

The College of William & Mary
Department of Economics
Spring 2021

Course: ECON 318-01 - The Economics of Sports

Course Specifics:

- Office: Tyler Hall 261
- Phone: 757-221-2376
- email: schmidtm@wm.edu
- Office Hours: 1100-1220 TTH or by appointment

Prerequisites:

- ECON 101 or equivalent

Required Texts:

- Blair, Roger D. 2012. Sports Economics, Cambridge University Press,
- Késenne, Stephan. 2015. The Economic Theory of Professional Team Sports: An Analytical Treatment, 2nd Edition, Edward Elgar Publishing, ISBN: 978 1 78347 529 2.

Handouts and Lecture Notes:

I will post, on blackboard, my lecture notes/slides. These slides will give you a solid framework for the lectures but are by no means a perfect substitute for them.

Course Objectives:

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.

Course Grading:

- Three Exams..... 25% each
- Three Problem Sets..... 5% each
- In Class Polls..... 10% total

Grading Policy:

A	93 - 100%	C	73 - 76.99%
A-	90 - 92.99%	C-	70 - 72.99%
B+	87 - 89.99%	D+	67 - 69.99%
B	83 - 86.99%	D	63 - 66.99%
B-	80 - 82.99%	D-	60 - 62.99%
C+	77 - 79.99%	F	less than 60%

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 17th, 900). 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**.

Course Calendar:

- 1. The Peculiarities of Team Sports** (February 2nd & 4th)
 - 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 in 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.
- 2. Competitive Balance and Outcome Uncertainty** (February 9th & 11th)
 - Blair, Chapter 4 (pp. 65-70, skim pp. 70-81), Chapter 22 (pp. 442-448)
 - Késenne, Chapter 2 (pp. 11-12)
 - 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.
- 3. What Drives Competitive Balance** (February 16th)
 - Schmidt, Martin B. and David J. Berri. 2003. "On the Evolution of Competitive Balance: The Impact of an Increasing Global Search," Vol. 41 (4), pp. 692-704.
- 4. The Choice** (February 18th)
 - Blair, Chapter 24
 - Morgan, Ashton and John C. Whitehead. 2018. "Willingness to Pay for Soccer Player Development in the United States," Vol. 19 (2), pp. 279-296.

5. **Pricing Decisions** (February 23rd & 25th)
- 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.

Exam #1 (March 2nd)

6. **Sports and the Media** (March 9th & 11th)
- Blair, Chapters 6 and 7
 - Késenne, Chapter 2 (pp. 27-42)
7. **Sports and Antitrust** (March 16th & 18th)
- Blair, Chapter 9
 - Andrew Zimbalist, 2009. "The BCS, Antitrust and Public Policy," *The Antitrust Bulletin*, Vol. 54, 823-855.
8. **Collective Bargaining** (March 23rd)
- Blair, Chapter 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.
9. **Player Labor Market** (March 25th & March 30th)
- Blair, Chapter 4 (pp. 70-75) and Chapter 17
10. **Estimating a Player's MRP: Are Player's Overpaid** (April 1st & April 8th)
- 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.

Exam #2 (April 13th)

11. **Revenue Sharing** (April 15th)
- Blair, Chapter 4 (pp. 75-77)
12. **Salary Caps and Luxury Taxes** (April 20th & 22nd)
- Blair, Chapter 4 (pp. 77-81)
 - Stefan Késenne (2000). "The Impact of Salary Caps in Professional Team Sports," *Scottish Journal of Political Economy*, Vol. 47, 422-430.
13. **Sports and the Public Purse** (April 27th & 29th)
- 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.

14. **Cheating and Misconduct** (May 4th & May 6th)

- Blair, Chapter 8 (pp. 159-164) and Chapters 10, 11, 12, 13
- Haugen, K. K. (2004). The Performance-Enhancing Drug Game. *Journal of Sports Economics*, 5, 67–75.

