ECON 3700-1

Sport Economics

Summer 2014

Johan Uribe

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**Lecture:** Tuesday-Thursday, 9:00-12:00 pm, OSH 202

**Textbook:** Leeds, Michael & Von Allmen, Peter, *The Economics of Sports: 5th edition.*

**Office Hours:** Directly after class, room 376, OSH 3rd floor

**Prerequisite:** ECON 2010. Fulfills Quantitative Reasoning (Statistics/Logic).

**Goals:** The sports industry in the United States involves a complex set of market structures set define how the games are played. Hence a variety of economic methods can be applied to sports to understand their market structure and ramifications. The class begins with a market analysis of the professional sports industry, including cost accounting, marketing strategies and profitability in the design of sporting venues. Regional analysis is used to understand the economic effect of building a new stadium. Econometric methods are used to relate sports performance statistics to athlete salaries and team profits. Professional teams have a natural tendency to become monopolies. The history of antitrust law has guaranteed market power for professional teams, but competition, other sports and other entertainment options limits that power. The wages and work of athletes are studied from the viewpoint of labor economics. Racial and gender discrimination is discussed as a historically important aspect of the professional athletic labor market. The economics of player's unions, league monopolies and contract negotiation is analyzed in terms of the theory of games. In many cases the analysis is extended to a discussion of reforms that increase fairness and efficiency.

**Learning Objectives:**

At the end of the semester every student should be able to:

* Relate main economic concepts to the market for sports.
* Read and understand an academic piece written on the subject clearly.
* Develop critical thinking and writing on the subject.
* Present an idea effectively in front of an audience.

**Policies:**

* Attendance is not mandatory, but recommended for efficient learning and class participation.
* If you are unable to attend one of the exams (mid-terms or final) because of another schedule, you have to let me know at least 1 week in advance and you have to make sure you have a good excuse. Otherwise, you won't be able to take a make-up exam. Beware that make-up exams are usually more difficult compared to regular exams, so try to make it to regular ones.
* A student who doesn't attend 2 midterm exams and/or the final exam automatically fails the class.
* This class is based on student participation. Any comment or question is most welcome as long as it is within the limits of class content and public respect.

The University of Utah seeks to provide equal access to its programs, services and activities for people with disabilities. If you will need accommodations in the class, reasonable prior notice needs to be given to the Center for Disability Services, 162 Olpin Union Building, 581-5020 (V/TDD). CDS will work with you and the instructor to make arrangements for accommodations. All information in this course can be made available in alternative format with prior notification to the Center for Disability Services. [www.hr.utah.edu/oeo/ada/guide/faculty/](http://www.hr.utah.edu/oeo/ada/guide/faculty/)

All students are expected to maintain professional behavior in the classroom setting, according to the Student Code, spelled out in the Student Handbook. Students have specific rights in the classroom as detailed in Article III of the Code. The Code also specifies proscribed conduct (Article XI) that involves cheating on tests, plagiarism, and/or collusion, as well as fraud, theft, etc. Students should read the Code carefully and know they are responsible for the content. According to Faculty Rules and Regulations, it is the faculty responsibility to enforce responsible classroom behaviors, beginning with verbal warnings and progressing to dismissal from class and a failing grade. Students have the right to appeal such action to the Student Behavior Committee.

**Coursework:** Presentations (20%)

Assignments (20%)

2 Midterms and Final (20% Each)

**Assignments:** Throughout the semester students will be assigned problems sets designed to help the student apply economic concepts to the study of the sports market.

**Presentations:** All students will be placed into groups of four. The groups will be assigned two different presentations throughout the semester.

**OUTLINE**

Part 1 (Chapters 1-2)

* Introduction
* Review of Economic Concepts (Supply-Demand, Utility Maximization, Market Structures: Perfect Competition vs. Monopoly, Regression Analysis)

Part 2 (Chapters 3-4-5)

* Profit maximization of the sports firm
* Perfectly competitive market equilibrium
* Sport monopolies and anti-thrust

**Exam 1**

Part 3(Chapters 6-7)

* Sport teams and markets: A public finance perspective
* Public finance of sport franchising: Economics of stadium building

Part 4 (Chapter 8-10)

* The labor market in sports: Players unions vs. the Monopsony of professional leagues.
* Market discrimination in sports

**Exam 2**

Part 5 (Chapter 11)

