEEK 2

Pricing Information

Objective: What value do individuals get from information? What are they willing to pay? How should information providers who want compensation for the distribution and/or use of their information set prices?

Mandatory Read:

1. SV ch. 2
2. Nagle, T. (1984). Economic Foundations for Pricing. *Journal of Business*, 57(pt. 1 of 2), s3-s26. (JSTOR)
3. [MacKie-Mason, Jeffrey K.](#) and Juan Riveros (2000), "Economics and Electronic Access to Scholarly Information," in B. Kahin and H. Varian, eds., *Internet Publishing and Beyond: The Economics of Digital Information and Intellectual Property* (MIT Press: Cambridge, Mass.)

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Supplemental Read:

1. Lancaster, K. (1966). A New Approach to Consumer Theory. *Journal of Political Economy*, 74(2), 132-157. (JSTOR)
2. Brooks, Christopher H., Robert S. Gazzale, Rajarshi Das, Jeffrey O. Kephart, [Jeffrey K. MacKie-Mason](#), and Edmund H. Durfee (2002). "Model Selection in an Information Economy: Choosing what to Learn," *Computational Intelligence*, vol. 18, no. 4 (Nov.): 566-582.

WEEK 3

Network Externalities

Objective: What are the implications for competition, efficiency and new product innovation when information goods or services are characterized by network externalities?

Mandatory Read:

1. SV ch. 7
2. Katz, M. L. and Shapiro, C. (1994). "Systems Competition and Network Effects". *Journal of Economic Perspectives*. 8(2): 93-115. (JSTOR)
3. [Liebowitz, S. J.](#) and Margolis, S. E. (1994). Network Externality: An Uncommon Tragedy. *Journal of Economic Perspectives*. 8(2): 133-150.

Supplementary Read:

1. Rochet, Jean-Charles and [Jean Tirole](#) (2005). "Two-Sided Markets: A Progress Report", IDEI Working Paper, 29 November.
2. [Parker, G](#) & Van Alstyne, M. (2005). Two-Sided Network Effects: A Theory of Information Product Design. *Management Science* 51(10): 1494-1504.
3. Eisenmann, T., G. Parker and M. Van Alstyne (2006). "Strategies for Two-Sided Markets". *Harvard Business Review*, October.

Case 1: U.S. v. Microsoft

1. Gilbert, Richard (1998). "Networks, Standards, and the Use of Market Dominance", in John Kwoka and Lawrence White, *The Antitrust Revolution*, 3rd ed. (Oxford University Press: New York).
2. Case notes by Jeffrey MacKie-Mason

WEEK 4

Bundling

Objective: How should an information provider in competition with others configure the information goods or services she offers? Digital information is relatively easy to unbundle and rebundle. If providers have imperfect information about what information consumers want, what strategies can they follow to learn about customer preferences?

Mandatory Read:

1. SV, ch. 3 pp. 73-78
2. [Bakos, Y.](#), & Brynjolfsson, E. (1999). "Bundling Information Goods: Pricing, Profits, and Efficiency," *Management Science*, 45(12): 1613-1630.

3. Bonn, Maria S., Wendy P. Lougee, [Jeffrey K. Mackie-Mason](#) and Juan F. Riveros (forthcoming), "The PEAK Project: A Field Experiment in Pricing and Usage of a Digital Collection," in Mackie-Mason, J. and W. Lougee, eds., Economics and Usage of Digital Collections.

Supplementary Read:

1. Brooks, Christopher H., Robert S. Gazzale, [Jeffrey K. Mackie-Mason](#), and Edmund H. Durfee (2004). "Improving Learning Performance by Applying Economic Knowledge", Lecture Notes in Computer Science, vol. 3048 (Springer-Verlag).
2. [McCabe, Mark](#) (2002), "Journal Pricing and Mergers: A Portfolio Approach." American Economic Review, Vol. 92(1, March):259-269.

Case 2: Bundling Academic Journals

1. [Edlin, Aaron S.](#) and Daniel L. Rubinfeld (2004). "Exclusion or Efficient Pricing? The "Big Deal" Bundling of Academic Journals", Antitrust Law Journal, 72(1): 119-159.

WEEK 5

Rights Management

Mandatory Read:

1. SV, ch. 4

Supplementary Read:

1. Dirk Bergemann, Thomas Eisenbach, Joan Feigenbaum, Scott Shenker, [Flexibility as an Instrument in Digital Rights Management](#). In Workshop on the Economics of Information Security 2005.

Case 3: File Sharing

2. Felix Oberholzer and [Koleman Strumpf](#). The Effect of File Sharing on Record Sales – An Empirical Analysis. Second Workshop on the Economics of Peer-to-Peer Systems. 2004.

WEEK 6

The Long Tail

Mandatory Read:

1. Chris Anderson, The Long Tail: Why the Future of Business Is Selling Less of More (Hyperion, 2006). (Chapters 1, 2 & 8.)

ISBN: 978-1401302375

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