

The College of William & Mary
Department of Economics
Spring 2024

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

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, 75% total
- In Class Quizzes.....15% total
- Term Paper.....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 14th, 1400). 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 **1400-1530**.

Course Calendar:

0. **Introduction and Syllabus** (January 25th)
1. **The Peculiarities of Team Sports** (January 30th & February 1st)
 - 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 6th, 8th & 13th)
 - 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. 2019. "Determinants of Revenues in Sports Leagues: An Empirical Assessment." *Economic Inquiry*, 57(1), 121-40.

3. **What Drives Competitive Balance** (February 15th)
 - 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.
4. **The Choice** (February 20th & 22nd)
 - 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)

5. **Pricing Decisions** (February 29th, March 5th & 7th)
 - 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 12th & 14th)

6. **Sports and the Media** (March 19th & 21st)
 - Blair, Chapters 6 and 7
 - Késenne, Chapter 2 (pp. 27-42)
 - Szymanski, Stefan. "Sports and Broadcasting" *Playbooks and Checkbooks*. 2009. 125-154.
7. **Sports and Antitrust** (March 26th & 28th)
 - Blair, Chapter 9
 - Andrew Zimbalist, 2009. "The BCS, Antitrust and Public Policy," *The Antitrust Bulletin*, Vol. 54, 823-855.
8. **Collective Bargaining** (April 2nd & 4th)
 - 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 11th)

9. **The Player's Labor Market** (April 9th & 16th)
 - 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.

10. **Revenue Sharing, Salary Caps and Luxury Taxes** (April 18th & 23rd)

- 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.

11. **Sports and the Public Purse** (April 28th & 30th)

- 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.

12. **Cheating and Misconduct** (May 2nd)

- 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 14th, 1400-1530)

In Class Quizzes –

There will be 15 short one question quizzes offered in class. These will be a single simple short answer question that will cover some part of the material we are covering. These will be graded as follows:

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

Missed quizzes 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 13 of the 15 quizzes will count toward your "In-Class Quizzes" grade.

Literature Review -

The term paper requires that you choose a topic from the course, i.e., competitive balance, price discrimination, monoposonistic exploitation, public financing of sports, provide a 'state of the literature' review.

- A literature review summarizes and evaluates a specified topic. The summary and evaluation should follow as the recognized purpose. In this case the goal of writing the review is to inform others about what articles or books say about the relationship between the question at hand.
- An example would be to examine the impact of free agency on competitive balance. The writer would search the literature, i.e., the *Journal of Sports Economics*; select articles relevant to his or her topic, group them together, and then compare, contrast, and finally synthesize them into a useful understanding. This understanding would provide a baseline knowledge on which further study could follow. In written form, the literature review provides a background to the reader.

Instructions -

- You will need to search out, at least, 3 articles that deal with your chosen topic. These articles should come from economic or academic journals. If you are unsure if a particular article counts, please check with me.
- You will need to summarize these articles and then evaluate it according to its usefulness to formulating policy. Finally, you should state where your opinions fall.
- The length of your literature review should be between 6-8 pages.

- **Topic and your three articles are due end of the day April 18th.**
- **Final paper is due end of the day May 3rd.**