* Amateur sports
* The economics of college sports

**Final Exam**

**READING LIST**

**Part 2**

1. Andreff, Wladimir (2011) “Some comparative economics of the organization of sports: competition and regulation in north American vs. European professional team sports leagues”, *The European Journal of Comparative Economics*, Vol. 8, No. 1, pp.3-27.
2. Baade, Robert A.; Baumann, Robert and Matheson, Victor A. (2008) “Selling the Game: Estimating the Economic Impact of Professional Sports through Taxable Sales”, *Economic Journal,* Vol. 74, No. 3, pp. 794-810.
3. Fort, Rodney (2004) “Inelastic Sports Pricing”, *Managerial and Decision Economics*, Vol. 25, pp. 87-94.
4. Humpreys, Brad (2002) “Alternative Measures of Competitive Balance in Sports Leagues”, *Journal of Sports Economics,* Vol. 3, No. 2, pp. 133-148.
5. Naghsbandi, Salah; Youseff, Bahram; Etemad, Zaher and Moradi, Mehdi (2011) “The Comparison of competitive balance in Football Premier Leagues of England, Germany, Spain, France, Italy and Iran: A case study from 2009-2010 Season”, *Journal of Human Sport & Exercise,* Vol. 6, Issue 4, pp. 673-681.
6. Vrooman, John (2000) “The Economics of American Sports Leagues”, *Scottish Journal of Political Economy*, Vol. 47, no. 4, pp. 364-398.

**Part 3**

1. Coates, Dennis and Humpreys, Brad R. (2003) “Professional Sports Facilities, Franchises and Urban Development”, *UMBC Economics Department Working Paper 03-103.*
2. Lawrance, Robert Z. and Pellegrom, Jeffrey D. (1989) “Fool's Gold: How America Pays to lose in the Olympics”, *The Brookings Review, pp. 5-10.*
3. McMillan, John (1991) “Bidding for Olympic Broadcast Rights: The Competition before the Competition”, *Negotiation Journal,* Vol. 7, pp. 255-263.
4. Siegfried, John and Zimbalist, Andrew (2000) “The Economics of Sports Facilities and Their Communities”, *Journal of Economic Perspectives,* Vol. 14, No. 3, pp. 95-114.
5. Szymanski, Stefan (2011) “About Winning: The Political Economy of Awarding the World Cup and the Olympic Games”, *SAIS Review*, Vol. 31, No. 1, pp. 87-97.
6. Zaretsky, Adam M. (2001) “Should Cities Pay for Sports Facilities?”, *The Regional Economist,* April.

**Part 4**

1. Brown, Eleanor; Spiro, Richard and Keenan, Diane (1991) “Wage and Nonwage Discrimination in Professional Basketball: Do Fans Affect It?”, *American Journal of Economics and Sociology,* Vol. 50, No. 3, pp. 333-345.
2. Huffman, Suzanne; Tuggle, C. A. and Scott, Dana (2009) “How Campus Media Cover Sports: The Gender-Equity Issue, One Generation Later”, *Mass Communication and Society*, Vol. 7, No. 4, pp. 475-489.
3. Kahn, Lawrance M. (2000) “The Sports Business as a Labor Market Laboratory”, *The Journal of Economic Perspectives,* Vol. 14, No. 3, pp.75-94.
4. Scully, Gerald W. (1973) “Economic Discrimination in Professional Sports”, *Law and Contemporary Problems,* Vol. 38, No. 1, Athletics, pp. 67-84.
5. Shifflet, Bethany and Revelle, Rhonda (1994) “Gender Equity In Sports Media Coverage: A Review of the NCAA News”, *Journal of Sport and Social issues,* Vol. 18. pp. 144-150.
6. Szymanski, Stefan (2000) “A Market Test for Discrimination in The English Professional Soccer Leagues”, *Journal of Political Economy,* Vol. 108, No. 3, pp. 590-603.

**Part 5**

1. Kahn, Lawrance M. (2007) “Cartel Behavior and Amateurism in College Sports”, *Journal of Economics Perspectives,* Vol. 21, No. 1, pp. 209-226.
2. Koch, James V. (1985) “The Economics Realities of Amateur Sports Organization”, *Indiana Law Journal*, Vol. 61, Issue 1, pp. 9-29.
3. Koch, James V. and Leonard, Wilbert M. (1978) “The NCAA: A Socio-Economic Analysis: The Development of the College Sports Cartel from Social Movement to Formal Organization”, *American Journal of Economics and Sociology,* Vol. 37, No. 3, pp. 225-239.
4. Padilla, Arthur and David Baumer (1994) “Big-Time College Sports: Management and Economic Issues”, *Journal of Sport and Social Issues,* Vol. 18, pp. 123-143.
5. Pope, Devin G. and Pope, Jaren C. (2008) “The Impact of College Sports Success on the Quantity and Quality of Student Applications”, *Southern Economic Journal,* Vol. 75, Issue 3, pp. 750-780.
6. Purdy, Dean A.; Eitzen, D. Stanley and Hufnagel, Rick (1982) “Are Athletes also Students? The Educational Attainment of College Athletes”, *Social Problems,* Vol. 29, No. 4, pp. 439-448.