

## Economics 489 (L01) (Economics of the Movie Business)

Instructor: W.D. Walls  
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Lecture Location: ZOOM Delivery  
Lecture Days/Time: TR 1200--1445

Office: ZOOM Delivery  
Office Hours: TR 1445-1530

(Spring 2020)

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### Course Description:

This course uses economic theory (building on Econ 357) and economic statistics (building on Econ 395) to understand the organization of production, distribution, and exhibition in the motion-picture industry. The primary focus of the course is on the economics of contracts – in particular how information and uncertainty shape the structure of economic transactions. The historical and institutional illustrations, as well as the more detailed empirical analyses, are set in the context of Hollywood.

### Course Learning Outcomes:

1. be able to understand, articulate, and apply the many features that distinguish the creative industries from standard textbook examples of humdrum industries.
2. be able to understand and articulate the importance of the historical development of the motion-picture industry on the emergence of contracting practices.
3. be able to apply intermediate microeconomic theory at the level of ECON 357 and basic economic statistics at the level of ECON 395 to understand the initial organization of the motion-picture industry
4. be able to apply intermediate microeconomic theory to understand the business practices that emerged in the era of the classic Hollywood studio system era of vertical integration; these business practices include but are not limited to block booking, blind bidding, master license agreements, and temporal and geographic clearances.
5. be able to explain and apply concepts of information and uncertainty and how they shape the structure of economic transactions with particular reference to the exhibitor-distributor contracts in the motion-picture industry.
6. be able to analyze the elements of a film's deal structure, including the use of contingent compensation.
7. be able to analyze the role of uncertainty in determining the distribution of success across competing films; learn to apply statistical tools that are particularly useful in analyzing data and making inferences in a market dominated by 'superstars' in which the outcome distribution has a winner-take-all characteristic.
8. be able to apply models of demand with recursive feedback to explain increasing returns to information; learn to distinguish between competing models of demand dynamics through empirical examination of the outcome distribution.
9. be able to understand and clearly articulate the role of state-contingent supply contracts in the presence of stochastic demand with increasing returns.

10. be able to understand and articulate different economic models of the economic impact of counterfeiting and piracy; learn to apply empirical techniques to quantify the impact of counterfeiting and piracy on the entertainment industry.
11. apply institutional logics theory to analyze strategic decision-making by traditional Hollywood studios in the age of Netflix.

**Course Outline:**

- Distinguishing Features of The Creative Industries
- Historical Development of the Motion Picture Industry
- Motion Picture Antitrust I: Motion Picture Patent Company
- Motion Picture Antitrust II: The Paramount Cases
- Exhibitor-Distributor Contracting
- Deal Structures and Profit-Sharing Contracts
- Uncertainty, Star Power, and Outcome Distribution
- Demand Dynamics, Information Cascades and Information Sharing
- Supply Adaptation
- Piracy
- Industry Adaptation to Digital Distribution

**Prerequisites/corequisites:**

Econ 357, Econ 395

**Required Textbook(s):**

None.

All required course readings will be available through the course web page linking directly to the university library.

**Recommended Textbook(s):**

None.

Non-required supplemental readings will be made available through the course web page linking directly to the university library.

**Online Delivery:**

This course will be delivered online. Students are expected to be able ***to participate*** online in accordance with this Course Outline. Lectures, assignments, office hours, exams, readings and other course material, etc. all require online access and this access is the responsibility of the student.

**Desire2Learn:**

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails go to your University of Calgary e-mail addresses only.

**Lectures:**

Lectures will be delivered online at the Registrar scheduled times and delivered using ZOOM. The lectures will be recorded and subsequently posted to D2L.

**Grade Determination and Final Examination Details:**

THERE WILL BE NO FINAL EXAMINATION. [Jeff, please recall our conversation about this being a writing-intensive course with no final examination.]

MIDTERM EXAM #1	20%
MIDTERM EXAM #2	20%
CLASS PARTICIPATION	10%
WRITTEN TERM PROJECT	40%
VIDEO PRESENTATION OF TERM PROJECT	10%
	100%

The official grading system will be used. See <http://www.ucalgary.ca/pubs/calendar/current/f-1-1.html>.

