Course: ECON 318-01 - The Economics of Sports

Course Specifics:
- Office: Chancellors Hall 261
- Phone: 757-221-2376
- email: schmidtm@wm.edu
- Office Hours: 1220-1350 TTH or by appointment

Course Overview

Economics is typically a dry subject, the basic nature of which is shrouded in mystery from the perspective of the average undergraduate. The purpose of this class is to attack the subject of economics on both these fronts. By studying the economics of sports, it is hoped that the student can approach economics in the context of a subject the student already finds interesting. Furthermore, the study of the economics of sports allows the student to see how various tools and theories can actually be applied to solving problems the student may see presented frequently in the mainstream news. In the end this class is not only designed to be interesting, but also a rigorous introduction to the application of economic theory.

Also, since Principles of Microeconomics is a pre-requisite, I assume that you have a basic understanding of the concepts and we will work in this class to deepen your knowledge about the models and theories behind those concepts. Finally, while Calculus is not a pre-requisite to this class, we will be using some very basic calculus in this class which we will go over before using.

Course Learning Outcomes

By the end of this course, you will be able to:
- **Explain** the structure and underlying assumptions of the standard models used in microeconomic analysis and how the models' predictions change when the standard assumptions are relaxed.
- **Identify** and **solve** constrained optimization problems for individuals, teams and leagues.
- **Explain** in non-technical terms the fundamental economic intuition associated with these optimization problems.
- **Apply** these theoretical economics models to address real-world problems.

Course Structure

The course has been divided into 3 sections. Each section contains a number of different topics. For each topic there are reading assignments, practice exercises and a graded quiz.

Resources

All reading assignments for this course will be provided either as pdfs or with links to publicly available resources.
- The primary texts are:
- Blair, Roger D. 2012. Sports Economics, Cambridge University Press.
- Késenne, Stephan. 2007. The Economic Theory of Professional Team Sports: An Analytical Treatment, Edward Elgar Publishing, ISBN: 9978 1 84720 207 9

Prerequisites and/or Course Requirements
- Students enrolled in this course are expected to have taken Econ 101 or its equivalent.

Course Grading Policy

• Three Exams…………………………………………………………………………………25% each, 75% total
• Chapter Quizzes……………………………………………………………………………………15% total
• Term Paper……………………………………………………………………………………………10% total

Note #1: If you disagree with my grading on a particular item, I will happily consider your point. However, please give me only written requests and your reasons for consideration on grading corrections. I will promptly consider all such requests and respond back to you after careful consideration of the matter.

Note #2: The third exam will be during the class's dedicated final exam time (May 6th, 900am). However, as the exam will count the same as the other two exams and will be of similar length, the final exam period will be limited to an hour and a half, i.e., from **900-1030**.

Academic Integrity

The Honor Code at William & Mary sustains a documented history that dates back to at least 1736. Academic integrity is at the heart of the university, and we all are responsible for upholding the ideals of honor and integrity. The student-led honor system is responsible for resolving any suspected violations of the Honor Code, and I will report all suspected instances of academic dishonesty to the honor system. The Student Handbook (www.wm.edu/studenthandbook) includes your responsibilities as a student and the full Code. Your full participation and observance of the Honor Code is expected. To read the Honor Code, see www.wm.edu/honor.

Accommodations

William & Mary accommodates students with disabilities in accordance with federal laws and university policy. Any student who feels they may need an accommodation based on the impact of a learning, psychiatric, physical, or chronic health diagnosis should contact Student Accessibility Services staff at 757-221-2512 or at sas@wm.edu to determine if accommodations are warranted and to obtain an official letter of accommodation. For more information, please see https://www.wm.edu/sas.

Course Schedule (Tentative)

Introduction and Syllabus (January 23rd)

The Peculiarities of Team Sports (January 28th & 30th)
- Blair, Chapter 2 (pp. 16-26); Chapter 3
- Késenne, Chapter 1 and Chapter 2 (pp. 9-10, 12-19)
- Cain, Louis P. and David D. Haddock. 2005. "Similar Economic Histories, Different Industrial Structures: Transatlantic Contrasts n the Evolution of Professional Sports Leagues," The Journal of Economic History, Vol. 65 (4), pp. 1116-1147.
- Szymanski, Stefan. (2013). Economics of League Design. In L. Kahane & S. Shmanski (Eds.), The Oxford Handbook of Sports Economics: The Economics of Sports Volume 1. Oxford University Press.

