

CS-103 Announcements

- HW10 due 9pm Fri Dec 1
- Lab project in two parts
 - JavaScript libraries, due Mon Dec 4
 - JavaScript coding, due Mon Dec 11
- Lab project is 10% of course grade

Quiz Friday Dec 1

- Epidemics (Six Degrees chapter 6)
- Social Web & Externalities are **NOT** in quiz (but will be on final)
- 5% of total class grade
- Consists of short essays similar to HW9, HW10
- Last half of period

BU Today Best Blog Contest

- Open to students, faculty, staff
- Four CS-103 students advising *BU Today* on marketing the contest to the entire university

Six Degrees Ch 7: Externalities

- Whenever a person's economic decisions are affected by anything outside of the transaction itself, economists call it an ***externality***
- We'll look at four kinds of externalities
 - ***Information***
 - ***Coercive***
 - ***Market***
 - ***Coordination***

Information Externality

- How does this relate to social web?

Coercive Externality

- Spiral of silence: prior to national election, holders of perceived majority opinion grow more vocal at expense of perceived minority opinion
- This happens regardless of actual majority vs minority split
- Result of election predicted not by who people support but by who they expect will win

Coercive Externality

- Is this relevant to CS-103?

Market Externality

- The intrinsic value and/or usefulness of a product may depend on how many other people acquire it
- This is common for communication tools
 - Telephone
 - Fax machine

Market Externality

- How does this relate to social web?

Coordination Externalities

- Benefits emerge at collective level, but decisions are made individually
- “Do the right thing” vs “Look out for #1”
- Governments are created to coerce people into “Do the right thing”
- What if there is no gov’t coercion?

“Do the right thing” vs “Look out for #1”

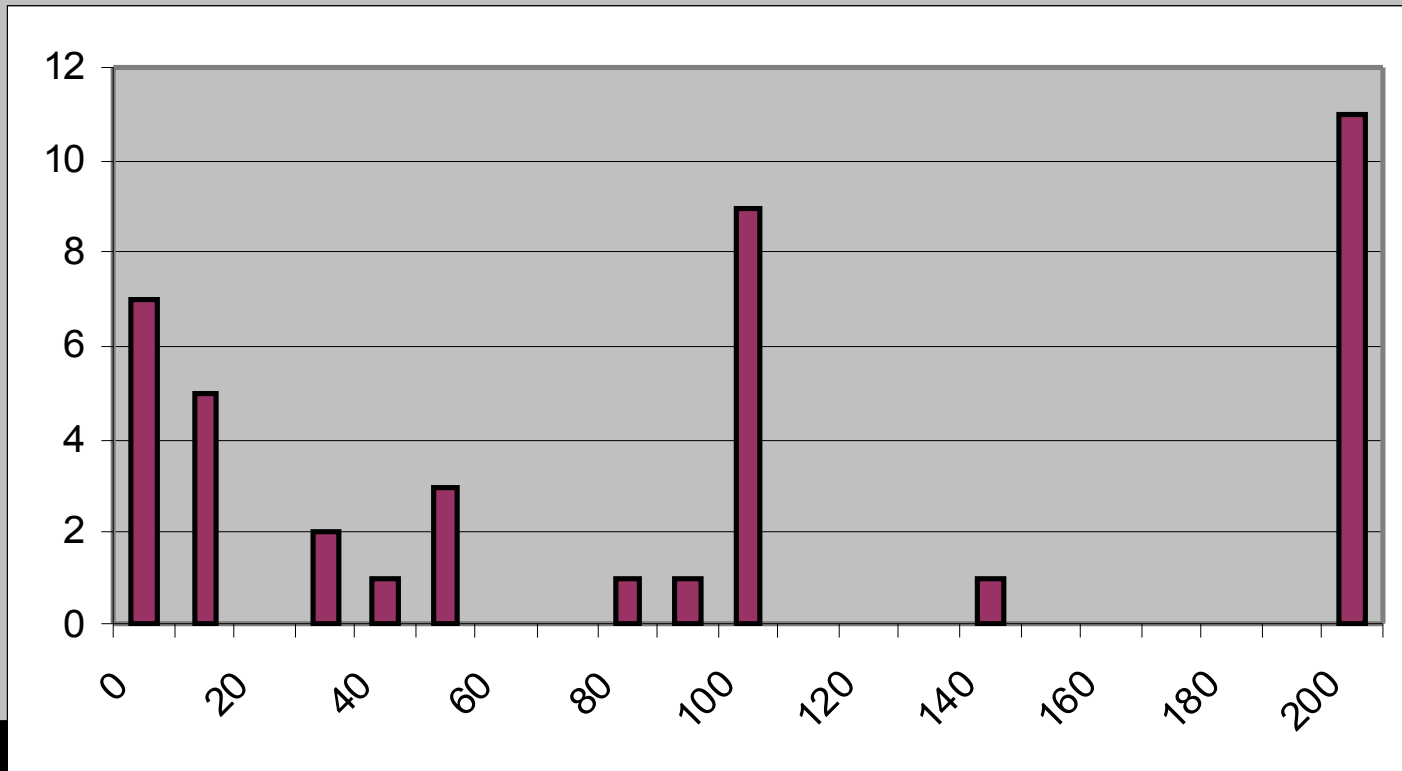
When there is no coercion forcing us to do the right thing, our decision is influenced by

