UNIVERSITY OF NORTH CAROLINA
DEPARTMENT OF ECONOMICS
ECON 485-001: ECONOMICS OF SPORTS
FALL 2017
T/TH 8:00 AM – 9:15 AM, GA 309

Instructor:	Rita A. Balaban	**Phone:**	919-843-8823 (W)
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Office Hours: Mondays (2:30pm – 3:30pm) and Thursdays (9:30am – 10:30am) in GA 009 or by appointment

Website: http://sakai.unc.edu

Prerequisites: C or better in ECON 400 and ECON 410

Course Objectives: By the end of this course you should be able to:
- Identify the unique characteristics of professional team sports and explain the purpose of leagues.
- Explain why professional sports teams have market power and their market power is used to extract surplus from players and fans.
- Understand and interpret different measures of competitive balance and understand why measuring competitive balance is important.
- Explain how owner objectives influence player salaries and competitive balance within professional sports leagues.
- Predict in what ways – if any - changes in league policy will affect competitive balance, player salaries, and league profits.
- Discuss some of the seminal antitrust cases in sport and explain the final ruling.
- Describe the labor market for athletes, how player salaries are determined, and how to test the efficiency of the labor market.
- Compare and contrast the college sports market to the professional sports market.
- Evaluate the use of public subsidies to attract (or retain) professional teams and mega-events.
- Develop a model that explains cheating and misconduct in sport and analyze policies that promote honest play.
- Identify how acceptable sports accounting techniques can make a profitable sports team appear unprofitable and why sports team owners may prefer it that way.
- Employ statistical analysis to test some of the theoretical predictions of the models in the sports literature.

Required Materials:
- Blair, Roger D. **Sports Economics**, Cambridge University Press, 2012.
- Késenne, Stefan. **The Economic Theory of Professional Team Sports: An Analytical Treatment**, 2nd edition, Edward Elgar Publishing, 2014.
- Basic calculator (~ $1). There is no need for a programmable, scientific, financial, or graphing calculator for this class. Only a basic calculator - similar to the one pictured on Sakai - is permitted for use on exams. If you want to know if your calculator is acceptable, then please do not hesitate to ask me.
- Cell phone with a texting plan or a device that can logon to the University's Wi-Fi (e.g. laptop, tablet). This device will be used to complete class polls (see page 2 of the syllabus).

Recommended Background Reading:
- Szymanski, Stefan. **Playbooks and Checkbooks: An Introduction to the Economics of Modern Sports**. Princeton University Press: Princeton, NJ, 2009.

Course Requirements: This course is very rigorous and demanding. You are expected to work hard, actively participate, ask questions when you have any doubts, and perform to the very best of your ability. Still, the purpose of this course is to teach you something about the economics of sports, not to destroy your GPA.

The grading breakdown follows: (percentage of final grade)

2 Midterms	40% (the lowest exam will carry a 15% weight and the highest 25%)
Cumulative Final Exam	30%
2 Problem Sets	20%
In-Class Polls	10%

Exam Format: There will be two mid-term exams given during the semester (**September 26th** and **November 2nd**) and a cumulative final exam (**December 14th @ 8:00am**). Each exam will cover material presented in class, as well as readings and assignments scheduled outside of class. The exam format will be provided in the class prior to a given exam. You should bring your UNC ID, and a "basic" calculator (for a description see the "Required Materials" section of the syllabus) with you to each exam.

Missed Exams: There are no make-up midterm examinations. You are forewarned well in advance to properly schedule your time and make proper arrangements for other potential conflicts. If you must miss a midterm exam, say due to illness, you may be permitted to transfer the missed credit to the final examination. To qualify for a transfer of credit, you must contact me **before** the start of the missed midterm examination and provide me with an acceptable explanation. You are required to support your explanation with documentation within 2 business days of the exam. For example, if you miss an exam on a Thursday, then you will have until Monday to provide your documentation. If the explanation and documentation are approved by me, then it will be assumed that this would have been your lowest midterm grade and the weight of the midterm (15%) will be placed on the final exam. If you miss both midterm exams, then your final exam will only carry a weight of 60%, i.e. a 10 percentage point penalty applies.

Problem Sets: Two problem sets will be assigned during the semester. My expectations and requirements will be explicitly stated when the assignments are distributed.

