

NET Institute Conference on Network Economics

November 19, 2010



Co-sponsored by
The Stern School of Business

NET Institute Fall 2010 Conference

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NET Institute

The Networks, Electronic Commerce and Telecommunications (“NET”) Institute

<http://www.NETinst.org> is a non-profit institution devoted to research on the Internet, electronic commerce, telecommunications, cable television, “virtual networks” comprised of computers that share the same technical standard or operating system, financial networks including credit card and ATM networks, and on network issues in general. Of particular interest is research on innovation, entry, and introduction of new technology in network industries. The NET Institute functions as a world-wide focal point for research and open exchange and dissemination of ideas in these areas. The NET Institute competitively funds cutting edge research projects in these areas of research. It organizes conferences and seminars on these issues.

The following distinguished academics sit on the NET Institute’s board of directors:

1. Professor [Kenneth Arrow](#), Economics Department, Stanford University
2. Dr. [Vinton G. Cerf](#), Chief Internet Evangelist, Google
3. Professor [Nicholas Economides](#), Stern School of Business, New York University
(Executive Director)
4. [David A. Heiner](#), Vice President & Deputy General Counsel, Microsoft Corporation
5. [Dr. Nathan Myhrvold](#), CEO, Intellectual Ventures
6. Professor [Ariel Pakes](#), Economics Department, Harvard University

The NET Institute gratefully acknowledges the generous financial support of the AT&T Foundation, the Kauffman Foundation, and Microsoft.

NET Institute Activities

In 2010, its eighth year of operation, the NET Institute funded twenty research projects through its summer grants program in a number of network industries through a competitive process in which a large number of proposals were submitted. The research papers are listed at XXX. Similarly, the NET Institute funded twenty five research projects in 2009, listed at http://www.netinst.org/2009_grants.html and on page XX, forty five research projects in 2008, listed at http://www.netinst.org/2007_grants.html and on page XX, thirty six research projects in 2007, listed at http://www.netinst.org/2007_grants.html and on page XX, thirty four research projects in 2006, listed at http://www.netinst.org/2006_grants.html and on page XX, twenty three research projects in 2005, listed at http://www.netinst.org/2005_grants.html and on page XX, twenty research projects in 2004, listed on page XX and at http://www.netinst.org/2004_grants.htm, and thirteen projects during 2003, its first year of operation, listed on page XX and at http://www.netinst.org/2003_grants.htm. The funded research work include a number of very important contributions in the analysis and understanding of competition, pricing, innovation, market structure, entry, and profitability in network industries ranging from telecommunications, banking networks, software and computers, video games, and airlines, among others. The full papers are downloadable as part of the working papers series of the NET Institute at http://www.netinst.org/NET_Working_Papers.html and at <http://www.ssrn.com>. Twelve of the summer 2010 research papers are featured in this year’s NET Institute conference. The NET Institute continues its summer grants program during the year 2011, and expands its support of research activities, conferences, and scientific meetings. See the call for proposals at http://www.netinst.org/call_for_proposals_2011.htm.

NET Institute Conference on Network Economics

Sponsored by the NET Institute, <http://www.NETinst.org/>
and the [Stern School of Business](#)

November 19, 2010

[Stern School of Business](#), [NYU](#), 44 West 4th Street, New York [[MAP](#)]

Preliminary Program

(also at http://www.NETinst.org/2010F_conference.htm)

8:30-9:00 **Continental Breakfast (Room 5-50)**

9:00-9:15 **Introductory Remarks**

[Peter Henry](#), Dean, Stern School of Business, NYU

[Nicholas Economides](#), Executive Director, NET Institute and Stern School of Business, NYU

9:15-10:45 **Strategies in Network Industries**

Chairman: [Nicholas Economides](#), Stern School of Business, New York University

1. [Ramon Casadesus-Masanell](#) and [Hanna Halaburda](#), Harvard Business School, “[When Does a Platform Create Value by Limiting Choice?](#)”

Discussant: [Feng Zhu](#), University of Southern California

2. [Ricard Gil](#), University of California Santa Cruz, and [Frederic Warzynski](#), Aarhus School of Business, Denmark, “[Vertical Integration, Exclusivity and Game Sales Performance in the US Video Game Industry.](#)”

Discussant: [Scott Shriver](#), Stanford University

3. [Rob Seamans](#), Stern School of Business, NYU, and [Feng Zhu](#), University of Southern California, “[Technology Shocks in Multi-Sided Markets: The Impact of Craigslist on Local Newspapers.](#)”

