

Economics of Sports 3123
Spring 2013
SFEBB 170
TH 2:00-3:40

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This course will be a survey of the theory and literature of professional and big-time collegiate sports business. We will discuss issues such as ticket pricing, the building of a new arena or stadium, and owners v. union labor issues. All of the topics will be discussed within the context of economics.

This is a business course; it is not a sports course. If you have expectations that include extended discussions about how the Utah Jazz are doing, then perhaps you should reconsider. Principles Of Microeconomics is a prerequisite for this class. The course begins with a review of economic principles and basic statistical analysis. The course includes extensive statistical analysis and basic computer skills are presumed.

The required textbook is **The Economics of Sports** by Michael Leeds and Peter von Allmen, fifth edition, Addison and Wesley. It is available in the bookstore. We will use the text as the backbone to our class, but I will assign additional readings beyond the text.

Grades are based on written assignments, midterm and the final exams according to the following weights:

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| • homework assignments | 30% |
| • midterm exams, Sep 24 th and Nov 3 rd | 40% |
| • final exam, Dec 18 th 1-3 pm | 30% |

I will compute final grades by three methods; your grade will be the best of the three:

- The traditional standard: with 100-93%=A, 92-90%=A-, 87-89%=B+, 83-86%=B, 80-82%=B-, and so on to 59-0%=E,
- The curve: with an overall average grade of B (GPA=3.0),
- The ace-the-final rule: you get an "A" for the course if you score an "A" on the final exam regardless of your point total.

The homework assignments are crucial to the course and will be reviewed in class. Late assignments lose points; copies and exact duplicates are unacceptable. Paper submissions are preferred, or you may email your homework, only PDF files please. If you seriously attempt all assignments, your chance of doing well on the exams is much improved. Both the midterms exams and the final are multiple choice; both are closed book. The final is comprehensive in coverage. The exam must be taken at the scheduled time. Incompletes are not generally given for nonmedical reasons.

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 (CDS), 162 Olpin Union Building, 801-581-5020 (V/TDD). CDS will work with you and me 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.

Topic Outline and Reading List

1. Introduction
 - economic theory and sports
 - regression analysis and sports statistics

 - Leeds and von Allmen, chapters 1 and 2
 - Statistics Using Computer Spreadsheets**, U of U video
 - Inferential Statistics and Multiple Regression**, U of U video

2. Industrial Organization of Sports
 - revenues and costs
 - monopoly
 - importance of leagues
 - price discrimination
 - antitrust policy in sports
 - game theory applications: TV contracts, recruiting, doping
 - competitive balance

 - Leeds and von Allmen, chapters 3-5
 - Andrew Zimbalist, "A Miami Fish Story: Far from losing \$30 million in '97, the Marlins made a hefty profit. So why did their owner destroy the team?" **New York Times**, October 18, 1998
 - Michael Schermer, "The Doping Dilemma: game theory helps to explain the pervasive abuse of drugs in cycling, baseball and other sports," **Scientific American**, April 2008

3. Sports and Public Finance
 - public subsidies for sports franchises
 - all-or-nothing demand
 - the winner's curse and Olympic bids
 - the costs and benefits of a franchise
 - evaluating ripple effects
 - demand for new stadiums
 - stadium financing: taxes, bonds or user charges

 - Leeds and von Allmen, chapters 6 and 7
 - Raymond Keating, "It's Time to Get Government Out of the Sports Business," **USA Today**, March, 2000
 - Dennis Coates and Brad Humphreys, "Do Economists Reach a Conclusion on Subsidies for Sports Franchises, Stadiums, and Mega-Events?" **Econ Journal Watch** 5: 294-315.

4. Sports Labor Markets
 - labor supply and demand
 - monopsony and the reserve clause
 - human capital theory
 - staying in college versus the early draft
 - tournaments and superstars
 - collective bargaining
 - discrimination theory

 - Leeds and von Allmen, chapters 8-10

Gerald Scully, "Pay and Performance in Major League Baseball," **American Economic Review** **64**, 1974: 915-930
William Gildea, "Integrating the Redskins: George Preston Marshall vs. the U.S. Government," **Washington Post**, June 5, 2002
NFL and NFL Player Association, **Collective Bargaining Agreement**, 2011

5. Amateur Athletes

"not-for-profit" sports
athletic departments as profit maximizers
NCAA as a cartel
pay for college athletes
Title IX

Leeds and von Allmen, chapter 11
University of Utah Academic Senate, **Annual Report Athletics Advisory Council**

6. Conclusion