- How much do I care about future?
- How much do my actions affect decisions of others?
- ...

Coordination Externalities =
factors such as these that persuade us to work
for collective benefit before individual benefit

HW10 Grade Growth Fund

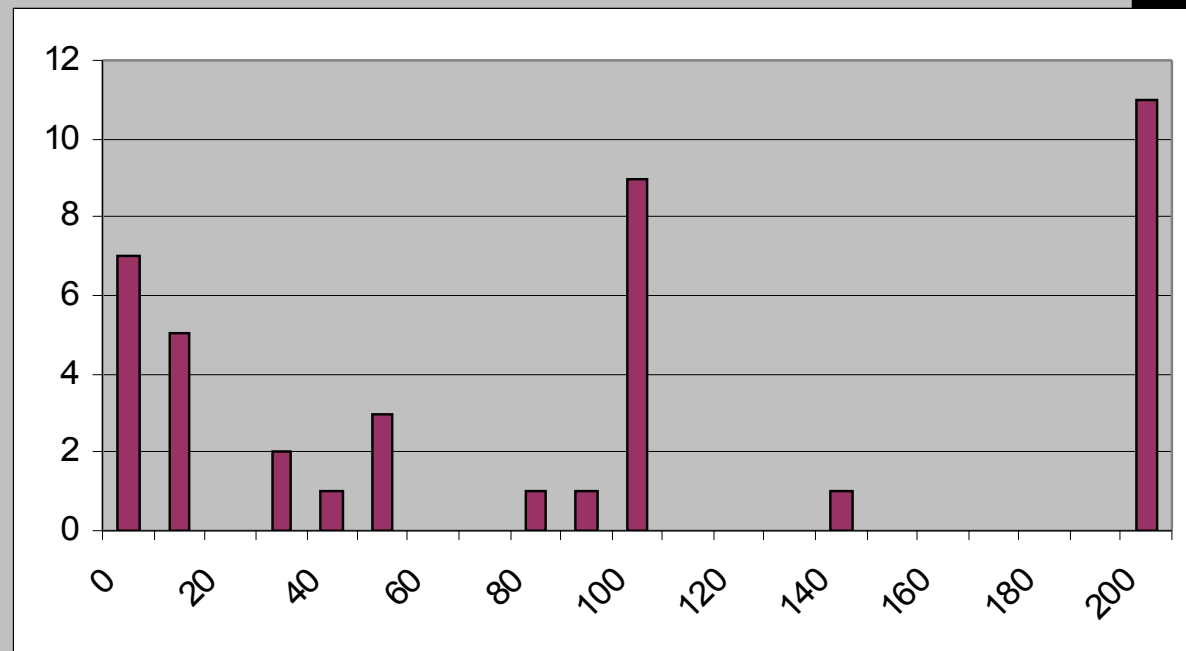
- 41 participants invested avg of 89 cents
- Return per Participant (RPP) = 1.78 pts



HW10 Grade Growth Fund

How did externalities impact the fund?

- Information
- Coercion
- Market
- Coordination



Other versions of fund

How do externalities behave differently in the following scenarios:

- **HW10 Grade Growth Fund:**
 - One collective fund; one round of confidential bids
- **Monday's game of bid & bluff:**
 - 12 different rounds of pairings with 12 different strangers
- **Alternative 1 game of bid & bluff:**
 - 12 different rounds: 6 times with one person, 6 times with another person, where bluffs are revealed each round
- **Alternative 2 game of bid & bluff:**
 - 12 different times: 6 times with one person, 6 times with another person, where bluffs are not revealed until end