Discussant: [Catherine Tucker](#), MIT

11:00-12:30 **Network Formation, Dynamics, and Spillovers**

Chairman: [Alexander Tuzhilin](#), Stern School of Business, New York University

1. [Chrysanthos Dellarocas](#), Boston University, [Zsolt Katona](#), U. C. Berkeley, and [William Rand](#), University of Maryland, “[Media, Aggregators and the Link Economy: Strategic Hyperlink Formation in Content Networks](#)”

Discussant: [Arun Sundararajan](#), Stern School of Business, New York University

2. [Scott Shriver](#), Stanford University, “[Network Effects in Alternative Fuel Adoption: Empirical Analysis of the Market for Ethanol](#).”

Discussant: [Ignacio Esponda](#), Stern School of Business, New York University

3. [Eyal Carmi](#), [Gal Oestreicher-Singer](#), Tel-Aviv University, and [Arun Sundararajan](#), Stern School of Business, NYU, “[Is Oprah Contagious? Identifying Demand Spillovers in Product Networks](#).”

Discussant: [Chrysanthos Dellarocas](#), Boston University

12:30-1:55 **Lunch; Keynote speaker: TBA**

2:00-3:00 **Pricing in General Two-sided Settings and in Mobile Telecommunications**

Chairman: [Nicholas Economides](#), Stern School of Business, New York University

1. [Alexander White](#), Harvard University and [E. Glen Weyl](#), Harvard University Society of Fellows & Toulouse School of Economics, “[Imperfect Platform Competition: A General Framework](#).”

Discussant: [Joyee Deb](#), Stern School of Business, New York University

2. [Sjaak Hurkens](#), Institute for Economic Analysis, [Ángel L. López](#), IESE Business School, “[Mobile Termination and Consumer Expectations under the Receiver-Pays Regime](#).”

Discussant, [Vasiliki Skreta](#), Stern School of Business, New York University

3:15-4:15 **Social Networks**

Chairman: [Panos Ipeirotis](#), Stern School of Business, New York University

1. [Catherine Tucker](#), MIT, “[Social Networks, Personalized Advertising, and Privacy Controls](#).”

Discussant, [Scott Shriver](#), Stanford University

2. [Angelo Mele](#), University of Illinois at Urbana-Champaign “[A Structural Model of Segregation in Social Networks](#).”

Discussant, [Daniel Xu](#), New York University

4:15-5:30 **Cheese and Wine Reception**

RSVP at <http://w4.stern.nyu.edu/economics/rsvp/>

Abstracts of the Conference Papers in Presentation Order

When Does a Platform Create Value by Limiting Choice?

Ramon Casadesus-Masanell
Harvard Business School

Hanna Halaburda
Harvard Business School

Abstract

We present a theory for why it might be rational for a platform to limit the number of applications available on it. Our model is based on the observation that even if users prefer application variety, applications often also exhibit direct network effects. When there are direct network effects, users prefer to consume the same applications to benefit from consumption complementarities. We show that the combination of preference for variety and consumption complementarities gives rise to (i) a commons problem (users have an incentive to consume more applications than the social optimum to better satisfy their preference for variety); (ii) an equilibrium selection problem (consumption complementarities often lead to multiple equilibria); and (iii) a coordination problem (lacking perfect foresight, it is unlikely that users will end up buying the same set of applications). The analysis shows that the platform can resolve these problems by limiting the number of applications available. By limiting choice, the platform may create new equilibria (including the socially efficient allocation), destroy Pareto-dominated equilibria, and reduce the severity of the coordination problem faced by users.

Vertical Integration, Exclusivity and Game Sales Performance in the US Video Game Industry¹

Ricard Gil
University of California – Santa Cruz

Frederic Warzynski
Aarhus School of Business, Denmark

Abstract

This paper empirically investigates the relation between vertical integration and video game performance in the US video game industry. For this purpose, we use a widely used data set from NPD on video game monthly sales from October 2000 to October 2007. We complement these data with handily collected information on video game developers for all games in the sample and the timing of all mergers and acquisitions during that period. By doing this, we are able to separate vertically integrated games from those that are just exclusive to a platform. First, we show that vertically integrated games produce higher revenues and sell more units at higher prices than independent games. Second, we explore the causal effect of vertical integration and find that, for the average integrated game, most of the difference in performance comes from better release and marketing strategies that soften competition and not from ex-ante differences in video game quality. We also find that exclusivity is associated with lower demand. Our estimates suggest that consumers value vertical integration features in their games between 4 and 34 dollars per game.

