

The Economics of Sports, Economics 350

General Course Information

Fall 2005

Professional sports in the United States are multibillion dollar businesses. While most of us are sports fans, we may not be fans of sports business. Indeed, often we are outraged when the business side of sports intrudes on our enjoyment of the on-field competition. But, in my experience, you can't always understand what goes on with your favorite team or sport if you don't understand this business side. This course applies the principles of economics to evaluate professional and amateur sports, including topics like league structure, team decision-making, labor-relations, incentive structures, free agency, salary caps, and stadium financing and the role of public policy. Economic factors affect the behavior of participants in sport markets—owners, managers, players, and the media—just as they affect the behavior of individuals in other markets. Basic economic principles and formal economic models help make sense of many issues in the world of sports. In addition, the sports world is full of evidence which helps illustrate economics in action and provides a wealth of information for testing economic theories. The objective of this course is to offer a deeper understanding of both.

Professor Grove's Contact Information

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Webpage: <http://webserver.lemoyne.edu/~grovewa/>

Office Hours: M 1-2:30pm; W 9-10:30am.

Required Books

Sports Economics by Rodney Fort (2003, PrenticeHall)

May the Best Team Win by Andrew Zimbalist (2004, Brookings)

GRADING:

1. Mid-term exam	20 percent of your total grade
2. Final exam	20 percent of your total grade
3. Projects	50 percent of your total grade
4. Research Proposal	5 percent of your total grade
5. Attendance & Participation	5 percent of your total grade

Study Hints: Remember, studying economics is like studying math, another language or musical instrument—study, practice, study. The Study Sets are for this purpose.

Blackboard: I will put on Blackboard everything for the course that I can—this syllabus, announcements, project information, etc. You should check it regularly.

STUDY SETS: Study sets are for your use in understanding the material. You must bring answers to study sets for the class periods they are assigned. I will verify who has completed them and then call on students to provide their answers. This will be the primary way I assess class participation which is worth 5 percent of your final grade. You will find that the exams look very much like the questions in the Study Sets.

PROJECTS

Projects provide an opportunity for detailed analysis to test alternative views and theories about the world of sports relevant to readings and lecture. They require data preparation and analysis in Microsoft Excel. You will hand in Excel results and a well-written report on each project. The six projects are briefly described below. Your project grade will be the average of the five highest of the six project grades (i.e., I will drop your lowest grade). These assignments are posted on Blackboard.

All due dates are listed under the course outline schedule. *No late projects will be accepted—so plan accordingly.*

Project 1: Attendance and Ticket Prices

Demand, the relationship between prices and quantities purchased, is fundamental to all understanding of team revenues. Here's your chance to explore demand, in part.

Project 2: Revenue Variation

Revenue variation is one of the primary determinants of the on-field performance differences among teams in a given league. Here's a chance to explore the size of this variation.

Project 3: Revenues, Payrolls and Winning

One of the most important debates in pro sports concerns the relationship between revenues, payrolls and winning. Since data exist on all of these factors, you can examine this relationship for yourself.

Project 4: Salary Caps and Competitive Balance

In theory, salary caps can enhance competitive balance. But we also discussed in class two reasons why they may not accomplish that goal. Analyze the impact of salary caps on competitive balance in the NBA and NFL and draw some conclusions.

Project 5: Ticket Prices and Player Salaries

A common belief is that increases in player salaries lead to higher ticket prices. Have some fun blowing holes in this obvious myth.

Project 6: Rottenberg's Invariance Principle and Free Agency

Historically, team owners have always balked at free agency for players. One of their arguments has been that free agency will harm competitive balance; all the rich teams will just buy up all the best players. But Rottenberg's invariance principle suggests otherwise.

