

ECO 351: E-COMMERCE
SUNY at Stony Brook
Fall Semester, 2001

Professor: Sangin Park
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Lectures: MWF 10:30 – 11:25 a.m. at Physics p127
Office Hours: M 1 – 2 p.m., W 12 – 1 p.m., or by appointment

Prerequisites: Intermediate Microeconomics (ECO 303)

Course Description: Even though e-commerce is only in the beginning stage, its potential outreach is speculated to be huge. In this course, we study possible evolutions of e-commerce. Emphases will be given on the infrastructure of Internet, consumer information and search behavior, pricing and advertising strategies, and Internet auctions.

Textbook: Soon-Yong Choi, Dale O. Stahl, and Andrew B. Whinston (1997): *The Economics of Electronic Commerce*, Macmillan Technical Publishing. (CSW hereafter)

Other References:

Dennis Carlton and Jeffrey Perloff (1999): *Modern Industrial Organization*, third edition, Addison Wesley Longman, Inc.
Garth Saloner and Michael Spence (2002): *Creating and Capturing Value: Perspectives and Cases on Electronic Commerce*, Wiley & Sons Inc.
Ali Farhoomand and Peter Lovelock (2001): *Global E-Commerce*, Prentice Hall.
Erik Brynjolfsson and Brian Kahin, eds., (2000): *Understanding the Digital Economy*, MIT Press.
Michael Shaw, Robert Blanning, Troy Strader, and Andrew Whinston, eds., (2000): *Handbook on Electronic Commerce*, Springer-Verlag.

Grading: Grade for the course will be based on two in-term exams (25%, respectively), one individual assignment (25%), and one group paper (25%). The individual assignment will be a part of a group assignment that must be presented in a written group paper. The two in-term exams will be given on **Oct. 19 (F)** and on **Nov. 16 (F)**, respectively. There will be no final exam.

Policies: 1) No makeup will be given. Excuses for absences from the exam are limited to verifiable illness and emergencies. An unexcused absence from the exam will result on a score of zero. In the case of illness or emergency, if you are unable to contact me, be sure to contact the department of Economics at 632 - 7540.
2) The students who want to fulfill their writing requirements in this course should sign up (after class) by the end of the third week of class.

If you have a physical, psychological, medical or learning disability that may impact on your ability to carry out assigned course work, I would urge that you contact the staff in the Disabled Student Service office (DSS), Room 133 Humanities, 632-6748/TDD. DSS will review your concerns and determine, with you, what accommodations are necessary and appropriate. All information and documentation of disability is confidential.

Course Outline / Reading List: The outline presented here is tentative. Changes may be made as we progress. Lectures should be viewed as complements to rather than substitutions for the reading. If you are having difficulty, seek me out early. The course builds on itself, so failing to address questions early will make your studies more difficult later.

I. Basics

1. Introduction (1½ weeks)

: What is the E-Commerce?; New Types of Products; New Types of Firms.
CSW, Chs. 1, 2; Brynjolfsson and Kahin, Ch. 1.

2. Internet and WWW (1 week)

CSW, Ch. 3.

3. Some Basic Concepts and Market Structure (1½ weeks)

: Transaction costs; Production costs; Welfare; Market structures; Nash equilibrium.
Carlton and Perloff, Chs. 2 - 4.

II. Frictionless Market and Business Strategies

4. Limited Information and Search (1½ weeks)

CSW, Chs. 4, 7; Carlton and Perloff, Chs. 13.

5. Advertising (1/2 week)

CSW, Ch. 6; Carlton and Perloff, Ch. 14.

6. Product Differentiation (1 week)

CSW, Ch. 8; Carlton and Perloff, Ch. 7.

7. Price Discrimination (1 week)

CSW, Ch. 8; Carlton and Perloff, Ch. 9.

8. Case Study: Amazon.com (1/2 week)

Lecture note.

III. Internet Auctions

9. Auction Theory (1½ weeks)

Klemperer, Paul (1999): “Auction Theory: A Guide to the Literature”, *Journal of Economic Surveys*, 13(3), 227-86.

Laffont, Jean-Jacques (1997): “Game Theory and Empirical Economics: The Case of Auction Data”, *European Economic Review*, 41(1), 1-35.

10. Internet Auctions: eBay and Yahoo!Auctions (1/2 week)

Lucking-Reiley, David. “Auctions on the Internet: What’s Being Auctioned, and How?” *Journal of Industrial Economics*, September 2000, XLVIII, 227-254.

11. Business-to-Business (B2B) Transactions (1/2 week)

Ali Farhoomand and Peter Lovelock, Ch. 4.

VI. Law and E-Commerce

12. Intellectual Property Rights (1 week)

CSW, Ch. 5; Carlton and Perloff, Ch. 16.

13. Case Study: Napster (1/2 week)

Lecture note.

14. Regulations, Taxation, and International Trade (1/2 week)

CSW, Ch. 11.