

CCT490: Week 9

More Economics of Open Source

Yuri Takhteyev

University of Toronto

November 10, 2010



This presentation is licensed under Creative Commons Attribution License, v. 3.0. To view a copy of this license, visit <http://creativecommons.org/licenses/by/3.0/>. This presentation incorporates images that belong to other authors – see individual images' sources for copyright information.

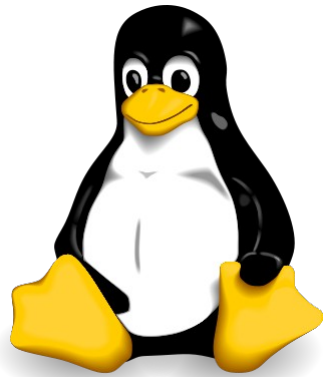
Why do individuals
contribute?

Why do *companies*
contribute?

Complements



Examples



ANDROID

Other Reasons?

1. GPL
2. Public relations / recruiting
3. To sabotage competitors?
4. To get others to use it

How can free
software compete?

Is it somehow more efficient?

Is Deadweight Loss the Main Problem?

(yes, for some kinds of software)



image source: http://www.lanl.gov/news/albums/computer/Roadrunner_1207.jpg

Network Externalities



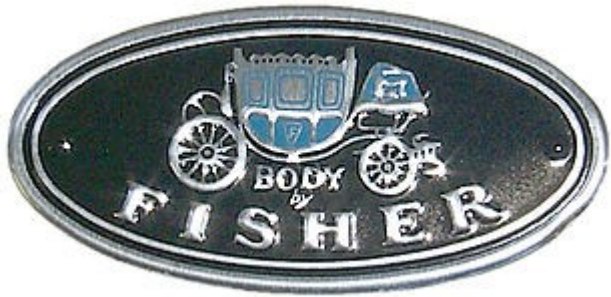
image sources:

<http://en.wikipedia.org/wiki/File:Betavhs2.jpg>

http://upload.wikimedia.org/wikipedia/en/thumb/1/14/Blu-ray_Disc.svg/500px-Blu-ray_Disc.svg.png

<http://upload.wikimedia.org/wikipedia/en/thumb/a/a4/HD-DVD.svg/500px-HD-DVD.svg.png>

The Hold Up Problem



relationship-specific
investments

image sources:

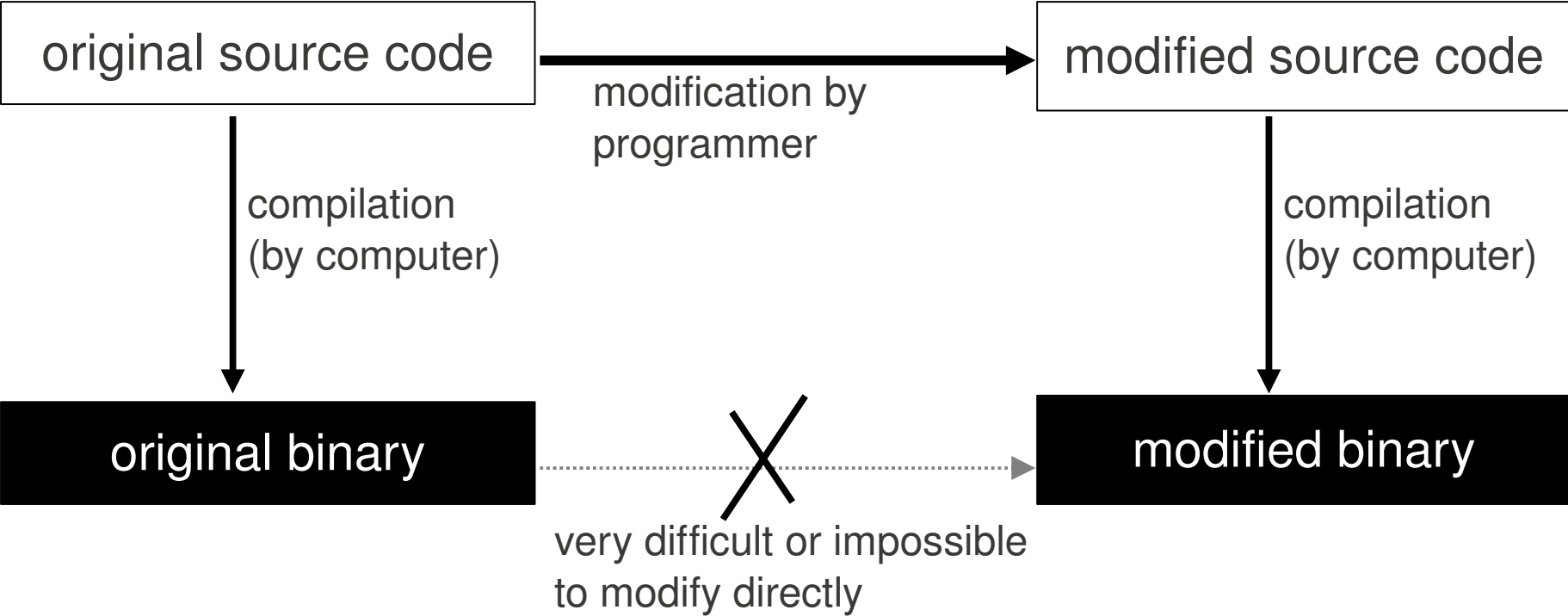
<http://en.wikipedia.org/wiki/File:FisherBodyLogo.jpg>

