

Moravian College
Department of Economics and Business
ECON 312: Economics of Sports
Spring 2014 (T R 8:55-10:05)

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Office Hours: T R 4:00-5:30 and by appointment

Prerequisite: ECON 225

Text: Michael A. Leeds and Peter von Allmen, *The Economics of Sports*, fifth edition, Addison Wesley, 2014. Please bring it to class every day!

Objectives: The purpose of this course is to study the sports industry from an economic perspective. We will apply the economics of industrial organization, public finance, and labor markets as we focus on economic phenomena in the sports industry. It is not a course about sports strategy or how to choose your favorite team. Because we will rely on and synthesize much of what you learned both ECON 225 and ECON 156, this course is functionally a mini senior seminar. Specifically, you will become familiar with a segment of current economic literature of your choice as you write an empirical paper (see below).

At the end of the course, you should understand:

- How professional leagues came to exist
- The purpose of a sports league and the implications of its monopoly power
- How teams and leagues maximize profits or wins
- Why cities demand teams and how teams exploit it to increase profits
- The employer/employee relationship from a supply and demand standpoint
- How unions and monopoly power affect bargaining in professional sports
- The history of discrimination in professional baseball and its effect on leagues
- How market forces impact intercollegiate sports

Requirements:

Homework is due every time we finish a chapter or read an article. Doing homework is the best way to learn the material—and some homework problems are on the exams! Every typed and completed homework counts for 0.5% of your grade, up to 7%; it is not graded. I post answers to all HW on BB, and I review selected HW problems in class.

- On every HW, write the names of all people that assisted you or whom you helped.
- Turn in all HW before class time on the day it is due. I do not accept late HW.

Three **reading** assignments: Find a recent economic **article** in a newspaper or magazine and print or Xerox it. If an article is too short or too simple, you will not earn full credit. All major publications, such as *The Economist*, *The Wall Street Journal*, *The New York Times*, or even *Sports Illustrated*, are good sources. Do not use blog entries as they do not typically constitute full articles. The article and its analysis are due in class the Thursday after each exam and must be related to the material that was covered on the exam. It counts for 2.5%; I drop the lowest one. Specific instructions along with an example will be posted on Blackboard.

An empirical **research paper** will review the existing literature about an empirical relationship of your choice, such as salary determination in hockey. Then you will collect data and estimate and analyze a new version of this relationship. The paper will be composed in four parts, all of them duly rewritten, with due dates noted on the Course Schedule below.

There are three **exams** during the semester. Each exam has short and long questions that require either calculations or verbal responses. (I provide all necessary formulas on a handout.) I also offer an optional final exam to replace your lowest exam grade. There are **no make-up exams**. If you miss one of the three exams, you must take the final exam. You are not allowed to use **phones** or **leave** the room during an exam. Doing so results in zero points on the exam. **Calculators** are allowed.

Tentative exam **dates**: Exam 1: February 11 (Tuesday)
 Exam 2: March 18 (Tuesday)
 Exam 3: April 22 (Tuesday)
 Final Exam: May 1, 8:30 am (Thursday)

You must **keep** all materials (assignments and exams) that I have checked until you receive your final grade.

Expectations: You must read the book, do the homework regularly, and study the homework assignments before each exam. I encourage you to see me during office hours, both alone and in groups. To ease your HW and exam preparation, I post lectures and assignments on *Blackboard*. Please check the site before each class!

	Time per week	Hours in 14 weeks
In-class time		34
Syllabus review		1
Reading text	4	56
HW	3	42
Reading Assignments		14
Paper		26
Evening Reviews		4
Final Exam		<u>3</u>
Total		180

Grade:

Articles.....	5.0%
Homework.....	7.0%
Regression Paper.....	20.0%
Three Exams	68.0%

Grading Scale:

	93 - 100: A	90 - 92.99: A-	
87 - 89.99: B+	83 - 86.99: B	80 - 82.99: B-	
77 - 79.99: C+	73 - 76.99: C	70 - 72.99: C-	
67 - 69.99: D+	63 - 66.99: D	60 - 62.99: D-	00 - 59.99: F

I **curve** the exams unless half the class earns As and Bs.

