

REPORT ON MASTER THESIS
CENTER FOR ECONOMIC RESEARCH AND GRADUATE EDUCATION

STUDENT:	Davit Asatryan
ADVISOR:	Krešimir Žigić
TITLE OF THE THESIS:	Digital Piracy: Subsidize Software Developers or Tax Them? The Interaction between Public and Private IPR Protection

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

CONTRIBUTION:

The student studies the impacts of digital piracy on the optimal pricing and private IPR protection of a monopolist as well as the role of the government's subsidies/taxes in this process that affects both the firm's pricing and private IPR protection. Thus, the paper contains both the positive and normative analysis. Moreover, exogenously set size of a public fine (copyright) also plays a role in the above interactions. While the topic of interaction between the public and private protections is well explored, the author's focus on the role of taxing or subsidizing private IPR protection. This, together with an original model that the student developed for that purpose, gives a novel dimension to issue at stake and represents the contribution to the relevant literature.

METHODS:

The author employs the familiar setup of a two-stage game between the monopolist and the government to tackle the issue at stake and use subgame perfect equilibrium concept as the solution concept.

LITERATURE:

The cited literature is adequate and relevant.

MANUSCRIPT FORM:

The thesis is in a form of an essay and has relatively appropriate structure for the analyzed problem.

SUMMARY AND SUGGESTED QUESTIONS FOR THE DISCUSSION DURING THE DEFENSE:

The main findings of the thesis are as follows: government subsidies and the private protection of the producer act as strategic complements; subsidizing the producer incentivizes him to spend more resources on the private protection of his product against piracy while takes away this incentive. Furthermore, the interaction between the two forms of public IPR protection: piracy fines and subsidies are strategic substitutes: increasing piracy fines imply lower subsidies, while decreasing fines imply higher subsidies for the producer. Finally, the student explores the parameter configuration (relative sizes of the fine and quality of the copied produced) to determine when would subsidy (or tax) be a socially optimal instrument. The outcome of the optimal policy instrument is also connected (apart from the relative size of the above parameters) with the two available strategies of monopolist: piracy accommodation or piracy deterrence.

- Characterize the parameter space for a monopolist to choose accommodation vs deterrence when there is no government intervention.

- Consider s' (page 35) and let the government set $s'-\epsilon$ so that the government induces firm to choose deterrence strategy and check the social welfare in this case. Could this be a social optimal solution for a particular parameter configuration?

Please indicate whether you recommend the Thesis for defense or not.

I recommend the thesis for defense. x
I do not recommend the thesis for defense.

TEXT ORIGINALITY CONTROL

I confirm that I acquainted myself with the report on the originality of the text of the thesis from

[] Theses [x] Turnitin [] Ouriginal (Urkund)

Comments on the reported results:

SUMMARY OF POINTS AWARDED (for details, please see the page 3)

CATEGORY	POINTS
Contribution (max. 30 points)	21
Methods (max. 30 points)	28
Literature (max. 20 points)	17
Manuscript Form (max. 20 points)	16
TOTAL POINTS (max. 100 points)	82
GRADE (A – B – C – D – E – F)	B

NAME OF THE ADVISOR: doc. Krešimir Žigić, Ph.D.

DATE OF EVALUATION: 25.08.2023

REFEREE SIGNATURE

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION:

The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.

Strong	Average	Weak
30	15	0

METHODS:

The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.

Strong	Average	Weak
30	15	0

LITERATURE REVIEW:

The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.

Strong	Average	Weak
20	10	0

MANUSCRIPT FORM:

The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.

Strong	Average	Weak
20	10	0

OVERALL GRADING:

TOTAL	GRADE
91 – 100	A
81 – 90	B
71 – 80	C
61 – 70	D
51 – 60	E
0 – 50	F