<http://en.wikipedia.org/wiki/File:1929-cadillac-archives.jpg>

The Additional Investments

- training
- hardware
- more software

What are the potential problems?



Why Not Sell Code?

Differences in excludability:

- technical measures
- identity

Vertical Integration

in-house development
+
network externalities

Kinds of Software

development tools
vs
computer games

Additional Reasons

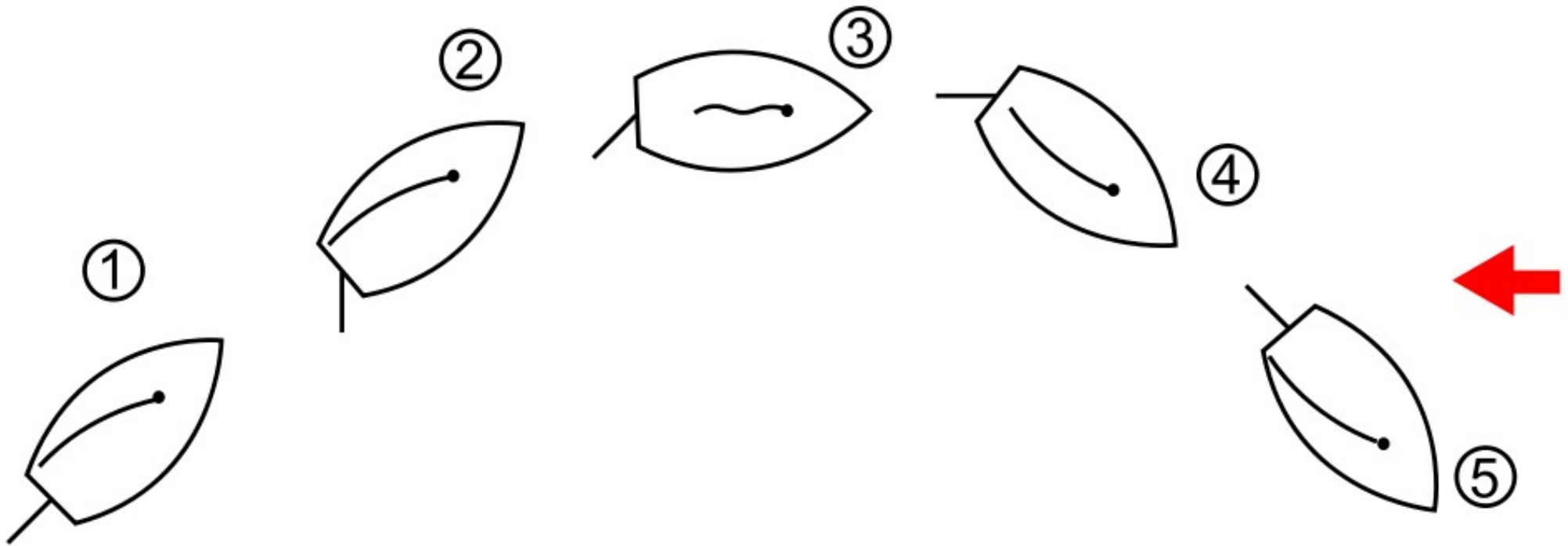
Transaction Costs:

Negotiating rights takes effort

Situated Knowledge:

Acquiring users' knowledge can be costly

Wind vs Sails



“institutions”

Q & A