RESEARCH PROPOSAL:

The topic will be of your choice, but if you need help, I have posted a list of ideas on Blackboard. The research proposal will be just that: a proposal for a research paper, not, due to time constraints for the course, a research paper. I recommend sketching an idea after the first day of class and then revising it throughout the semester as you read the course materials and have a chance to think more about the economics of sports and your interests. I have the class period prior to Thanksgiving set aside to discuss your research proposal if you would like. The research proposal is **due: Dec. 6th in class.**

The research proposal should be about three pages in length. The first 1-2 pages should include what would be the introduction of the paper and some of the body of it—state your question clearly in the form of a hypothesis, explain why it matters and is important, how you will test the hypothesis, what existing ideas and studies predict, expect, and/or claim, and what data you need and where you would obtain it. The proposal should end with a page or so citing the most important existing studies (both popular press/anecdotal and scholarly) on the topic and sources of data.

NOTE: Some students, especially juniors, may want to undertake this project as a senior thesis.

INTENDED LEARNING OUTCOMES

- Learn the techniques of applied microeconomics applied to the sports industry through the examination of real-world issues and problems.
- Analyze the demand for sports, the possibility of price discrimination and market power across different sports.
- Understand and explain the impact of marketing and advertising on sports and the commercialization of sports.
- Analyze profit variation and competitive balance along with the short-run and long-run profit maximization decisions for owners.
- Understand the role of leagues and league structure in professional sports, including the prevailing dominant league model and rival league models.
- Compare the current empirical research on the competition for talent with the theoretical predictions of models.
- Analyze the results of labor-management negotiations and the rise of unions in professional sports.
- Evaluate whether professional sports teams, create enough economic activity to justify government subsidies.
- Explain the role of the NCAA in restricting competition and understand why college sports exhibit a relatively high degree of discrimination.

HOW THIS COURSE RELATES TO THE ECONOMICS DEPARTMENT'S AND THE MANAGEMENT DIVISION'S OBJECTIVES AND COURSE SEQUENCE:

- This course emphasizes critical thinking and the application of both logical and quantitative skills. To succeed in this course, you must communicate clearly and effectively in writing, and you must learn to relate graphing techniques to written arguments.
- This course stresses the application of economic theory to real-world microeconomic problems. Students who successfully complete this course will be better able to understand the economic issues that connect business, government, and households.
- The course builds on skills learned in Principles of Microeconomics. This course provides an opportunity to apply the principles of economics to businesses in general and the sports industry in particular.

Make-up Exam Policy

There will be no make-up exams unless the student has an "excused absence" as defined by the following: illness of the student or serious illness of a member of the student's immediate family; death of a member of the student's immediate family; College sponsored trips; or major religious holidays. In each case, written verification will be required and permission to miss an exam must be secured before the scheduled exam time, unless the cause of the absence is unforeseen.

Cheating and Plagiarism

Cheating is not tolerated at Le Moyne College. Anyone caught cheating will be severely penalized. The actual penalty will be determined in consultation with the Chairperson of the Department of Economics.

Le Moyne College Disability Policy

In compliance with section 504 and the Americans with Disabilities Act (ADA), LeMoyne College is committed to ensure that "no otherwise qualified individual with a disability...shall, solely by reason of disability, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity..." If you feel that you are a student who may need academic accommodations due to a disability, then you should immediately register with the Director of the Academic Support Center, Ms. Stacy Gonzalez Lavoie, gonzalsm@lemoyne.edu or (315)-445-4118 (Voice). ASC is the Le Moyne College office that authorizes special accommodations for students with disabilities.

COURSE OUTLINE AND READINGS

Note: All readings are to be completed before class.

Abbreviations: SE for *Sports Economics* and MTBTW for *May the Best Team Win*.

