Economics of the Communication Industries

COMM 570, Spring 2012
Monday 2:00-4:50pm, in KER101

Instructor: François Bar (fbar@usc.edu, KER209, 213.743.1789)
Office Hours: by appointment

This seminar explores the economics of the communication industries. The first part is a survey of the economic organization and characteristics of traditional communication sectors (newspaper publishing, film, television, telephony, internet). The second part deals in greater detail with specific, cross-sector economic issues related to networks, media technologies, and digital convergence.

Assignments and grading

1) At the beginning of each class, one or two students will be responsible for presenting a current news story related to the class theme, and for leading a short discussion about the economic aspects of that story.

2) Students must sign up to make a short presentation and lead a discussion in one of the classes focused on an industry. In consultation with the instructor, they will identify additional readings for the class to support their presentations, and they will lead a class discussion of the issues raised. The students are responsible for consulting with the instructor and selecting readings far enough in advance to give their classmates enough time to review the material. Possible presentation topics include:

- case study of one of the firms belonging to the sector under study
- analysis of a salient economic issue in the sector
- a look at similarities and differences between the US and another country/region in this industry
- this is not an exhaustive list...

3) A research paper, to be presented in class during one of the last few weeks of the semester. The final version of the paper will be due at the end of the semester. Timeline:

- by week 6: submit a 1-paragraph description of the topic
- by week 9: submit a 2-page synopsis for the paper
- paper presentations to be scheduled during weeks 13-16
- final paper due during finals week

Grading

Presentation: 20%
Participation: 20%
Research Paper: 60%
Required readings

- Books:

- On-line readings: pointers included in the syllabus
- Keep up with the Communication Industries business news. A minimal way to do that is to read the Monday business section of *The New York Times*. These articles are available on the CyberTimes site at http://www.nytimes.com/yr/mo/day/cyber/.

Academic Integrity:

The University is committed to maintaining the highest standards of ethical conduct in all academic pursuits. Any student found responsible for plagiarism, fabrication, cheating on examinations, or purchasing papers, or other assignments, will receive a failing grade in the course and may be dismissed as a major in communication. See section 11 of Scampus and the relevant sections of the Student Judicial Affairs and Community Standards at: http://www.usc.edu/student-affairs/SJACS/students.html.

Students with Disabilities and Academic Accommodations:

Students requesting academic accommodations based on a disability are required to register with Disability Services and Programs (DSP) each semester. A letter of verification for approved accommodations can be obtained from DSP when adequate documentation is filed. Please be sure the letter is delivered to Professor Bar as early in the semester as possible. DSP is open Monday-Friday, 8:30-5:00. The office is in Student Union 301 and their phone number is (213) 740-0776. For additional information, see the Web page of the Disabilities Services Program at: http://www.usc.edu/student-affairs/asn/DSP

Tentative Schedule (topics and readings to be adjusted based on specific interests of the students in the class)

**Week 1 (Jan 9)**
**Course overview**

**Week 2 (Jan 16)**
No Class - MLK Holiday
Week 3 (Jan 23)  Introduction

- *Information Rules*, Chap 1 "The Information Economy"
- WOTM Chap 9: "Interpreting Media Ownership", by Douglas Gomery
- Browse through the articles from the following three surveys at Economist.com. Select two that you will read carefully and come prepared to discuss in class.
  - "All the World's a Game – Survey: Video Games" (December 2011)
  - "Changing the Channel – Survey: Television" (April 2010)
  - "A world of Connections – Survey: Telecoms" (Apr 2007)

Week 4 (Jan 30)  Newspapers

- **Who killed the newspaper?**, The Economist, Aug 24th 2006
- **More media, less news**, The Economist, Aug 24th 2006
- For data on the newspaper industry, see [Newspapers Trends and Numbers](http://www.shirky.com/weblog/2012/01/newspapers-paywalls-and-core-users/) (Newspapers Association of America)

Optional reading:

- **WOTM**: Chapter 1: The Newspaper Industry, by Ben Compaine

Week 5 (Feb 6)  Movies

- **WOTM**: Chapter 6: "The Hollywood Film Industry: Theatrical Exhibition, Pay-TV and Home Video", by Douglas Gomery

Optional reading:

Week 6 (Feb 13)  Television

• “Changing the Channel – Survey: Television” (The Economist, May 1st, 2010)

Optional Reading

• WOTM, Chap 4: The Television Industries: Broadcast, Cable and Satellite, by Douglas Gomery
• Litman, R. "The Economics of Television Networks: New Dimensions and New Alliances", in Alexander et al. (1998). Media economics, chapter 7 (pp. 131-150)
• Carroll, S. & Howard, H., "The Economics of the cable industry" in Alexander et al. (1998). Media economics, chapter 8 (pp. 151-174)

Week 7 (Feb 20)  No Class – Presidents Day

Week 8 (Feb 27)  Radio and Spectrum

• WOTM, Chap 5: "The Radio Broadcasting and the Music Industry", by Douglas Gomery

Optional Reading
• FCC Media Bureau, Audio Division: [http://www.fcc.gov/mb/audio/]

Week 9 (March 5) Telecommunications

• Robert Crandall, "A Somewhat Better Connection", Regulation, Summer 2002, pp. 22-28 [PDF]
• Michael Powell, Statement on Competition Issues in the Telecommunications Industry, Before the Committee on Commerce, Science and Transportation, United States Senate. (1/14/03) [PDF]

Optional Reading:

• Economides, "US Telecommunications Today", April 1999 [PDF]

Week 10 (March 12) Internet

• "What Is The Internet (And What Makes It Work)", Robert E. Kahn and Vinton G. Cerf (December, 1999)
• Odlyzko, Andrew, Content is Not King First Monday, volume 6, number 2 (February 2001)
• Network Neutrality [TBA]

Optional Reading:

• "The Economics of Online Media", in Alexander et al. (1998). Media economics, chapter 13 (pp. 247-274) [*]

Week 11 (March 19) Information Pricing

• Information Rules, chapter 2: "Pricing information" and chapter 3: "Versioning information"
• Jeff Howe, "Licensed to Bill", Wired, Oct 2001

Week 12 (March 26) Network Economics and Network Externalities

• Information Rules, chapter 7: "Networks and positive feedback"

Week 13 (April 2) Standards and Interconnection

• Information Rules, chapter 8: "Cooperation and compatibility"

Optional Reading:


Week 14 (April 9) Double-sided Platforms


Week 15 (April 16) Innovation and Path-Dependence
• Information Rules, chapter 5: "Recognizing lock-in", and chapter 6: "Managing lock-in"

Optional reading:


**Week 16 (April 23) Wrap-up and Conclusion**