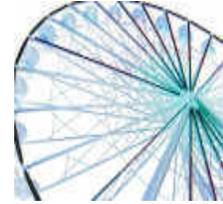


## **ECON 3050: The Economics of Art, Entertainment and Culture**



Dr. Bruce A. Seaman

Fall 2011 (CRN # 81158)

**Catalog Description:** Not available for credit in the economics major: may be used as a non-major elective depending on program.

Each year Americans spend at least 120 billion hours and over \$150 billion on legal forms of entertainment. In spite of this, the economics of the sector are often misunderstood. This course examines the economics of the major entertainment enterprises: the performing arts and other fine arts, movies and television programming, commercial music, broadcasting, cable television, casino gambling, selected sports and more. In addition to the basic facts and economic characteristics of these industries, the course discusses how the sector is impacted by the macro-economy and public policy. (3 credit hours)

**Logistics:** MW: 1:30 – 2:45 P.M.; Petite Science Building #233

**Office:** Room 532, AYSPS Building; Phone: 404-413-0157; Fax: 404-413-0143  
[bseaman@gsu.edu](mailto:bseaman@gsu.edu), or [secobas@aol.com](mailto:secobas@aol.com), No formal office hours are kept, but appointments are easily made, and students are invited to also communicate via email; messages are promptly answered.

**Prerequisites:** None; but some past principles of microeconomics is very helpful.

### **Required Text:**

Ruth Towse, *A Textbook of Cultural Economics*, Cambridge University Press, 2010.

### **Other helpful books (not required):**

James Heilbrun and Charles M. Gray, *The Economics of Art and Culture*, Second Edition, Cambridge University Press, 2001

Harold Vogel, *Entertainment Industry Economics: A Guide for Financial Analysis*, Seventh Edition, Cambridge University Press, 2007

**Additional Reading:** Articles from readable academic journals, magazines, websites and other sources will also be assigned and will be uploaded into uLearn for easy access.

**Course Learning Objectives:** The primary objective of this course is to enhance understanding of the unique economic strengths and challenges of the arts, entertainment and culture sector, including some sports topics (with both an U.S. and international perspective). Both managerial as well as public policy issues are addressed and students are exposed to both primary and secondary academic research sources. A secondary goal is to develop an appreciation for the contributions that economics as an analytical approach can make to both identifying and solving the problems facing this vital sector of the economy.

**Course Requirements and Grading Policy:** There is a quiz approximately the fourth week primarily as a review of basic economics as applied to course topics worth 15% of the total grade; a first midterm exam worth 20% of the total grade; a second midterm exam worth 20% of the grade, a final exam worth 20% of the final grade; and a paper on a topic approved by the instructor that is worth 25% of the total grade. The exams will be combination of multiple choice and essay formats (and are not comprehensive, but focused on topics previously not tested; you are also allowed to have a “cheat sheet” of one page front and back so you do not have to memorize formulas or other basic definitions), and the paper is expected to be approximately 12-15 double-spaced pages, fully documented. Class discussion is invited and encouraged, and potentially can be a “tie-breaker” for someone with a borderline final grade. The numerical scores on the exams are subject to being adjusted for the average performance (i.e. “curved”), and the important grade is not the numerical score, but the letter equivalent (including + and -). For example, if the average numerical score is 75, with a range of 50 to 95, an 82 might be a B+, and a 55 may translate into a D+ (but this example is merely illustrative; the specific curve will vary). Plus and minus grading is also applicable to the final course grade based on both university and Andrew Young School policy. The specific way this is done is to translate each of your letter grades into a numerical scale from 12 to 0 (A+ = 12, A = 11, B = 8, C- = 4, D = 2, etc.), and those numbers are averaged using the percentage weights identified above to calculate your final letter grade.

### **Course Policies:**

**Attendance:** The instructor is required to report any student who has ceased to regularly attend class, and to withdraw that student with a WF (withdraw failing) as of approximately the midpoint of the semester. Any such student receiving financial aid may be required to refund such support. Therefore, any student who has legitimate reasons (illness, family crises, accidents, etc.) for missing more than an occasional class is strongly advised to inform the instructor. Since considerable material is added and clarified from the text and supplemental reading during class sessions, it is also extremely unwise to fail to attend very regularly.

**Academic Honesty:** Any violation of the Georgia State University Policy on academic honesty (Section 409 of the student handbook) will result in severe penalties. Any cheating on exams or plagiarism on the required paper is strictly forbidden.