¹ Ricard Gil is an Assistant Professor at the Economics Department of the University of California Santa Cruz, and Frederic Warzynski is an Associate Professor at the Aarhus School of Business in Denmark. We would like to thank comments from seminar participants at UC-Santa Cruz, CUNEF, Aarhus School of Business, DePaul University, UC-Davis, IIOC-Vancouver and ISNIE-Stirling. We gratefully acknowledge financial support from the NET Institute (www.netinst.org). The usual disclaimer applies.

Technology Shocks in Multi-Sided Markets: The Impact of Craigslist on Local Newspapers¹

Robert Seamans
Stern School of Business, New York University

Feng Zhu
Marshall School of Business, University of Southern California

Abstract

This paper studies differences in consumers' grocery shopping behavior when they shop online and in a brick-and-mortar store. To do so, I assemble a new scanner dataset that tracks customers' grocery purchases in-store and on the Internet. This allows comparison in behavior of the same households, shopping in the same chain, for identical items and for identical prices, eliminating many possible confounding factors. I document that brand exploration - the purchase of a brand not tried in the past- is systematically more prevalent in-store than online. I propose three possible explanations for this finding: (i) shocks to the instantaneous utility of time correlated with the decision to shop online (ii) possibility to reduce shopping cost; and (iii) difficulty in assessing quality of unknown items while shopping online. I develop a model of consumer behavior that allows me to quantify each effect. I find that all of them contribute to hamper trial of new brands online. The counterfactual shows that altering the design of the website to remove potential obstacles to new trials increases brand exploration by 23%. More generally, in contrast to the conventional wisdom of the Internet reducing entry barriers, my work points to features of the online environment that in certain contexts actually could make entry of new brands more difficult.

¹ The authors thank participants at the NYU Stern Economics of Strategy conference and the Academy of Management Annual Meeting. The authors are grateful to the NET Institute, www.NETinst.org, for financial support.

Media, Aggregators and the Link Economy: Strategic Hyperlink Formation in Content Networks¹

Chrysanthos Dellarocas Boston University Zsolt Katona University of California at Berkeley William Rand University of Maryland

Abstract

A key property of the World Wide Web is the possibility for firms to place virtually costless links to third-party content as a substitute or complement to their own content. This ability to hyperlink has enabled new types of players, such as search engines and content aggregators, to successfully enter content ecosystems, attracting traffic and revenues by hosting links to the content of others. This, in turn, has sparked a heated controversy between content producers and aggregators regarding the legitimacy and social costs/benefits of uninhibited free linking. This work is the first to model the implications of interrelated and strategic hyper-linking and content investments. Our results provide a nuanced view of the much-touted “link economy”, highlighting both the beneficial consequences and the drawbacks of free hyperlinks for content producers and consumers. We show that content sites can reduce competition and improve profits by forming links to each other; in such networks one site makes high investments in content and other sites link to it. Interestingly, competitive dynamics often preclude the formation of link networks, even in settings where they would improve everyone’s profits. Furthermore, such networks improve economic efficiency only when all members have similar abilities to produce content; otherwise the less capable nodes can free-ride on the content of the more capable nodes, reducing profits for the capable nodes as well as the average content quality available to consumers. Within these networks, aggregators have both positive and negative effects. By making it easier for consumers to access good quality content they increase the appeal of the entire content ecosystem relative to the alternatives. To the extent that this increases the total traffic flowing into the content ecosystem, aggregators can help increase the profits of the highest quality content sites. At the same time, however, the market entry of aggregators takes away some of the revenue that would otherwise go to content sites. Finally, by placing links to only a subset of available content, aggregators further increase competitive pressure on content sites. Interestingly, this can increase the likelihood that such sites will then attempt to alleviate the competitive pressure by forming link networks.

¹ The authors gratefully acknowledge financial support for this research by Google/WPP and the NET-Institute (www.NETinst.org).