WEEK	DAY	READINGS	STUDY SETS	PROJECTS
1	8/30	<i>Introductory Meeting</i> Goff et al., (2002) "Racial Integration as an Innovation," <i>AER</i> , Blackboard		
	9/1	<i>Warm Up: The Business of Sports</i> SE: Ch. 1; Goff & Tollison (1990) "Sports as Economics" Blackboard	TP: 1,5 AP: 2,3,5	Warm-up: Nominal vs. Real Exercise
2	9/6	<i>Demand and Revenue: I</i> SE: Ch. 2, pp. 12-34.	TP: 2,5,8 AP: 9	
	9/8	<i>Demand and Revenue: II</i> SE: Ch. 2, pp. 34-44.	TP: 13 AP: 1,6,7	
3	9/13	<i>Market for Sports Broadcast Rights: I</i> ES: Ch. 3, pp. 50-66.		Project 1: Attendance . . .
	9/15	<i>Market for Sports Broadcast Rights: II</i> ES: Ch. 3, pp. 3, pp.66-84.	TP:2,5,11, 15; AP: 1,5,6	
4	9/20	<i>Team Costs, Profits and Winning: I</i> MTBTW: Ch. 4; ES: Ch. 4, pp. 88-105	TP: 4,6 AP: 3	
	9/22	<i>Team Costs, Profits and Winning: II</i> ES: Ch. 4, pp. 105-end.	TP:8,13 AP: 4,10	
5	9/27	<i>College Sports: I</i> Noll (1999) "The Business of College Sports and the High Cost of Winning," Blackboard; SE: Ch. 12, pp.410-29.		Project 2: Revenue Variation
	9/29	<i>College Sports: II</i> SE: Ch. 12, pp. 429 -62.	TP: 2,6,9, 11,13,14 AP: 2,4,6, 7,9	
6	10/4	<i>Competitive (Im)Balance</i> , MTBTW, Ch. 3 <i>Sports Market Outcomes: I</i> SE: Ch. 5, pp. 128-35.	TP: 2,5,6 AP: 2,5,6	
	10/6	<i>Sports Market Outcomes: II</i> SE: Ch. 5, pp. 135-72	TP: 9,11,13, 14; AP: 7-9	

7	10/11	FALL BREAK!		
	10/13	<i>Collective Bargaining and Stadium Issues: MTBTW, Ch. 5 and 6.</i>		Project 3: Rev., Payrolls . . .
8	10/18	<i>Antitrust Exemption and Baseball Solutions: MTBTW, Ch. 2 and 7.</i> ***** Andrew Zimbalist ***** Grewen Auditorium, 5pm		
	10/20	Q&A for Midterm Exam		
9	10/25	Midterm Exam		
	10/27	<i>Value of Talent: I</i> ES: Ch. 6, 177-191.	TP: 1,3,4,8 AP: 1,3	
10	11/1	<i>Value of Talent: II</i> ES: Ch. 6, pp. 191-220.	TP: 11,13,14 AP: 7,8	
	11/3	<i>History of Player Pay</i> ES: Ch. 7	TP: 1,4,7,11 AP: 3,4,7	
11	11/8	<i>Labor Relations: I</i> ES: Ch. 8, pp. 256-77.		Project 4: Salary Caps . . .
	11/10	<i>Labor Relations: II</i> ES: Ch. 8, pp. 277-95.	TP: 1,3,8, 10,13,15 AP: 1,5,7,10	
12	11/15	<i>Economic Impact Analysis: I</i> ES: Ch. 9, pp. 300-321.	TP: 3,6 AP: 3,4	
	11/17	<i>Economic Impact Analysis: II</i> ES: Ch. 9, pp. 321-32.	TP: 7,12 AP: 10	
13	11/22	Meeting with students regarding Research Projects		Project 5: Ticket Prices . . .
	11/24	THANKSGIVING		
14	11/29	<i>Stadium Mess: I</i> ES Ch. 10, pp. 338-56.	TP: 3,6 AP: 5	
	12/1	<i>Stadium Mess: II</i> ES Ch. 10, pp. 356-72.	TP: 12,14 AP: 9	
15	12/6	Research Projects DUE Research Project Presentations		
	12/8	Research Project Presentations; Q&A for Final Exam		Project 6: Rottenberg's . . .
Final Exam: Tuesday, December 13th, 9-11:30pm.				

