

SPORTS ECONOMICS AND POLICY

A Term - Fall 2019

Monday 5:45pm – 9:00pm

Room: Warren 310

Professor Sunil Gulati
Hours: M: 10-11, W: 11:30-12:30
Office: 1001C Intl Affairs Bldg
Phone: 212-854-4067
sunil@columbia.edu

Professor Jonathan Knee
Hours: Tues. 4pm-5pm
Office: 312 Uris
Phone: 212-857-3158
knee@evercore.com

TA: TBD
Phone:

Course Description

The course examines economic and policy issues raised by the rapid changes in the contemporary sports industry. The focus is on understanding the implications of industry structure, economics and culture in both the domestic and international sports businesses. In addition, we consider various forms of public and self-regulation designed to improve the effective operation of sports businesses in the face of this transformation.

Grades will be based on a combination of a group project, class participation, homework and attendance. The group project will be due before the start of class session #5 and two of the groups will be asked to make short presentations of their work during the final session (#6).

Course Outline

Session 1 September 9th <i>Professor Gulati</i>	Intro to Sports Economics and Industry Structure Topics: <ul style="list-style-type: none">(1) Class overview and organization(2) Microeconomics and sports(3) The structure of professional sports in the U.S. Reading: <ul style="list-style-type: none">(1) Richard H. Thaler, “Anomalies: The Winner's Curse.” <i>The Journal of Economic Perspectives</i>, Vol. 2, No. 1. (Winter, 1988), pp. 191-202.(2) Simon Rottenberg “The Baseball Players' Labor Market.” <i>The Journal of Political Economy</i>, 1956.(3) Jeffery Borland and Robert Macdonald, “Demand for Sport” <i>Oxford Review of Economic Policy</i>, Vol. 19, No. 4 (2003), pp.478-502.
Session 2 September 16th <i>Professor Knee</i>	Intro to Player Economics Topics: <ul style="list-style-type: none">(1) History of sports business and player economics(2) Sports talent value chain(3) Key factors determining how much value there is, who captures it Cases: Bharat N. Anand and Kate Altea, International Management Group (IMG), Harvard Business School case 9-702-409, Sept. 16, 2002 Guest: TBD Readings: <ul style="list-style-type: none">(1) Malcolm Gladwell, “Talent Grab,” New Yorker, Oct. 11, 2010(2) Jonathan Knee, "'Powerhouse' Lifts Veil on Secretive Hollywood Agency," New York Times, August 8, 2016.(3) Tim Harford, “The Gramophone,” from <u>Fifty Inventions that Shaped the Modern Economy</u> (Riverhead, 2017).(4) 2014 financing documents, WME acquisition of IMG. Key Questions: <ul style="list-style-type: none">(1) Where does the value lie in the talent value chain? In sports who has leverage- athlete, agent, agency, team, league, broadcaster(2) Is Tim Harford right that “satellite television has been to athletes what the gramophone was to musicians”?(3) What should one look for as critical qualities of attractive sports businesses to invest in

Homework #1 due and groups assigned

Session 3 Media Rights Deals

September 23th

Professor Kneé

Topics:

- (1) Cost and exploitation of sports rights
- (2) Emergence of RSN's

Guest: Sean McManus, Chairman, CBS Sports (TBC)

Reading:

Key Questions:

- (1) Was News Corp's decision to outbid CBS for football rights wise financially and/or strategically? Do you think those are different questions?
- (2) What are the key factors that drive the short and long term financial impact of the purchase?
- (3) Do you think the value of RSN's will grow or shrink in the future?
- (4) How do media companies calculate whether a rights deal is profitable?