Network Effects in Alternative Fuel Adoption: Empirical Analysis of the Market for Ethanol¹

Scott K. Shriver
Stanford University Graduate School of Business

Abstract

This paper investigates the importance of network effects in the demand for ethanol-compatible vehicles and the supply of ethanol fuel retailers. An indirect network effect, or positive feedback loop, arises in this context due to spatially-dependent complementarities in the availability of ethanol fuel and the installed base of ethanol-compatible vehicles. Marketers and social planners are interested in whether these effects exist, and if so, how policy might accelerate adoption of the ethanol fuel standard within a targeted population. To measure these feedback effects, I develop an econometric framework that considers the simultaneous determination of ethanol-compatible vehicle demand and ethanol fuel supply in local markets. The demand-side of the model considers the automobile purchase decisions of consumers and fleet operators, and the supply-side model considers the ethanol market entry decisions of competing fuel retailers. I propose new estimators that address the endogeneity induced by the co-determination of alternative fuel vehicle demand and alternative fuel supply. I estimate the model using zip code level panel data from six states over a six year period. I find the network effect to be highly significant, both statistically and economically. Under typical market conditions, entry of an additional ethanol fuel retailer leads to a 12% increase in consumer demand for ethanol-compatible vehicles. The entry model estimates imply that a monopolist requires a local installed base of at least 204 ethanol-compatible vehicles to be profitable. As an application, I demonstrate how the model estimates can inform the promotional strategy of a vehicle manufacturer. Counter-factual simulations indicate that subsidizing fuel retailers to offer ethanol can be an effective policy to indirectly increase ethanol-compatible vehicle sales.

¹ I wish to thank Harikesh Nair, Wes Hartmann, Peter Reiss, Han Hong, and Jon Levin for their guidance and comments. I gratefully acknowledge Margot Melendez at the National Renewable Energy Laboratory (NREL) for assistance in obtaining E85 station data and Tim Gerlach at the American Lung Association of the Upper Midwest for many helpful discussions concerning the E85 supply chain. I also thank the Stanford GSB and the NET Institute for generous financial support. All errors are my own.

Is Oprah Contagious? Identifying Demand Spillovers in Product Networks

Eyal Carmi
Tel-Aviv University

Gal Oestreicher-Singer
Tel-Aviv University

Arun Sundararajan
Stern School of Business, NYU

Abstract

We study the online contagion of exogenous demand shocks generated by book reviews featured on the Oprah Winfrey TV show and published in the New York Times, through the co-purchase recommendation network on Amazon.com. These exogenous events may ripple through and affect the demand for a “network” of related books that were not explicitly mentioned in a review but were located “close” to reviewed books in this network. Using a difference-in-differences matched-sample approach, we identify the extent of the variations caused by the visibility of the online network and distinguish this effect from variation caused by hidden product complementarities. Our results show that the demand shock diffuses to books that are up to five links away from the reviewed book, and that this diffused shock persists for a substantial number of days, although the depth and the magnitude of diffusion varies widely across books at the same network distance from the focal product. We then analyze how product characteristics, assortative mixing and local network structure, play a role in explaining this variation in the depth and persistence of the contagion. Specifically, more clustered local networks “trap” the diffused demand shocks and cause it to be more intense and of a greater duration but restrict the distance of its spread, while less clustered networks lead to wider contagion of a lower magnitude and duration. Our results provide new evidence of the interplay between a firm’s online and offline media strategies and we contribute methods for modeling and analyzing contagion in networks.

Imperfect Platform Competition: A General Framework¹

Alexander White
Harvard University

E. Glen Weyl
Harvard University Society of Fellows & Toulouse School of Economics

Abstract

We propose a general model of imperfect competition among multi-product firms, the consumption of whose goods yields externalities from one consumer to another. We extend the allocation approach of Weyl (2010)'s monopoly model, proposing a solution concept, Insulated Equilibrium, that allows for tractable analysis of competition. In such an equilibrium each firm's price on one side of the market adjusts to all firms' participation levels on the other side, so as to insulate its own allocation. This eliminates both the indeterminacy of consumer reactions once platforms have set their tariffs and the multiplicity of reaction functions that platforms can have to one another's tariffs. Our approach allows us to derive intuitive first-order conditions characterizing equilibrium without restrictive assumptions and to analyze the effects of competition, mergers and regulation.

¹ We are grateful to Bruno Jullien, Ariel Pakes, Jean Tirole and especially Jacques Crémer for very helpful discussions. White thanks the NET Institute (NETinst.org) and Weyl the Microsoft Corporation for financial support.