Additional Sources of Sports Economics Information

A. Recommended

2005 ESPN Sports Almanac or *Sports Illustrated 2005 Almanac*
Street & Smith's Sports Business Journal

B. Sports Economics Texts

Leeds and Von Allmen, *The Economics of Sports* (Addison Wesley Longman, 2002 and 2004)
Sandy, Sloane & Rosentraub. *The Economics of Sport: An International Perspective*
(MacMillan, 2004)

C. Other Recent Books of Interest

Abrams, *Legal Bases* (Temple University Press, 1998)
Andre and James, *Rethinking College Athletics* (Temple University Press, 1991)
Baim, *The Sports Stadium as a Municipal Investment* (Greenwood Press, 1994)
Barra, *Clearing the Bases* (St. Martin's Press, 2003)
Bowen & Levin, *Reclaiming the Game* (Princeton University Press, 2003)
Burk, *Much More Than a Game* (UNC Press, 2001)
Byers, *Unsportsmanlike Conduct* (The University of Michigan Press, 1995)
Cagan and deMause, *Field of Schemes* (Common Courage Press, 1998)
Costas, *Fair Ball* (Main Street Books, 2000)
Danielson, *Home Team* (Princeton University Press, 1997)
Delaney and Eckstein, *Public Dollars, Private Stadiums* (Rutgers University Press, 2003)
Dobson and Goddard, *The Economics of Football* (Cambridge University Press, 2001)
Edge, *Red Line Blue Line Bottom Line* (New Star Books, 2004)
Euchner, *Playing the Field* (The Johns Hopkins University Press, 1993)
Fizel *et al*, Eds, *Baseball Economics* (Praeger, 1996)
Fleisher, Goff, and Tollison, *The N.C.A.A.* (The University of Chicago Press, 1992)
Fort and Fizel, eds., *The Economics of College Sports* (Praeger, 2004)
Fort and Fizel, eds., *International Sports Economics Comparisons* (Praeger, 2004)
Gavora, *Tilting the Playing Field* (Encounter Books, 2002)
Goff and Tollison, *Sportometrics* (Texas A&M Press, 1990)
Helyar, *Lords of the Realm* (Villard Books, 1994)
Hendricks, *Advances in the Economics of Sports*, Vols. 1 and 2 (JAI Press, 1993 and 1997)
Hoberman, *Darwin's Athletes* (Houghton-Mifflin, 1997)
Johnson, *Minor League Baseball and Local Economic Development* (Univ. of Illinois Press, 1994)
Jones, *Sports Law* (Prentice Hall, 1999)
Klawans, *Why Michael Couldn't Hit* (W. H. Freeman & Co., 1996)
Kuhn, *Hardball: The Education of a Baseball Commissioner* (McGraw-Hill, 1988)
Lawrence, *Unsportsmanlike Conduct* (Praeger, 1987)
Leifer, *Making the Majors* (Harvard University Press, 1995)
Lewis, *Moneyball* (W.W. Norton, 2003)

Lupica, *Mad as Hell* (Putnam, 1996)
 Marburger, ed, *Stre-rike Four! What's Wrong with the Business of Baseball?* (Praeger, 1997)
 Miller, *A Whole Different Ball Game* (Simon & Schuster, 1991)
 Morgan, *Glory for Sale* (Bancroft Press, 1997)
 Quirk and Fort, *Hard Ball* (Princeton University Press, 1999)
 Preysson *The Economics of Staging the Olympics* Elgar, 2004)
 Rich, *The Economics and Politics of Sports Facilities* (Quorum Books, 2000)
 Riess, *City Games: The Evolution of American Urban Society and the Rise of Sports* (U. of Ill. Press, 1989)
 Rosentraub, *Major League Losers* (Basic Books, 1997)
 Sands and Gammons, *Coming Apart at the Seams* (Macmillan, 1993)
 Scully, *The Business of Major League Baseball* (The University of Chicago Press, 1989)
 Scully, *The Market Structure of Sports* (University of Chicago Press, 1995)
 Shmanske, *Golfonomics* (World Scientific, 2004)
 Shropshire, *The Sports Franchise Game* (The University of Pennsylvania Press, 1995)
 Shropshire and Davis, *The Business of Sports Agents* (University of Pennsylvania Press, 2003)
 Shulman and Bowen, *The Game of Life* (Princeton University Press, 2000)
 Sommers, ed., *Diamonds Are Forever* (The Brookings Institution, 1992)
 Sperber, *College Sports Inc; Onward to Victory; Beer and Circuses* (Henry Holt & Co., 1991, 1998, 2000)
 Staudohar and Mangan, eds., *The Business of Professional Sports* (University of Illinois Press, 1991)
 Sullivan, *The Diamond Revolution* (St Martin's Press, 1992)
 Sullivan, *The Diamond in the Bronx* (Oxford University Press, 2001)
 Szymanski and Zimbalist, *National Pastime* (Brookings, 2005)
 Thelin, *Games Colleges Play* (Johns Hopkins Press, 1994)
 Ward and Burns, *Baseball* (Knopf, 1994)
 Weiler, *Leveling the Playing Field* (Harvard University Press, 2000)
 White, *Creating the National Pastime* (Princeton University Press, 1996)
 Whitford, *Playing Hardball* (Doubleday, 1993)
 Whiting, *The Meaning of Ichiro* (Warner Books, 2004)
 Zimbalist, *Baseball and Billions* (Basic Books, 1992)
 Zimbalist, *Unpaid Professionals* (Princeton University Press, 1999).

