SI 646 - Information Economics, Winter 2009

McCabe, Mark

http://hdl.handle.net/2027.42/64933
Unless otherwise noted, the content of this course material is licensed under a Creative Commons Attribution – Non-commercial – Share Alike 3.0 License.

http://creativecommons.org/licenses/by-nc-sa/3.0/

Copyright © 2009, Mark McCabe.

You assume all responsibility for use and potential liability associated with any use of the material. Material contains copyrighted content, used in accordance with U.S. law. Copyright holders of content included in this material should contact open.michigan@umich.edu with any questions, corrections, or clarifications regarding the use of content. The Regents of the University of Michigan do not license the use of third party content posted to this site unless such a license is specifically granted in connection with particular content. Users of content are responsible for their compliance with applicable law. Mention of specific products in this material solely represents the opinion of the speaker and does not represent an endorsement by the University of Michigan. For more information about how to cite these materials visit http://michigan.educommons.net/about/terms-of-use.

Any medical information in this material is intended to inform and educate and is not a tool for self-diagnosis or a replacement for medical evaluation, advice, diagnosis or treatment by a healthcare professional. You should speak to your physician or make an appointment to be seen if you have questions or concerns about this information or your medical condition. Viewer discretion is advised: Material may contain medical images that may be disturbing to some viewers.
Week 1
Mandatory Read:
2. Hirshleifer, J. and J. Riley (1992). The Analytics of Uncertainty and Information (Cambridge Univ. Press). Sections 1.0 – 1.4.1 (pp. 7-19), 1.5 (pp. 23-33), 5.0-5.2.2 (pp.167-187), 5.2.4-5.2.5 (pp. 200-208) (CT) [http://www.worldcat.org/oclc/23976725](http://www.worldcat.org/oclc/23976725).

Supplemental Read:
2. Hirshleifer and Riley, op. cit. Sections 1.6 (pp. 33-39), 5.2.3 (pp. 187-200), 5.3.0-5.3.2 (pp. 209-222) (CT). [http://www.worldcat.org/oclc/174454774](http://www.worldcat.org/oclc/174454774).

Week 2
Mandatory Read:

Supplemental Read:

Week 3

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. Carl Shapiro; Hal R Varian, Information rules: a strategic guide to the network economy, ch. 7

Supplementary Read:

Mandatory Case: U.S. v. Microsoft
2. Jeffrey Mackie-Mason (JMM), Case Notes.

Week 4

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 re-bundle. If providers have imperfect information about what information consumers want, what strategies can they follow to learn about customer preferences?

Mandatory Read:
1. Carl Shapiro; Hal R Varian, Information rules: a strategic guide to the network economy, ch. 3 pp. 73-78

Supplementary Read:

**Mandatory Case: Bundling Academic Journals**
3. JMM, Case Notes.

**Week 5**
**Objective:** Creating information content requires effort, and effort is costly. At least some creators will create less if they cannot obtain compensation for their efforts. Digital rights management is a family of approaches to protect the rights of creators to obtain compensation. Yet many claim that unprotected sharing does not harm creators, and may even benefit them. What do we know currently about basic models of rights management, and their impacts on compensation to creators?

**Mandatory Read:**

**Mandatory Case: File Sharing**
3. JMM, Case Notes.

**Week 6**
**Objective:** What is a “long tail”, and are they more important now for information goods? Why or why not? If the conditions for long tail demand apply to your information goods, what are the implications for competitive strategy: how you should price, bundle, market your products?

**Mandatory Read:**
1. Chris Anderson (2006), The Long Tail (Hyperion), chs. 1, 2, 8. (CT)

**Mandatory Case: Long wait for long tail?**
3. JMM, Case Notes.