Mobile Termination and Consumer Expectations under the Receiver-Pays Regime¹

Sjaak Hurkens

CSIC and IESE Business School, University of Navarra

Ángel L. López

IESE Business School, University of Navarra

Abstract

We analyze how termination charges affect retail prices when taking into account that receivers derive some utility from a call and when firms may charge consumers for receiving calls. A novel feature of our paper is that we consider passive self-fulfilling expectations and do not allow for negative reception charges. We reconfirm the finding of profit neutrality when firms cannot use termination-based price discrimination and show that connectivity is prone to breakdown.

¹ Financial support from the NET Institute, <http://www.Netinst.org> is gratefully acknowledged.

Social Networks, Personalized Advertising, and Privacy Controls¹

Catherine Tucker
Sloan School of Business, MIT

Abstract

This paper investigates how internet users' perception of control over their personal information affects how likely they are to click on online advertising. The paper uses data from a randomized field experiment that examined the relative effectiveness of personalizing ad copy to mesh with existing personal information on a social networking website. The website gave users more control over their personally identifiable information in the middle of the field test. The website did not change how advertisers used anonymous data to target ads. After this policy change, users were twice as likely to click on personalized ads. There was no comparable change in the effectiveness of ads that did not signal that they used private information when targeting. The increase in effectiveness was larger for ads that used less commonly available private information to personalize their message. This suggests that giving users the perception of more control over their private information can be an effective strategy for advertising-supported websites.

¹ Catherine Tucker is Douglas Drane Career Development Professor in IT and Management and Assistant Professor of Marketing at MIT Sloan School of Business. I thank the NET Institute (www.NETinst.org) for financial support. I also thank Alessandro Acquisti, Avi Goldfarb, Alex Marthens, Martin Peitz, Ken Wilbur and seminar participants at the University of Mannheim for useful suggestions. All mistakes are mine alone.

A Structural Model of Segregation in Social Networks¹

Angelo Mele
University of Illinois at Urbana-Champaign

Abstract

In this paper, I develop and estimate a dynamic model of strategic network formation with heterogeneous agents. The main theoretical result is the existence of a unique stationary equilibrium, which characterizes the probability of observing a specific network in the data. As a consequence, the structural parameters can be estimated using only one observation of the network at a single point in time. The estimation is challenging, since the exact evaluation of the likelihood function is computationally infeasible even for very small networks. To overcome this problem, I propose a Bayesian Markov Chain Monte Carlo algorithm that avoids the direct evaluation of the likelihood. This method drastically reduces the computational burden of estimating the posterior distribution and allows inference in high dimensional models.

I present an application to the study of segregation in school friendship networks, using data from Add Health. The latter contains the actual social network of each student in a representative sample of US schools. My results suggest that for White students, the value of a same-race friend decreases with the fraction of whites in the school. This relationship is of opposite sign for African American students.

The model is used to study how different desegregation policies may affect the structure of the network in equilibrium. I find an inverted U-shape relationship between the fraction of students belonging to a racial group and the expected equilibrium segregation levels. These results suggests that these policies should be carefully designed in order to be effective.

¹ We thank Tülin Erdem for very helpful comments. We also thank Sanjeev Dewan, Russ Winer, and participants at the 2009 Marketing Dynamics Conference, the 2009 SCECR conference 2009 and the 2009 Marketing Science conference for helpful comments. We thank the NET Institute for partial funding for this project. Anindya Ghose acknowledges the generous financial support from NSF CAREER award (IIS-0643847). The usual disclaimer applies.

Short Biographies of Speakers, Discussants and Session Chairpersons

RAMON CASADESUS-MASANELL joined the Harvard Business School faculty in 2000. He has taught the required MBA Strategy course, an elective course on Competing Business Models, and Ph.D. courses on Strategy and Game Theory. He also teaches in Executive Education programs. Casadesus-Masanell received his Ph.D. in Managerial Economics and Strategy from the Kellogg Graduate School of Management, Northwestern University. He received his BA in Economics from Universitat Autònoma de Barcelona, Spain. Casadesus-Masanell's fields of specialization are management strategy, managerial economics, and industrial organization. Casadesus-Masanell studies strategic interaction between organizations that operate different business models. He is also interested in the limits to contracting and the role of trust for management strategy. He has published in the Journal of Economic Theory, the Journal of Economics & Management Strategy, Management Science, the Journal of Law & Economics, the Academy of Management Review, and Long Range Planning among others.

