Course Manual

The Economics of Information

University College Maastricht

Academic Year 2017-2018

SSC2020 University

Introduction

The aim of this course is to study the economics of information and the markets of information goods. The term "information goods" is very broad and, in principle, includes everything that can be digitized, such as books, databases, music, movies, web pages. Even though the markets of these goods have special characteristics, they still obey the main principles of economic theory. Therefore, a key prerequisite for this course is a solid understanding of basic microeconomic theory. The course is structured in a way such that a student can be successful by following the course plan and by paying close attention to what is done in class. That is, regularly (and actively) participating in the tutorials and studying according to the schedule are crucial to pass the course.

Literature

The two primary textbooks for this course are:

- Perlof, J.M. (2012), 'Microeconomics', Pearson, 6th Edition.
- Shapiro and Varian (2013), 'Information Rules, A Strategic Guide to the Network Economy', Harvard Business Press. (SV)

Course Organization

The course consists of 12 tutorial meetings and 2 lecture. The material for this course is split into 3 parts. In the first part we will cover some of the basic theory related to information economics. In the second part we will look more closely at information goods. In the last two meetings case studies will be presented and discussed.

The first part of the course consists of 5 meetings and two lectures. The first meeting is a introduction, while each subsequent meeting studies a theoretical topic. These meetings will follow the textbook by Perloff (Per). In the second part, 5 meetings, will closely following the structure of the textbook by Shapiro and Varian (SV). Some additional readings may also be assigned and discussed. Students are responsible for understanding the textbook models/examples, and greater attention should be given to the material discussed in class. There will be two hand in assignment for the course.

The third part of the course consists of 2 tutorial meetings during which case studies will be presented and discussed. Students will be divided into groups, which will formed in week 2. The number of groups and the number of students per group will depend on how many students there will be in each tutorial group. By the end of week 3 each group has to choose a topic. Each group has to prepare a presentation of 30/40 minutes. The remaining time will be used to ask questions and provide feedback to the presenting group. To ease the discussion during/after the presentation, each group has to send a

summary of the presentation (i.e. a summary of the case to be presented) to everyone in the class, including the tutor, the day before the presentation at the latest. More precise instructions on this deadline will be given during the course.

Each group must prepare a formal presentation (slides). Each case can only be presented by one group. The presentation must raise the main issues and describe the key points of the case. Opponents should read and understand the relevant literature - both the general theory and the specifics of the case. The questions must aim at the core of the problem discussed and must be substantial; it is not sufficient to ask one or two clarifying questions.

Meeting	Activity	Material
	Part 1	
1	Introductory meeting	
2	Uncertainty and Expected utility	Per: 17.1, 17.2
3	Introduction to Game Theory	Per: 14.1, 14.2
4	Asymmetric information: Adverse selection	Per: 19.1-19.3
5	Moral Hazard	Per: 20.1, 20.2
	Part 2	
6	Pricing Information	SV: Ch 2
7	Versioning Information	SV: Ch 3
8	Rights Management	SV: Ch 4
9	Lock-in	SV: Ch 5&6
10	Networks and Positive Feedback	SV: Ch 7
	Part 3	
11	Presentations	
12	Presentations	

Examination/Grading

The course grade is the determined on the basis of the following tasks and corresponding weights:

1. Problem sets − 50% (25% each)

2. Presentation − 25%

3. Participation and opposition − 25%

The final grade will be on the scale 1-10. To pass the course students need an overall grade of at least 5.5. Moreover, students must be physically present in at least 9 of the 12 meetings. Missing more than 3 meetings results in automatic failure.

Course coordinator

For any further information, please contact the course coordinator:

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