**Make-up Exams:** The general policy is not to allow make-up exams. However, in the event that the student has a legitimate advance conflict with the indicated exam date and expressly makes alternative arrangements with the instructor, this may be allowed. Last minute requests can only be granted with full documentation of any genuine emergency (you'd better be literally approaching your demise to even contemplate calling me the morning of the exam).

**Syllabus:** The syllabus is a general outline of the course topics and anticipated dates. The instructor reserves the right to make modifications as the course proceeds. Any changes will be announced in advance. Note that every week (typically Friday), the detailed agenda for the following week will be posted on Ulearn, to reflect our progress and any modification in the pace of the course. The topics and organization will follow the syllabus outline, but the specific detailed week by week schedule will be regularly updated on those posted weekly agendas.

**uLearn:** All students should have already been uploaded into the uLearn database for this course. Extensive information will be provided via messages in the "Discussions" section, including attachments of possible sample exams, uploaded articles to read, key announcements of possible scheduling adjustments, clarifications of that day's lecture and class discussion, pasted articles of interest from newspapers and magazines etc. **Note:** The discussions section is also an excellent place to post questions to either me, or the entire class, with all students invited to participate in discussions that often unfold. Note that there is particular link for student posting, be they articles from magazines, newspapers, your own observations, questions, etc. You may also post a question to me via the "Mail" feature. However, if I find your question to be of general class interest, I may post my answer for the entire class.

The "My Grades" feature will be the location for posting your exam grades. Final grades will be on GoSolar once the final posting deadline passes, and you have submitted your course evaluation on line.

Remember that it is very important to regularly check uLearn for this course. As noted above, at the end of each week, an updated agenda is posted to further clarify what will be covered the following week, and I often post supplemental lecture notes, samples quiz/exam questions, and other important material. You are always responsible for anything I post on uLearn.

**Course Schedule and Required Reading:** (Note that the last day to withdraw with a "WP" is October 7). All chapters refer to the Towse text. Supplemental reading from newspapers or academic journals will almost always be posted on uLearn, or an internet link provided for easy access. Note that at times especially useful supplemental short news articles may be inserted into the schedule and posted on uLearn.

**Drop date for full refund:** Remember that you must drop by the designated date in August for a full refund (usually the end of the first week of classes). Also remember that the policy regarding six (6) maximum dropped courses without penalty is now in

effect. Ask the registrar's office for details, or check the Georgia State University website.

**Date**

**Topics and Relevant Reading**

- 8/22: Introduction and logistics. Definition of terms. Description of the arts and entertainment sector. Identification of major topics within cultural and sports economics. Discussion of course requirements, including the term paper: sample topics
- Ch. 1 (Skip Appendix for now)
- 8/24: The scope of cultural economics; some methodological and measurement issues; intro to the use of economic analysis to clarify entertainment industry issues
- Ch. 2 and Ch. 3
- 8/29: Introduction to Pricing and Demand Concepts/Concert and Sports event pricing
- Ch. 6, "Demand and Revenue," pp. 141-151  
Ch. 8, "Pricing the Performing Arts," pp. 206-217.  
Lecture notes "Some Questions and Answers related to Demand and Pricing Topics;" posted on uLearn
- 8/31: Continue discussion of background economic concepts and sector description; conclude previous reading. Sample Quiz used as part of the discussion (see uLearn). A concert pricing problem; see uLearn
- Conclude reading from 8/29; work on sample problems.  
*Wall Street Journal* article "Concert Industry Blames Creeping Prices for Slow Summer" (Oct. 11, 2004, page B1)  
*Atlanta Journal Constitution*, "Save Money on the Summer's Hottest Concerts," June 3, 2010.  
"Tops in Tours 2010;" 07/13/10  
*New York Times*, "Hannah Montana vs. the Ticket Bots," March 11, 2008.
- 9/5: NO CLASS; Labor Day Holiday observed
- 9/7: The economics of ticket resale and scalping
- "Some Economics of Ticket Resale," Pascal Courty, *Journal of Economic Perspectives*, Vol. 17 (2), Spring 2003:85-97.