JOYEE DEB joined New York University Stern School of Business as an Assistant Professor of Economics in July 2008. Professor Deb's research interests are in microeconomic theory and game theory, where her primary focus is in the area of repeated games. In two recent papers, she studied long-term relationships between communities where members interact with each other repeatedly over time, and examined whether it is possible to cooperate and achieve efficient outcomes in such settings. In another research project, she focuses on large games, studying the robustness of game theoretic predictions in strategic situations with a large number of agents. She is also interested in the study of reputation phenomena and has written a paper on the value of firm reputation. Additionally, she worked as a consultant in the strategy practice of Accenture in India. Professor Deb received her B.Sc. in Mathematics from St. Stephen's College, Delhi University; her M.B.A. in Finance and Economics from the Indian Institute of Management in Bangalore; and her Ph.D. in Economics from Northwestern University's Kellogg School of Management.

CHRYSANTHOS (CHRIS) DELLAROCAS is an Associate Professor of Information Systems at Boston University. He is one of the world's most cited scholars in the fields of online reputation and Web 2.0. Other interests include collective intelligence, online advertising and the economics of media industries. Dellarocas holds Ph.D. and M.S. degrees in Computer Science from MIT and a Diploma in Electrical Engineering from the National Technical University of Athens, Greece. Prior to Boston University he taught at MIT's Sloan School of Management and at the University of Maryland's R. H. Smith School of Business. Before pursuing an academic career he was a management consultant with Andersen Consulting (now Accenture) and McKinsey. He serves on the editorial boards of Management Science and Information Systems Research, both considered top journals in the field of Information Systems, and on the advisory board of the Word of Mouth Marketing Association (WOMMA). He has served as chair of a number of international workshops and conferences, including the ACM Conference on Electronic Commerce and the Workshop on Information Systems and Economics

(WISE). Dellarocas is a recipient of numerous teaching, funding and merit awards, including the National Science Foundation's CAREER award. He holds 9 patents and is co-founder and advisor of a number of companies in the technology space.

NICHOLAS ECONOMIDES is Professor of Economics at the Stern School of Business of New York University and Executive Director of the NET Institute, <http://www.NETinst.org>. He is an internationally recognized academic authority on network economics, electronic commerce, and public policy. His fields of specialization and research include the economics of networks, especially of telecommunications, computers, and information, the economics of technical compatibility and standardization, industrial organization, the structure and organization of financial markets and payment systems, antitrust, application of public policy to network industries, strategic analysis of markets and law and economics. He has published over one hundred articles in top academic journals in the areas of networks, telecommunications, oligopoly, antitrust, product positioning, and on liquidity and the organization of financial markets and exchanges. He holds a Ph.D. and a M.A. in Economics from the University of California at Berkeley, as well as a B.Sc. (First Class Honors) in Mathematical Economics from the London School of Economics. He has previously taught at Columbia University (1981-1988) and at Stanford University (1988-1990). He is editor of the *Journal of Economics and Management*, *Netnomics*, *The Quarterly Journal of Electronic Commerce*, *The Journal of Financial Transformation*, *The Journal of Network Industries*, on the Advisory Board of the *Social Science Research Network*, editor of *Economics of Networks Abstracts* by SSRN, and past editor of the *International Journal of Industrial Organization*. His web site on the Economics of Networks at <http://www.stern.nyu.edu/networks/> has been ranked as one of the top four economics sites worldwide by *The Economist* magazine. He is advisor to the U.S. Federal Trade Commission, the governments of Greece, Ireland, New Zealand, and Portugal, major telecommunications corporations, a number of the Federal Reserve Banks, the Bank of Greece, and major Financial Exchanges. He serves on the Advisory Board of the *Economist Intelligence Unit*. The complete C.V. of Prof. Nicholas Economides is available at <http://www.stern.nyu.edu/networks/cvnoref.html>.

IGNACIO ESPONDA joined New York University Stern School of Business as an Assistant Professor of Economics in 2006. He teaches Firms and Markets, a core course for the MBA program at Stern. Professor Esponda's primary areas of research include game theory and industrial organization. Part of his work focuses on understanding strategic interactions of market participants that suffer from specific biases in behavior, such as the failure to take into account the winner's curse effect in the presence of adverse selection. Lately, he has been studying entry, participation, and bidding decisions of firms in procurement markets. Professor Esponda received his BA and MA in Economics from Universidad de San Andrés, Argentina, and his PhD in Economics from Stanford University.