"In-class polls" will be conducted during each lecture by using the response system known as *Poll Everywhere*. Participation requires that you have access to a cell phone texting plan or a device that can logon to the University's Wi-Fi (e.g. tablet, laptop). Prior to our first poll you must register your device with Poll Everywhere (PE). Registration instructions and other FAQ can be found by following this link: http://help.unc.edu/help/poll-everywhere-faq/ . ***If you do not register properly, then your polls will not be counted.*** Please verify that you have registered correctly (see the PE FAQ for more info). If you have not used PE in a course since Fall 2012, then you will need to edit your registration information. An explanation of how the polls will be graded can be found on p. 6 of the syllabus. Note: these question are to be done in class, you will receive a zero on this portion of your final grade if you are found to be answering questions from a distant location.

Grading Scale: I will use the following scale, which is based on a percentage of total possible points, to assign your final grade.

A	= 93-100		C	= 73-76
A-	= 90-92		C-	= 70-72
B+	= 87-89		D+	= 67-69
B	= 83-86		D	= 60-66
B-	= 80-82		F	< 60
C+	= 77-79			

Letter grades are computed from the total points earned during the semester and assigned based on the scale given above. If necessary, final grades will be curved so the course grades have a similar distribution to previous versions

of this class. In previous semesters roughly 20% of the class earned in the A-range and 35% of the class earned in the B-range.

Attendance Policy: Regular attendance is strongly recommended. You are responsible for any announcements that you may have missed if you choose not to attend class or if you cannot attend class. You should get the missed notes/announcements from one of your peers. Discuss any questions you have on the content with a classmate or stop by during my scheduled office hours. It is expected that you will respect your peers and the instructor with appropriate behavior while in class and that you will arrive to class on time. **Students who are not willing to attend regularly should drop the course**.

In the event that you must miss or anticipate missing at least 2 *consecutive classes* because of an *extenuating circumstance*, notify me and the Dean of Students immediately. Upon receipt of notification from the Dean of Students and your return to campus, it is your responsibility to contact me and we will discuss any adjustments to your course grade calculation. Reminder: read the email etiquette section for when you should/should not contact your professor.

Electronic Device Policy: Students may not use laptops, tablets, phones, or similar devices during the lecture, except when doing polls or when I specifically permit it. First, it disrupts your classmates. Second, it interferes with your learning (see http://www.newyorker.com/tech/elements/the-case-for-banning-laptops-in-the-classroom). The first time you violate the restriction, you will be warned. For each subsequent time a 5%-point penalty will be applied to your final Poll Everywhere grade. If you are expecting an important phone call (job interview, family illness, etc.), please notify me before class then sit in the back of the room near the exit.

Academic Integrity: All students are expected to adhere to the Honor Code (http://instrument.unc.edu). Any violation will result in an **F** for the course, and other sanctions may apply.
- You may use your notes and textbook to complete polls, but keep in mind that polls will be timed. Sometimes you will be permitted to consult with your classmates when answering a poll. I will let you know when you can consult with a classmate versus when you are expected to do the poll alone.
- No assistance is permitted on exams. During the exam, however, feel free to ask me for clarification. You are permitted to use a basic calculator as described on p. 1 of the syllabus. Consider the use of any other calculator a violation of the honor code.

Contact Information and Email Policy: Students are encouraged to visit me on a first-come, first-serve basis during my scheduled office hours or ask any brief questions immediately before/after class. If you are unable to make my scheduled office hours, then feel free to email me and request an appointment. You can expect to receive a response within one business day as long as you 1) include a specific reason for your meeting request; 2) include all times in which you are available to meet; and 3) put "ECON 485" on the subject line. Please use proper email etiquette (see http://www.usm.edu/chemistry-biochemistry/e-mail-etiquette-adapted-academia for details).

Calendar and Reading List: You are expected to have all assigned readings completed before the material is presented. The entire chapter is to be read unless otherwise noted. Please expect to have additional readings throughout the semester.

I. **Introduction and the Peculiarities of Team Sports (August 22-24)**
   - Blair, Chapter 3
   - Kesenne, Chapter 1
   - Walter C. Neale, 1964. "The Peculiar Economics of Professional Sports: A Contribution to the Theory of the Firm in Sporting Competition and in Market Competition," The Quarterly Journal of Economics, Vol. 78, No. 1, pp. 1-14.
   - Simon Rottenberg, 1956. "The Baseball Players' Labor Market," *Journal of Political Economy*, Vol. 64, No. 3, pp. 242-258.

II. **The Output Market in Sports (August 29 – September 5)**
   - Blair, Chapter 5
   - Anthony C. Krautmann and David J. Berri. (2007). "Can We Find it at the Concessions? Understanding Price Elasticity in Professional Sports." *Journal of Sports Economics*, Vol. 8, No. 2, pp. 183-191.

