SPORTS ECONOMICS AND POLICY

A Term - Fall 2018

Monday 5:45pm – 9:00pm

Room: WJW 207\*

Professor Sunil Gulati Professor Jonathan Knee

Hours: M: 10-11, W: 11:30-12:30 Hours: Tues. 4pm-5pm

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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 and homework. 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

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| Session 1 | Intro to Sports Economics and Industry Structure |
| **September 10th** Professor Gulati  | ***Topics:***(1) Class overview and organization(2) Microeconomics and sports(3) The structure of professional sports in the U.S. Reading:(1)Richard H. Thaler, “Anomalies: The Winner's Curse***.***” *The Journal of*  *Economic Perspectives*, Vol. 2, No. 1. (Winter, 1988), pp. 191-202. (2) Simon Rottenberg “The Baseball Players' Labor Market.” *The Journal* *of Political Economy*, 1956.(3) Jeffery Borland and Robert Macdonald, “Demand for Sport” *Oxford**Review of Economic Policy*, Vol. 19, No. 4 (2003), pp.478-502.  |
| Session 2 | Intro to Player Economics |
| September 17thProfessor Knee | Topics: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:*** George Pyne, Founder and CEO, Bruin Sports Capital (TBC)***Readings:***(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 Fifty Inventions that  Shaped the Modern Economy (Riverhead, 2017).(4) 2014 financing documents, WME acquisition of IMG.***Key Questions:*** 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 24thProfessor Knee | Topics:(1) Cost and exploitation of sports rights(2) Emergence of RSN’sCases: Victoria Chavez and George Foster, Fox Sports and News Corp., Sports Empire, Stanford Graduate School of Business – Case SPM-10, September 3, 2003. Norm O’Reilly and George Foster, The Rise of the Regional Sports Network Content Ownership in an Ever-Changing World: The Yes Network in 2009, Stanford Graduate School of Business – Case SPM-44, November 1, 2011Guest: Sean McManus, Chairman, CBS Sports 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?
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| Session 4 | Soccer — Domestic and International |
| October 1st Professor Gulati | Topics:(1) The Institutional Landscape(2) MLS and Euro Soccer(3) International Events – World Cup/ OlympicsCases: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 8th Professor Knee | Topics:1. Emergence of SVOD and OTT platforms

Cases: Guest: David Stern, Former Commissioner and MVP, NBA (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 15th Professor GulatiProfessor Knee | Topics: (1) Presentation of Fox regional sports networks sale pitch(2) Ethics, Values and Corruption in Sports(3) Public Policy: antitrust, price regulation, “public” access(4) Private policy: student athletes, head injuryCases:Guest: John Skipper, Executive Chairman, Perform Group Reading: “Statement of the Chairman of the Adjudicatory Chamber of the FIFA Ethics Committee on the Report on the Inquiry into the 2018/2022 FIFA World Cup Bidding Process prepared by the Investigatory Chamber of the FIFA Ethics Committee.” November 13, 2014 |

Method of Evaluation

Group Project – 50% Groups will be randomly assigned at the second class session and the project will
 be due at the start of the 5th session. Two groups will be selected to present
 their projects during the last class.

Class participation – 30% TA keeps track of participation and attendance. Two absences results in a
 maximum grade of P.

Homework – 20% Due before the start of class on day assigned through Canvas.