Exam #3 (May 17th, 900-1030)

In Class Polls:

Essentially there will be two types of questions asked:

1. **Graded questions** are multiple choice questions where there is only one correct answer.
2. **Polling questions** are true/false questions that do not have correct answers, i.e., “Should the NCAA be treated as a non-profit organization?”

Possible scores on any given “graded question” include:

- 100% (you answered the question correctly)
- 50% (you answered the question incorrectly)
- 0% (you did not answer the question)

Possible scores on any given “polling question” include:

- 100% (you answered the question)
- 0% (you did not answer the question)

I understand that you may not be able to participate in some polls because you missed class, forgot your polling device, and/or had technical difficulty. **Missed polls cannot be made-up.** This holds regardless of your excuse (e.g., university/athletics commitment, job interview, sickness, technical malfunction, etc.).

However, only your highest 85% polls will be allocated toward your “In-Class Polls” grade. I expect to do at least 100 polls during class this semester. In the event that we do 100 polls, for example, your poll grade will only be based on your highest 85 polls, i.e., you can miss 15 polls without incurring a penalty.

Starting Tuesday, February 2nd, all poll responses will be graded according to the procedures outlined in this document.

Registration instructions for Poll Everywhere can be found at <http://help.wm.edu/help/poll-everywhere-faq/>

If you do not register properly, then your polls will not be counted. Please verify that you have registered correctly.¹

Note: These questions are to be done in class, you will receive a zero on this portion of your final grade if you are found to be answering questions from a distant location without clearing this with me first.

On Learning Economics:

¹ See <https://www.wm.edu/offices/it/services/responsecollection/studentresponsesystem/index.php> for more information.

Economics is an analytical discipline, and therefore the best way to learn economic concepts is to work problems, work more problems, and work even more problems. You should study economics in much the same way you study for a math course. Many students make the mistake of studying like they would for a history course.

The first step in learning economics is to learn the basic terminology used by economists. You should understand what an economist means by “capital”. But you should remember that the definitions and terminology are not ends in themselves, but rather are important because they are necessary to solve problems. In a math course, it is important to understand what a “+” sign is, but only because the definition allows you to add numbers. If you memorize the definition of a plus sign, but do not know how to use one, you will most certainly not learn math.

The second step is to attempt to replicate the analysis presented in the chapters. In other words, when the text presents a key economic concept or answers a problem, you should attempt to reproduce the concept or answer on a blank sheet of paper. Reading the text over and over is no substitute for this. This is very similar to learning math - the best way to learn to add is not to read a math book over and over, but rather to practice adding numbers.

Finally, once you have mastered the problems presented throughout a chapter, you should then read the chapter again to provide an overall view of the material in the chapter. Then, you should attempt to answer the questions at the end of the chapter.

On Getting a Good Grade in this Course & Any Other:

Come to class, all the time! In the past, the single best predictor of final grades has been class attendance. Every year, attendance for some portion of my students becomes more erratic as the term wears on. These people consistently get Cs and worse. Getting notes from your friends, even if those notes are of high quality, is not a proper substitute. Why? Because most of the learning you will do actually takes place in the process of hearing and seeing the material from the professor and transcribing it into your notes. Re-reading the material later provides an additional small benefit, but it is much less valuable than if you wrote the notes yourself.

Be disciplined about keeping up with the material. I suggest the following:

1. Read the relevant lecture notes before class and take notes. This should take no more than 1-2 hours per week.
2. Take diligent notes in class.
3. Immediately review the notes after class to see what you understand and what is unclear, while it is still fresh. This should probably take no more than 20 minutes for each class. Check the unclear parts against the text, or if necessary, with me. If you wait 4 weeks until the midterm, you probably won't understand the cryptic nonsense you wrote in the moments before dozing off.
4. At least a week before midterms, start by reviewing your notes, and doing practice exams (without the answer key in front of you). Give yourself a couple of days to figure out what you don't understand so you can consult with me.