Attendance Policy:

Attendance does not enter your grade directly, but it matters indirectly, as it allows you to participate, ask questions and to learn from your classmates. I urge you to come to class regularly to get a better sense of what is important. Listening to lectures and reading the text reinforce one another.

Academic Honesty Policy:

I encourage you to study in groups and to discuss all homework, but you must write your own answers **and** the names of all students in the study group on your homework. If you copy from the web or other students, or if you let another student copy from you, you will receive **zero** for the whole HW assignment or exam. Note that the punishment is the same for both parties. In case of HW, I offer this advice: If a student asks you for a copy of your HW, do not give it to him/her. Be nice and agree to offer verbal help.

Beware of **plagiarism!** If you are:

- Lifting phrases (**three** words or more) from a printed medium or the web, use quotation marks and cite the source properly. For example, sports economics is an “expanding field of study that offers insights on such broad topics as labor-management relations and racial disparities in pay and hiring.” http://www.usatoday.com/money/2006-07-27-sports-econ-usat_x.htm
- Lifting words from the **textbook** (including definitions), use quotation marks and provide the page number. You do not need a full citation in this case.
- Providing **figures**, cite a source. For example: Labor productivity in Africa is growing at 2.7% annually (*The Economist*, 12-01-2011, p. 82).
- Changing **a few words** in the original and reporting it as your own work, stop! You are plagiarizing.

If you do not follow the above rules, you will get **zero** for the HW or assignment.

Special Accommodation:

Students who wish to request accommodations in this class for a disability should contact Elaine Mara, assistant director of learning services for academic and disability support at 1307 Main Street, or by calling 610-861-1510. Accommodations cannot be provided until authorization is received from the Academic Support Center.

Schedule:

Week of:	Topics	Text
Jan. 13	Review of Economic Concepts Ping-pong Diplomacy: See Bb	Chapters 1 & 2
Jan. 20	Sports Franchises as Profit-Maximizing Firms Dvorak: Sample paper	Chapter 3
Jan. 27	Monopoly and Antitrust Paper Part I: Literature review (1-30-14)	Chapter 4

Feb. 3	Monopoly and Antitrust Review	Chapter 4 Chapters 1-4
Feb. 10	Exam 1 (2-11-14) Competitive Balance Article 1 (2-13-14)	Chapters 1-4 Chapter 5
Feb. 17	Public Finance of Sports: Who Benefits and How? Paper Part II: Data (2-20-14)	Chapter 6
Feb. 24	Public Finance of Sports: Who Pays and Why? Paper Part III: Raw Estimation (2-27-14)	Chapter 7
March 3	Spring Break	
March 10	Costs and Benefits of a Franchise to a City Review	Chapter 7 Chapters 5-7
March 17	Exam 2 (3-18-14) Labor Markets in Professional Sports Paper Part III: Estimation and Results (3-20-14) Krautmann et al: "Underpayment of Restricted Players"	Chapters 5-7 Chapter 8
March 24	Labor Market Imperfections Article 2 (3-27-14)	Chapter 9
March 31	Discrimination Paper Part IV: Introduction and Conclusion (4-3-14)	Chapter 10
April 7	Amateurism and College Sports Article 3 (4-10-14)	Chapter 11
April 14	George Dohrmann: "Pay for Play" Review	<i>Sports Illustrated</i> , 11/2/11 Chapters 8-11
April 21	Exam 3 (4-22-14) Review	Chapters 8-11 Chapters 4, 7, 9, and 11
May 1	Final Exam (8:30 am)	Chapters 4, 7, 9, and 11

You are responsible for following all rules stated on this syllabus.

The syllabus is subject to change.
(January 13, 2014)