III. **Labor: The Key Input to Sports (September 5-21)**
   - Blair, Chapter 17, 19, and 21
   - Kesenne, Chapter 3 (pp. 48 – 58; pp. 65-71; and skim remarks on pp. 58 – 62)
   - John K. Hakes and Raymond D. Sauer, 2006. "An Economic Evaluation of the *Moneyball* Hypothesis," *Journal of Economic Perspectives, Vol. 20, No. 3, 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*(3), 237–262.

Exam #1 (September 26)

IV. **Analysis of Leagues and League Policy (September 28 – October 24)**
   - Blair, Chapters 4 and 9
   - Kesenne, Chapters 5 (pp. 103-113), 6, and 7 (ignore "two-decision variable model)
   - Dennis Coates, Brad R. Humphreys and Li Zhou, 2014. "Reference-Dependent Preferences, Loss Aversion, and Live Game Attendance," *Economic Inquiry*, Vol. 52, No. 3, pp. 959-973.
   - Brad R. Humphreys, 2002. "Alternative Measures of Competitive Balance in Sports Leagues," *Journal of Sports Economics*, Vol. 3, No. 2, pp. 133-148.
   - Stefan Kesenne (2000). "The Impact of Salary Caps in Professional Team Sports," *Scottish Journal of Political Economy*, Vol. 47, No. 4, pp. 422-430.

V. **National Collegiate Athletic Association (NCAA) (October 26-31)**
   - Roger D. Blair and Joseph Whitman, 2017. "The NCAA Cartel, Monopsonistic Restrictions, and Antitrust Policy," *The Antitrust Bulletin*, Vol 62, No. 1, pp. 3-14.
   - Lawrence M. Kahn, 2007. "Cartel Behavior and Amateurism in College Sports," *Journal of Economic Perspectives*, Vol. 21, No. 1, pp. 209-219.
   - Andrew Zimbalist, 2009. "The BCS, Antitrust and Public Policy," *The Antitrust Bulletin*, Vol. 54, No. 4, pp. 823-855.

Exam #2 (November 2)

VI. Sports and the Public Purse (November 7-14)
- Blair, Chapters 14 and 15
- 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.

VII. Sports and the Media (November 16-21)
- Blair, Chapters 6 and 7
- Kesenne, Chapter 2 (pp. 27-30, 36-40)

VIII. Cheating and Misconduct in Sport (November 28 – December 5)
- 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*(1), 67–75.

Final Exam (December 14 @ 8:00am)

Disclaimer: Although the instructor intends to follow this syllabus as closely as possible, there may be times when deviations from the material presented herein are necessary.

Explanation of "In-Class Polls" Grading

Below is an explanation of how the Poll Everywhere questions will be graded. Essentially there will be two types of questions asked: 1) graded questions; and 2) polling questions.

"Graded questions" are multiple choice questions where there is only one correct answer. "*Polling questions"* do not have correct answers. Examples include questions like, "Should the NCAA be treated as a non-profit organization?" and "Should performance enhancing drugs be permitted in sport?"

Grading Procedure:
- I understand that you may not be able to participate in some polls because you missed class, forgot your polling device, and/or had technical difficulty. Missed polls cannot be made-up. This holds regardless of your excuse (e.g. university/athletics commitment, job interview, sickness, technical malfunction, etc.). It's OK though because only the highest 85% of your polls will be allocated toward your "In-Class Polls" grade. I expect to do at least 80 polls during class this semester. In the event that we do 80 polls, for example, your poll grade will only be based on your highest 68 polls. In other words, you can miss 12s polls without incurring a penalty.
- Possible scores on any given "graded question" include:
  - 100% (you answered the question correctly)
  - 50% (you answered the question incorrectly)
  - 0% (you did not answer the question)
- Possible scores on any given "polling question" include:
  - 100% (you answered the question)
  - 0% (you did not answer the question)

Starting Tuesday, August 29th, all poll responses will be graded according to the procedures outlined in this document.

Registration instructions for Poll Everywhere can be found at http://help.unc.edu/help/poll-everywhere-faq/
- *If you do not register properly, then your polls will not be counted.* Please verify that you have registered correctly (see the PE FAQ for more info). If you have not used PE in a course since Fall 2012, then you will need to edit your registration information.

Note: these questions are to be done in class, you will receive a zero on this portion of your final grade if you are found to be answering questions from a distant location.