Students must receive a passing grade on the final written term project and presentation to pass the course.

If a student's letter grade on the final project exceeds his or her midterm(s) letter grade, the weight of the midterm(s) is (are) transferred to the final project. The student must have written the midterm(s) or provided supporting documentation for the absence(s) such as a medical note or statutory declaration.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work. See <https://www.ucalgary.ca/pubs/calendar/current/e-2.html>.

All course components will also be accessed, submitted, and returned through D2L only.

If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam <https://www.ucalgary.ca/pubs/calendar/current/g-6.html>. Under no circumstance will this be accommodated by the Department.

Tests and exams **WILL NOT** involve multiple choice questions.

The exact date for the in-class midterm(s) will be announced at least one week in advance.

The midterm exam(s) will be a closed book, take-home exam(s). The exam(s) will be available on D2L. Students will download the exam from D2L, complete the exam, scan it, and submit using Dropbox in D2L. Students will have three hours to complete the exam, at the time of their choosing, within a designated 24 hour period. The exam is intended to be completed in 75 minutes.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final course project and presentation; otherwise a grade of zero will be assigned.

**Reappraisal of Grades and Intellectual Honesty:**

*For Reappraisal of Graded Term Work, see Calendar I.2*

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

*For Reappraisal of Final Grade, see Calendar I.3*

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

*Statement of Intellectual Honesty, see Calendar K.4*

<http://www.ucalgary.ca/pubs/calendar/current/k-4.html>

*Plagiarism and Other Academic Misconduct, see Calendar K.5*

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

**Academic Accommodations:**

Students seeking an accommodation based on disability or medical concerns should contact Student Accessibility Services. SAS will process the request and issue letters of accommodation to instructors. Students who require an accommodation in relation to their coursework based on a protected ground other than disability should communicate this need in writing to their Instructor. The full policy on Student Accommodations is available at <http://www.ucalgary.ca/policies/files/policies/student-accommodation-policy.pdf>.

**Freedom of Information and Protection of Privacy (FOIP) Act:**

Personal information is collected in accordance with FOIP. Assignments can only be returned to the student and will be accessible only to authorized faculty and staff. For more information, see <http://www.ucalgary.ca/legalservices/files/legalservices/faq-students.pdf> and [http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty\\_0.pdf](http://www.ucalgary.ca/legalservices/files/legalservices/faq-faculty_0.pdf).

**Copyright Legislation:**

See the University of Calgary policy on Acceptable Use of Material Protected by Copyright at [www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright.pdf](http://www.ucalgary.ca/policies/files/policies/acceptable-use-of-material-protected-by-copyright.pdf). Students who use material protected by copyright in violation of this policy may be disciplined under the Non-Academic Misconduct Policy.

**Recording of Lectures:**

Recording of lectures is prohibited, except for audio recordings authorized as an accommodation by SAS or an audio recording for individual private study and only with the written permission of the instructor. Any unauthorized electronic or mechanical recording of lectures, their transcription, copying, or distribution, constitutes academic misconduct. See <https://www.ucalgary.ca/pubs/calendar/current/e-6.html>.

**Important Dates:**

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>.

**Student Organizations:**

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

E-mail: [econrep@fasualgary.ca](mailto:econrep@fasualgary.ca) and Web: [www.fasualgary.ca](http://www.fasualgary.ca).

Society of Undergraduates in Economics:

<https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at [societyofundergradsineconomics@gmail.com](mailto:societyofundergradsineconomics@gmail.com).

**Faculty of Arts Program Advising and Student Information Resources:**

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Call them at 403-220-3580, or email them at [artsads@ucalgary.ca](mailto:artsads@ucalgary.ca). You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate>, which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625].

**Student Support and Resources:**

- See <https://www.ucalgary.ca/registrar/registration/course-outlines> for information on campus mental health resources, the Student Ombuds' Office, Student Success Centre, Safewalk, and Emergency Evacuation and Assembly.
- Online writing resources are available at <https://ucalgary.ca/student-services/student-success/writing-support>.

**Notes:**

1. Students are responsible for all assigned material, e.g., supplementary material posted on D2L, regardless of whether or not the material was covered in class.

WDW

2020-04-24