D. Journal Articles

Journal of Sports Economics; Chance, Managerial & Decision Economics; American Economist, Economic Inquiry, Contemporary Economic Policy;, Southern Economics Journal, and the Marquette Sports Law Journal.

E. Classics and Historical Works

Asinov, *Eight Men Out* (Henry Holt and Company, 1963)
 Demmert, *The Economics of Professional Team Sports* (D.C. Heath, 1973)
 Dworkin, *Owners Versus Players: Baseball and the Collective Bargaining Process* (Auburn House, 1981)

Levine, A.G. *Spalding and the Rise of Baseball* (Oxford University Press, 1985)
Noll, ed., *Government and the Sports Business* (The Brookings Institution, 1974)
Peterson, *Only the Ball was White* (Prentice-Hall, 1970)
Seymour, *Baseball: The Early Years* (Oxford University Press, 1960)
Zimbalist, *The Economics of Sport*, Volumes I and II (Edward Elgar, 2001)

F. Complementary Fields

De Vany, *Hollywood Economics* (Routledge, 2004)
Feldstein (Ed), *The Economics of Art Museums* (University of Chicago Press, 1991)
Galenson, *Painting Between the Lines* (Harvard University Press, 2002)
Heilbrun and Gray, *The Economics of Art and Culture* (Cambridge University Press, 2001)
Journal of Cultural Economics
Throsby, *Economics and Culture* (Cambridge University Press, 2001)
Tisdell (Ed), *The Economics of Tourism* (Edward Elgar, 2000)
Vogel, *Entertainment Industry Economics* (Cambridge University Press, 1992)

G. Some Sports Web Resources

<http://www.sportingnews.com>
<http://espn.com> (and <http://nbc.com>, <http://foxsports.com>, <http://cnnsi.com>)
<http://nba.com> (and/or nhl.com, ndfl.com, mlb.com – and <http://www.baseball.com>)
<http://sfan.com>
<http://www.majorleaguesocce.com>
<http://www.majorleaguebaseball.com> (and <http://www.minorleaguebaseball.com>)
<http://www.stats.com>
<http://www.sabr.org>
<http://www.stat.duke.edu-bos/sis/sports.html>
<http://www.totalbaseball.com>
<http://www.nascar.com>
<http://www.atptour.com> (and <http://www.pgatour.com>, <http://www.pbatour.com>)
<http://www.prorodeo.com>
<http://www.tennislovers.com> (and <http://usta.com>)
<http://www.streetandsmiths.com>
<http://www.forbes.com>
<http://www.ncaa.org>
<http://www.nflpa.org> (and <http://www.mlbpa.org>)
<http://www.82games.com>
<http://bballsports.com>
<http://www.baseball-reference.com>
<http://www.ballparks.com>
<http://www.retrosheet.org>