Competitive Balance and Outcome Uncertainty (February 4th, 6th & 11th)
- Blair, Chapter 4 (pp. 65-70, skim pp. 70-81), Chapter 22 (pp. 442-448)
- Késenne, Chapter 2 (pp. 11-12)
- Késenne, Chapter 2 Appendix (pp. 44-47)
- Schmidt, Martin B. and David J. Berri. 2001. "Competitive Balance and Attendance: The Case of Major League Baseball," Journal of Sports Economics, Vol. 2 (2), pp. 145-67.

- Bradbury, J. C. "Determinants of Revenues in Sports Leagues: An Empirical Assessment." Economic Inquiry, 57(1), 2019a, 121–40.

What Drives Competitive Balance (February 13th)
- Schmidt, Martin B. and David J. Berri. 2003. "On the Evolution of Competitive Balance: The Impact of an Increasing Global Search," Economic Inquiry, Vol. 41 (4), pp. 692-704.

The Choice (February 18th & 20th)
- Blair, Chapter 24
- Morgan, Ashton and John C. Whitehead. 2018. "Willingness to Pay for Soccer Player Development in the United States," Journal of Sports Economics, Vol. 19 (2), pp. 279-296.

Exam #1 (February 27th)

Pricing Decisions (February 25th, March 4th & 6th)
- Blair, Chapter 5
- Késenne, Chapter 2 (pp. 19-27)
- Jahn K. Hakes & Chad Turner & Kyle Hutmaker, 2011. "I Don't Care If I Never Get Back? Time, Travel Costs, and the Estimation of Baseball Season-Ticket Demand," International Journal of Sport Finance, Vol. 6, 119-137.

Spring Break (March 11th & 13th)

Sports and the Media (March 18th & 20th)
- Blair, Chapters 6 and 7
- Késenne, Chapter 2 (pp. 27-42)
- Szymanski, Stefan. "Sports and Broadcasting" Playbooks and Checkbooks. 2009. 125-154.

Sports and Antitrust (March 25th)
- Blair, Chapter 9
- Andrew Zimbalist, 2009. "The BCS, Antitrust and Public Policy," The Antitrust Bulletin, Vol. 54, 823-855.

Collective Bargaining (March 27th & April 1st)
- Blair, Chapter 17 and 22
- Schmidt, Martin B. and David J. Berri. 2001. "The Impact of Labor Strikes on Consumer Demand: An Application to Professional Sports," American Economic Review, 94 (1), 2004: 344-57.

Exam #2 (April 3rd)

The Player's Labor Market (April 8th, 10th & 15th)
- Blair, Chapters 19 and 21
- Jahn K. Hakes and Raymond D. Sauer, 2006. "An Economic Evaluation of the Moneyball Hypothesis," Journal of Economic Perspectives, Vol. 20, pp. 173-185.
- Lane, E., Nagel, J., & Netz, J. S. (2014). Alternative Approaches to Measuring MRP: Are All Men's College Basketball Players Exploited? Journal of Sports Economics, 15, 237–262.

Revenue Sharing, Salary Caps and Luxury Taxes (April 17th, 22nd, & 24th)
- Blair, Chapter 4 (pp. 70-81)
- Stefan Késenne (2000). "The Impact of Salary Caps in Professional Team Sports," Scottish Journal of Political Economy, Vol. 47, 422-430.

Sports and the Public Purse (April 29th & May 1st)

- Blair, Chapters 14, 15, and 16
- Victor A. Matheson, (2008). Mega-Events: The Effect of the World's Biggest Sporting Events on Local, Regional, and National Economies. The Business of Sports, Volume 1 (pp. 81–99). Westport, CT: Praeger Perspectives.
- Andrew Zimbalist. "A Miami Fish Story," New York Times, October 18, 1998

Exam #3 (May 6th, 900-1050)