RICARD GIL is an Assistant Professor in the Economics department at the University of California at Santa Cruz. He received his B.A. in Economics from Universitat Pompeu Fabra in Barcelona, Spain, and his M.A. and Ph.D. in Economics from The University of Chicago. He is currently a Visiting Professor of Applied Economics and a Visiting Scholar at MIT's Sloan School of Management and has also held a position as a Post-Doc

of Organizational Economics at the Harvard Business School. Ricard's main research interests include industrial organization and organizational economics with a specific emphasis on empirical work on entertainment industries such as the movie and video game industry, and other non-entertainment sectors such as construction and drycleaning.

HANNA HALABURDA is an Assistant Professor in the Strategy Unit at Harvard Business School. In her current research, she uses game theory to study two sided markets with network effects, like video games platforms, labor markets and on-line matchmakers. Hanna received a Master's degree in Economics from Warsaw School of Economics, a Master's degree in Philosophy from Warsaw University in Warsaw, Poland and a PhD in Economics from Northwestern University in Evanston, IL.

PETER BLAIR HENRY is Dean of New York University's Leonard N. Stern School of Business. He joined NYU Stern from Stanford University where he was the Konosuke Matsushita Professor of International Economics, the John and Cynthia Fry Gunn Faculty Scholar, Associate Director of the Center for Global Business and the Economy at the Stanford University Graduate School of Business, and a Senior Fellow of the Stanford Institute for Economic Policy Research. Dean Henry is a Research Associate at the National Bureau of Economic Research, a Nonresident Senior Fellow of the Brookings Institution, and a member of the Council on Foreign Relations. From 2000-2001 he was a National Fellow at the Hoover Institution. The National Science Foundation's Early CAREER Development Program supported his research and teaching from 2001-2006. In 2004 Dean Henry participated in the Copenhagen Consensus, an international conference on how to make the most efficient use of the world's scarcest resources. The Economist magazine named the published proceedings of the conference one of the best business books of 2004. The author of numerous articles and book chapters, Dean Henry is best known for a series of publications in the three flagship journals of the American Economic Association that overturn conventional wisdom on the topics of debt relief, international capital flows, and the role of institutions in economic growth. Dean Henry received his PhD in economics from the Massachusetts Institute of Technology in 1997. While in graduate school, he served as a consultant to the Governors of the Bank of Jamaica and the Eastern Caribbean Central Bank (ECCB). His research at the ECCB contributed to the intellectual foundation for establishing the first stock market in the Eastern Caribbean Currency Area.

SJAAK HURKENS obtained his PhD from Tilburg University in 1995 under the supervision of Eric van Damme. After working as a post-doc at University College London and University Pompeu Fabra (Barcelona), he became a tenured professor at University Pompeu Fabra. In 2005 he moved to the Institute of Economic Analysis, also in Barcelona. He is also a research fellow of IESE Business School. His research interests lie in game theory, microeconomic theory, industrial organization and regulation. He has published in Games and Economic Behavior, Journal of Economic Theory, and RAND Journal of Economics, among others.

PANOS IPEIROTIS is an Associate Professor at the Department of Information, Operations, and Management Sciences at Leonard N. Stern School of Business of New York University. His recent research interests focus on crowdsourcing and on mining

user-generated content on the Internet. He received his Ph.D. degree in Computer Science from Columbia University in 2004, with distinction. He has received two "Best Paper" awards (IEEE ICDE 2005, ACM SIGMOD 2006), two "Best Paper Runner Up" awards (JCDL 2002, ACM KDD 2008), and is also a recipient of a CAREER award from the National Science Foundation.

ANGELO MELE is a PhD Candidate at University of Illinois, Urbana-Champaign. His research interests are applied econometrics, labor economics and applied microeconomics. His current work focuses on the economics of social interactions. In particular he is interested in model of social network formation and strategic interactions in social networks, with both theoretical and empirical perspectives. He received a M.A. in Economics from New York University and a B.A. in Economics from Bocconi University.

ROBERT SEAMANS joined New York University Stern School of Business as an Assistant Professor of Management and Organizations in July 2009. Prior to joining NYU Stern, he worked for an economic consulting firm and a software start-up company. Professor Seamans' research focuses on the actions that established firms take when threatened by new entrants to the market. He is particularly interested in how these actions affect diffusion of new technology. He also studies the importance of various types of finance to entrepreneurs. Professor Seamans received his Ph.D. in Business Administration from the University of California, Berkeley.

