

17C030

Digital Economy

3 ECTS

Overview and Objectives

This course aims at introducing the students with the main features of the “digital economy”, as well as a number of competition and regulatory issues which relate to it. A central question throughout the different topics will be whether business practices and contracts in a “digital economy” may depart from efficient behavior, and in which cases they may be beneficial or detrimental to society. Real cases which are specific to digital markets will also be analyzed. First, students will study the economic features of platforms and two-sided markets, which frequently arise in digital sectors. Second, the course will cover applications of Information Economics to different digital sectors. In particular, the students will learn auction theory, as auctions are commonly used to sell advertising services and for e-commerce. Third, it will cover Economics of Innovation and Intellectual Property Rights, which are a core component of the “digital economy”. Fourth, it will deal with recent competition policy cases in the EU and elsewhere which involve digital sectors.

Course Outline

1. Platform Competition.
 - Competition & Switching Costs
 - Network Externalities.
 - Pricing in Two Sides Markets.
2. Information Economics in Digital Markets.
 - Introduction to auctions.
 - Sponsored auctions
 - Rating and recommender systems
 - Price discrimination in Digital Markets.
 - Other topics (if time allows them): crowdfunding; news aggregators, blockchain, etc...
3. Economics of Innovation and Intellectual Property Rights
 - Patents, copyrights, and trademarks
 - R&D races
 - Empirical analysis of IP rights
 - Innovation and advertising
 - Litigation Cases
4. Competition Policy in Digital Markets
 - Abuse of dominant position in digital markets: recent cases
 - Vertical restraints in online markets.
 - Big data and competition
 - Mergers in digital markets: issues and cases

Required Activities

Read specific material and academic articles before coming to the lectures.

17C030

Digital Economy

3 ECTS

Evaluation

Exam (100%)

Materials

Armstrong, M (2006), "Competition in Two-Sided Markets", *RAND Journal of Economics*, 37:668-691.

Belleflamme, Paul, and Martin Peitz. (2015) "Industrial organization: markets and strategies," Cambridge University Press,.

Edelman, B. and D. Geradin (2016) "Android and Competition Law: Exploring and Assessing Google's Practices in Mobile", Harvard Business School.

Evans, D. and R. Schmalensee (2012) "The Antitrust Analysis of Multi-Sided Platform Businesses", Working Paper, University of Chicago Law School.

Evans, D. and R. Schmalensee (2012) *Matchmakers: The New Economics of Multisided Platforms*, Harvard Business Review Press.

Fumagalli, C, Motta, M. and C. Calcagno (2018) *Exclusionary practices* Cambridge University Press.

Hviid, M. (2015) "Vertical agreements between suppliers and retailers that specify a relative price relationship between competing products or competing retailers", OECD, Paris.

Levin, J. Stanford University (Teaching Notes).

Menell, P.S., and Scotchmer, S.(2007) *Intellectual Property Law, Handbook of law and economics*. Elsevier. Polinsky, A. M., & Shavell, S. (Eds.).

Rochet , J-J and J. Tirole (2003) "Platform Competition in Two-Sided Markets", *Journal of the European Economic Association*, 1:9