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

Instructor: W D Walls  
Phone: 220-6761  
Email: wdwalls@ucalgary.ca

Lecture Location: SS113  
Lecture Days/Time: TR 0900-1145

Office: SS 332  
Office Hours: TR 1145-1230  
Summer 2018

Course Description (from University Calendar):

In this course we use economics to understand the organization of production, distribution, and exhibition in the movie industry. The 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 are set in the context of Hollywood.

Course Objectives/Learning Outcomes:

Students will learn to apply intermediate microeconomic theory at the level of ECON 357 and basic economic statistics at the level of ECON 395 to understand the organization of the motion-picture industry.

Students will learn and be able to explain how information and uncertainty shape the structure of economic transactions with particular reference to the motion-picture industry.

Students will learn to analyze the business practices that have evolved in the motion-picture industry, including but not limited to block booking, blind bidding, master license agreements, and temporal and geographic clearances.

Students will learn 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.

Course Outline:

Class Meeting 1:

- Course overview and administration.
- [Blackboard Notes] What distinguishes the movie business from other industries?
- Not required reading: Litman Chapters 1 and 2.
Class Meeting 2:


Class Meeting 3:


Class Meeting 4:


- [Blackboard Notes] The Creators: Squire: Chapters I.

- [Blackboard Notes] The Property: Squire: Chapters II.

Class Meeting 5:

- The Money: Squire Chapters III.

- The Management: Squire Chapters IV.

- The Deal: Squire Chapters V.

- Blackboard notes handed out in class. May also be available here: *Guide to Deal Structures by Mark Weinstein*.

Class Meeting 6:


Here's a link to an actual contractual dispute: The story of *Art Buchwald v Paramount*. 
• Production (The Shooting): Squire Chapters VI.
• Marketing (The Selling): Squire Chapters VII.
• Revenue Streams: Squire Chapters VIII
• Theatrical Distribution & Exhibition: Squire Chapters IX and X.

Class Meeting 7:
• Quiz #1

Class Meeting 8:

Class Meeting 9:
• Home Video & Consumer Products: Squire Chapters XI and XII.
• A. De Vany and Cassey Lee, *Quality Signals in Information Cascades and the Distribution of Motion Picture Box Office Revenues*, Journal of Economic Dynamics and Control, 25 (2001) 593--614.  [version of paper with all Tables and Figures]

Class Meeting 10:


Class Meeting 11:

• A. De Vany and W. D. Walls, [optional] *Quality Evaluations and the Breakdown of Statistical Herding in the Dynamics of Motion-Picture Box-Office Revenue.* *Asian Economic Review*, 2004. [Presentation Slides]


Class Meeting 12:

• International: Squire Chapters XIII.

• The Future: Squire Chapters XIV.

• *Piracy Comic Book.*


Class Meeting 13:

• Review

• Quiz #2

Prerequisites/corequisites:

ECON 357 and ECON 395.

Required Textbook(s):

Optional Textbook(s):

Book(s) on Reserve:

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](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.

Grade Determination and Examination Details:
The overall grade will be determined on the basis of your performance on two in-class midterm exams and one term paper/project as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-class Quizzes (2 @ 30% each)</td>
<td>60%</td>
</tr>
<tr>
<td>Term Paper</td>
<td>40%</td>
</tr>
</tbody>
</table>

There will be no final examination.

All work is to be marked on a numerical (percentage) basis. The course grade is calculated using the weights indicated above. As a guide to determining standing, these letter grade equivalences will apply:

<table>
<thead>
<tr>
<th>Letter Grade</th>
<th>Numerical Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A+</td>
<td>99-100</td>
</tr>
<tr>
<td>A</td>
<td>92-98</td>
</tr>
<tr>
<td>A-</td>
<td>90-91</td>
</tr>
<tr>
<td>B+</td>
<td>88-89</td>
</tr>
<tr>
<td>B</td>
<td>82-87</td>
</tr>
<tr>
<td>B-</td>
<td>80-81</td>
</tr>
<tr>
<td>C+</td>
<td>78-79</td>
</tr>
<tr>
<td>C</td>
<td>72-77</td>
</tr>
<tr>
<td>C-</td>
<td>70-71</td>
</tr>
<tr>
<td>D+</td>
<td>68-69</td>
</tr>
<tr>
<td>D</td>
<td>60-67</td>
</tr>
<tr>
<td>F</td>
<td>0-59</td>
</tr>
</tbody>
</table>

Deviations from the conversion chart listed above will only be made if it improves student grades.

Non-programmable calculators WILL be allowed during the writing of tests.
Tests **WILL NOT** involve multiple choice questions.

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

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.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during his office hours.

The exact dates for the in-class midterm examinations will be June 24 and August 14.

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 examination; 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](http://www.ucalgary.ca/pubs/calendar/current/i-2.html)

For reappraisal of final grade, see Calendar I.3  

Statement of Intellectual Dishonesty, see Calendar K.4  
[http://www.ucalgary.ca/pubs/calendar/current/k-4.html](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](http://www.ucalgary.ca/pubs/calendar/current/k-5.html)

**Academic Accommodations:**
The student accommodation policy can be found at: [ucalgary.ca/access/accommodations/policy](http://ucalgary.ca/access/accommodations/policy).
Students needing an accommodation because of a disability or medical condition should communicate this need to Student Accessibility Services in accordance with the Procedure for Accommodations for Students with Disabilities [ucalgary.ca/policies/files/policies/student-accommodation-policy](http://ucalgary.ca/policies/files/policies/student-accommodation-policy).

Students needing an Accommodation based on a Protected Ground other than disability should communicate this need, preferably in writing, to the course instructor.

**Important Dates:**
Please check: [http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html](http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html)

**Student Organizations:**
Faculty of Arts Students’ Association (F.A.S.A.):  
Economics Department Representative  
Office: SS 803, E-mail: econrep@fasaucalgary.ca and Web: [www.fasaucalgary.ca](http://www.fasaucalgary.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.

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! Drop in at SS102, call them at 403-220-3580 or email them at 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] or visit them in the MacKimmie Library Block.

- Online writing resources are available at http://www.ucalgary.ca/ssc/resources/writing-support.

Evacuation Assembly Point:
In case of an emergency evacuation during class, students must gather at the designated assembly point nearest to the classroom. The assembly point for this classroom is the Professional Faculties Food Court.

Safewalk:
The Safewalk program provides volunteers to walk students safely to their destination anywhere on campus. This service is free and available 24 hrs/day, 365 days a year. Call 403-220-5333.

Freedom of Information and Protection of Privacy (FOIP) Act:
Personal information is collected in accordance with FOIP. For more information, see http://www.ucalgary.ca/legalservices/foip/foip-hia.

Internet and Electronic Communication Device information:
The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note-taking only.

WDW
2018-04-17