SCOTT SHRIVER is a doctoral candidate in the marketing program at the Stanford Graduate School of Business. His research interests include empirical methods, network effects, market entry and technology adoption. His recent papers have studied applications in the alternative motor fuel and online social networking industries.

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ARUN SUNDARARAJAN is a faculty member at the Leonard N. Stern School of Business, New York University, and director of the IT Economics track at their Center for Digital Economy Research. His research studies the economics of information technology, and focuses primarily on pricing digital goods, network effects, piracy and DRM, reputation systems, how IT transforms industries, and how social networks affect economic outcomes. He has published widely in journals that include *Decision Support*

Systems, Economics Letters, Information Systems Research, Journal of Economic Literature, Journal of Management Information Systems, Management Science and Statistical Science. His research has won two Best Paper awards, and his work has been profiled internationally over the last year by publications such as BusinessWeek, the Financial Times and the Tokyo Shimbun. Professor Sundararajan serves on the editorial boards of *Management Science* and *Information Systems Research* as an associate editor, on the advisory board of SSRN's ebusiness/e-commerce journal, and was the founding co-chair of the NYU Summer Workshop on the Economics of IT. His former doctoral students hold academic positions at Dartmouth College, the University of Maryland, the University of Rochester, the University of Southern California, and the Wharton School. He has degrees in electrical engineering, operations research and business administration from the Indian Institute of Technology, Madras and the University of Rochester.

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ALEXANDER TUZHILIN is a Professor of Information Systems at the Stern School of Business, NYU. Prof. Tuzhilin joined [Stern](#) in 1989 after earning a Ph.D. degree in Computer Science from the [Courant Institute](#). His current [research interests](#) include knowledge discovery in databases (data mining), personalization and recommender systems. He has [published](#) research in various ACM, IEEE, INFORMS and other computer science, IS, marketing, management science journals and conference proceedings. He [serves](#) on the editorial boards, organizing and program committees of various journals and conferences. He co-chaired the Program Committee of the IEEE International Conference on Data Mining (ICDM) in 2003 and serves as a Conference Co-Chair of [the 3rd ACM Conference on Recommender Systems](#) to be held in New York in October 2009. His research has been supported by NSF, Morgan Stanley, Pfizer, and Centers for Advanced Technologies and for Research in Information Systems (NYU). In addition to NYU, he has held visiting positions at The Wharton School of the University of Pennsylvania, Columbia University, and Ecole Nationale Supérieure des Telecommunications (Paris, France). His [industry experience](#) includes two years as a software developer in the high-tech industry and various consulting engagements. His comments on technology-related topics and articles about his work appeared in major [press outlets](#).

E. (ERIC) GLEN WEYL is a second-year Junior Fellow at the Harvard Society of Fellows. He also spends each June in Toulouse, France as a visiting researcher at the Toulouse School of Economics. He was valedictorian of Princeton's 2007 class, receiving an AB in economics, followed by an MA and PhD in 2008. Glen's primary intellectual interests are in pure and applied price theory, with a focus on industrial

organization, as well as the intersection between economics and other disciplines, particularly philosophy and evolutionary biology. His research, which he has presented at dozens of venues on three continents, addresses topics ranging from the career choices of talented students to the relationship between Simon Kuznets's Russian Jewish heritage and his economic thinking. His first two academic articles, one on two-sided markets and a second on individual rights, have just been published in *Economics Letters* and *Politics, Philosophy and Economics* respectively. A third article "A Price Theory of Multi-Sided Platforms" is forthcoming in the *American Economic Review*. His current research includes designing market institutions, intellectual property and systems for assembling disparately owned property; multi-sided platforms; developing a general foundation for the law of demand through the correspondence principle; and clarifying the first-order approach to merger analysis. He has been an academic visitor at universities and ministries in Brazil, Chile and México, as well as a research intern at the US Department of Justice Antitrust Division.

ALEXANDER WHITE is a postdoctoral fellow in the Harvard Department of Economics. In June 2010, he defended his dissertation, "Essays on the Economics of the Internet", at the Toulouse School of Economics. On several occasions during his doctoral studies, he visited at Microsoft Research, working as an intern in the theory group and as a consultant on search engines.

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