- 9/12: Summary review of pricing; ticket resale; More on demand in the arts; participation surveys; audience characteristics. The performing arts by art form
- Ch. 6: pp. 135-141; pp. 151-end.  
National Endowment of the Arts, summary of Arts Participation Survey, 2008  
Ch. 8, pp. 225-236.
- 9/14: QUIZ on basic economics concepts and pricing applied to the entertainment sector; arts participation survey and audiences
- 9/19: Return and discuss quiz; clarify problematic concepts and issues.
- 9/21: Supply side of the arts sector. Production concepts applied to the arts
- Ch. 5  
Ch. 8, pp. 199-206
- 9/26: The “Productivity Lag/Cost Disease” debate extended
- Ch. 8, “Efficiency of performing arts organizations,” pp. 212-225.  
“Do Artists Suffer from a Cost-Disease?” Tyler Cowen and Robin Grier, *Rationality and Society*, 8(1), 1996.
- 9/28: Unique aspects of Museum management
- “The Economics of Arts Museums,” Ch. 10 from Heilbrun and Gray (see optional texts above).  
Ch. 4, pp. 76-86, focusing on paintings and museums  
Ch. 9, “Economics of Cultural Heritage,” 237-252.
- 10/3: Tentative guest lecture by former chief financial officer of a major art museum in Toronto, Ontario Canada, and also former top marketing executive in Europe for Coca Cola (Paul Altherr)
- 10/5: Exam I (Grades will be posted on uLearn by Noon on 10/7)
- 10/10: Return and discuss the exam; Introduction to other segments of the arts sector. Begin market structures; Competition vs. monopoly behaviors in the entertainment sector
- Ch. 4, pp. 86-end  
Ch. 14
- 10/12: Complete market structure topics; Introduction to the Music Industry

- Finish Ch. 14  
Ch. 15
- 10/17: Special topics in contemporary music economics
- Alan Krueger, "The Economics of Real Superstars: The Market for Rock Concerts in the Material World," *Journal of Labor Economics*, 23(1), 2005
- A.J. Naghavi and G G. Schulze, "Bootlegging in the Music Industry: A Note" *European Journal of Law and Economics*, 12(1), 2001.
- Excerpts from discussions of Anderson's Long Tail Theory
- 10/19: Economics of the Film Industry
- Ch. 16
- 10/24: Economics of Book Publishing; the mass media; public vs. private broadcasting
- Ch. 18  
Ch. 17
- 10/26: Intro to the public policy debate about government support for the arts; is there an economic case for tax-financed arts support and of what type? Public policy regarding the built-heritage
- Ch. 7  
Ch. 10  
Ch. 9, "Built Heritage," pp. 252-end.
- 10/31: Artists Labor Markets
- Ch. 11  
Excerpts from NEA, "Artists in the Workforce: 1990-2005"
- 11/2: Empirical research on artists labor markets; intellectual property rights and the copyright debate; more on internet effects
- Ch. 12  
Ch. 13  
R.S. Lee and T. Wu, "Subsidizing Creativity through Network Design: Zero Pricing and Net Neutrality," *Journal of Economic Perspectives*, 23(3), 2009
- 11/7: Exam II

- 11/9: Return and discuss Exam II
- 11/14: The debate about arts and economic development; the economic impact controversy and alternative approaches to the problem. Richard Florida and the “Creative Class”
- Ch. 19; and Ch. 10, re-read pp. 282-end re economic impact studies  
 “Economic Impact of the Arts,” Bruce A. Seaman, *A Handbook of Cultural Economics 2<sup>nd</sup> edition*, Ruth Towse, editor, Edward Elgar, 2011, Ch. 28  
 Short articles posted on uLearn about the Richard Florida argument and various critiques; B. A. Seaman lecture notes on the debate
- 11/16: More on the Richard Florida debate; and the role of sports and the arts in local economic development
- “The Supply Constraint Problem in Economic Impact Analysis: An Arts/Sports Disparity,” Bruce A. Seaman, University of Chicago Conference Paper (Cultural Policy Center), 2004  
 “The Creative Class and Local Economic Growth Revisited,” Michael Rushton, paper presented at the Vienna conference of the Association for Cultural Economics, International, 2006.
- 11/21; 11/23: No class; Thanksgiving break
- 11/28: More issues in sports economics; competitive balance; college athletics; labor market issues; NCAA as a cartel
- Lecture notes to be posted on uLearn  
 B.A. Seaman, “Cultural and Sports Economics: Conceptual Twins?” *Journal of Cultural Economics*, 27 (1) 2003  
 L.M. Kahn, “Markets, Cartel Behavior and Amateurism in College Sports,” *Journal of Economic Perspectives*, 21(1), 2007
- 11/30: Continue discussion of specific sports applications; possible guest lecturer (Dan Corso, Executive Director Atlanta Sports Council)
- 12/5: Summary and overall evaluation of entertainment and cultural sectors  
 Practice questions for the final exam
- Ch. 20

**The Final Exam: Wednesday, December 7, 1:30 – 4:00 P.M; Papers due Monday December 12 at Noon.**

