

ECON 321, Class 20: BP Chapter 21, Strategies for Network Goods

1. Let's start back in Chapter 20 where they introduce the Katz-Shapiro model. This starts at 20.3.2. Work through the model using Mathematica. You can set $v = 1/4$, $c_A = c_B = c$, and $\beta_B = 0$ to make the calculations easier. Finish up by showing that consumer surplus goes up with compatibility, equation (20.19).
2. Read the intro to Chapter 21 and Section 21.2.1, noting the names for the various combinations 1-4 and Cases 21.1 and 21.2.
3. Look at Section 21.1.2 – I will do up through Lesson 21.1 in class.
4. Skim Section 21.2.
5. Read Section 21.3.