Session 4 Soccer — Domestic and International

September 30th

Professor Gulati

Topics:

- (1) The Institutional Landscape
- (2) MLS and Euro Soccer
- (3) International Events – World Cup/ Olympics

Guest: TBD

Reading:

- (1) Stefan Szymanski, "The Economic Design of Sporting Contests." *Journal of Economic Literature*, Vol. 41 (Dec., 2003), pp. 1137-1187.
- (2) Jeffery Borland and Robert Macdonald, "Demand for Sport." *Oxford Review of Economic Policy*, Vol. 19, No. 4 (2003), pp. 478-502.
- (3) Andrew Zimbalist, *Circus Maximus: The Economic Gamble Behind Hosting the Olympics and the World Cup* (Brookings Institution Press, 2015).

Homework #2 due

Session 5 The Impact of Digital Platforms

October 7th

Professor Knee

Topics:

- (1) Emergence of SVOD and OTT platforms

Cases: Anita Elberse and Brett Laffel, Major League Baseball Advanced Media: America's Pastime Goes Digital, Harvard Business School case 9-510-092, February 28, 2011

Guest: John Skipper, Executive Chairman, Perform Group (TBC)

Readings:

- (1) BAMTech marketing materials
- (2) "Disney Invests \$1 Billion in MLB's Streaming Business, BAMTech," *Hollywood Reporter*, August 9, 2016.
- (3) "Disney to End Netflix Deal, Sets Launch of ESPN and Disney Branded Streaming Services," *Variety*, August 8, 2017.

Key Questions:

- (1) What businesses is BAMTech in? In which of these do you think it has a competitive advantage and what is the source of that?
- (2) Why did Disney invest in BAMTech and why did it accelerate its purchase of control?

Group Projects due

Session 6 Policy Implications: Public and Private

October 14th

Professor Gulati

Professor Knee

Topics:

- (1) Presentation of final projects
- (2) Ethics, Values and Corruption in Sports
- (3) Public Policy: antitrust, price regulation, "public" access, gender equity
- (4) Private policy: student athletes, head injury

Cases: Pay equity in soccer

Guest: George Pyne, CEO, Bruin Sports Capital

Reading: TBC

Method of Evaluation

<u>Group Project</u> – 50%	Groups will be randomly assigned at the second class session and the project will be due at the start of the 5 th session. Two groups will be selected to present their projects during the last class.
<u>Class participation</u> – 30%	TA keeps track of participation and attendance. Two absences results in a maximum grade of P.
<u>Homework</u> – 20%	Due before the start of class on day assigned through Canvas.

ATTENDANCE POLICY

Students are required to attend each class. Students should reach out to the instructor or TA to seek an excused absence (for religious observances; personal, medical, and family emergencies; military service; court appearances such as jury duty). Note that if a category of absence provides a legitimate basis for excuse, if the student has adequate notice it is his/her responsibility to arrange for the class to be taped. Only after the student confirms that the tape has been viewed is an excuse granted. Unexcused absences will affect your course grade. It is the student's responsibility to confirm the accuracy of attendance records with the TA on an ongoing basis.

- Students that miss more than **33%** of their classes (2 unexcused absences) will at most receive a **P for the course grade**
- Students that miss more than **50%** of their classes (3 unexcused absences) will receive a **F for the course grade**

INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS

At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias.

Columbia Business School will make reasonable accommodations for persons with documented disabilities. Students are encouraged to contact the Columbia University's Office of Disability Services for information about registration. Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University's Office of Disability Services online at www.health.columbia.edu/docs/services/ods/index.html or by contacting (212) 854-2388.

Columbia Business School is committed to maintaining a safe environment for students, staff and faculty. Because of this commitment and because of federal and state regulations, we must advise you that if you tell any of your instructors about sexual harassment or gender-based misconduct involving a member of the campus community, your instructor is required to report this information to a Title IX Coordinator. They will treat this information as private, but will need to follow up with you and possibly look into the matter. Counseling and Psychological Services, the Office of the University Chaplain, and the Ombuds Office for Gender-Based Misconduct are confidential resources available for students, staff and faculty. "Gender-based misconduct" includes sexual assault, stalking, sexual harassment, dating violence, domestic violence, sexual exploitation, and gender-based harassment. For more information, see <http://sexualrespect.columbia.edu/gender-based-misconduct-policy-students>.