

UNIVERSITY OF NORTH CAROLINA  
DEPARTMENT OF ECONOMICS  
**ECON 485-001: ECONOMICS OF SPORTS**  
FALL 2019  
T/TH 11:00 AM – 12:15 PM, GA 007

**Instructor:** Rita A. Balaban                      **Phone:** 919-843-8823 (W)  
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**Office Hours:** Tuesdays (3:30pm-4:30pm), Wednesdays (1:30pm-2:30pm) and Fridays (9:30am-10:30am) in the EconAid Center (GA 009) or for personal concerns (i.e. not for questions about course material), I offer office hours by appointment at <http://calendly.com/balabanr>  
**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:

- Explain why we study sports economics as a unique field within economics.
- Use microeconomic tools to analyze sports arguments and formulate a hypothesis about what we observe.
- Use empirical methods to test theoretical sports economics hypotheses.
- Identify the unique characteristics of professional team sports in North America and Europe.
- Explain how owner objectives influence player salaries and competitive balance within professional sports leagues.
- Understand and interpret different measures of competitive balance and test whether fans care about uncertainty of outcome.
- Predict in what ways – if any - changes in league policy will affect competitive balance, player salaries, and league profits.
- Model the labor market for athletes and use it to explain how player salaries are determined and test for discrimination.
- Use economic tools to explain differences in outcomes for women and men in sports.
- 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.

**Required Materials:**

- Berri, David. **Sports Economics**, 1<sup>st</sup> edition, Worth Publishers, 2018.
- Késenne, Stefan. **The Economic Theory of Professional Team Sports: An Analytical Treatment**, 2<sup>nd</sup> edition, Edward Elgar Publishing, 2014. A free eBook is available in Sakai/Course Reserves
- 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.

**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 schedule an appointment by using this link (<http://calendly.com/balabanr> ). Email is not my preferred method of communication. However, if you must send an email, you can expect to receive a response within one to two business days. Please use proper email etiquette (see <http://www.usm.edu/chemistry-biochemistry/e-mail-etiquette-adapted-academia> for details).

**Course Requirements:** We will draw heavily on the tools that you learned in ECON 400 and ECON 410 so this course will feel fairly rigorous and demanding at times. However, I have carefully constructed the assignments in this course to maximize your learning. 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)

Guided Reading Questions	5%
In-Class Polls	10%
2 Midterms	40% (20% each)
Cumulative Final Exam	30%
Group Project	15%

**“Guided Reading Questions”** will be due by 11am before most classes. These questions will be tied to the readings that you are scheduled to prepare for a particular class and will generally be 1-2 pages in length. All responses must be typed in at least 10-point font, double-spaced, and uploaded to Gradescope by their deadline. These questions will be graded based on completeness (e.g. if you answer all the questions and put some thought into your questions, then you will receive a 1/1). You are welcome to discuss these questions with your classmates, but everyone is expected to put their responses in their own words before uploading them to Gradescope. There are four possible grades for these assignments: 1, 0.75, 0.5, or 0. The activities and in-class polls that we do in class will be based upon the information that you gather in these assignments.

**“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: [poll.unc.edu](http://poll.unc.edu). ***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). An explanation of how the polls will be graded can be found on p. 7 of the syllabus. 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 and a report will be submitted to the Honor Board.

**Group Project:** You will work on a project with 2 to 3 other students based on a common interest from a course topic. Each group will be free to select their own topic and I am happy to discuss ideas with you if you are having troubles. All group projects must be approved by October 3rd or a 15-percentage point penalty will be applied to your final project grade. After Fall Break, all groups will be required to meet with me to discuss explicit details of their project. The projects will be due at 11:59pm on Tuesday, November 26<sup>th</sup>. We will discuss the project in more details after the first midterm and general guidelines and a rubric for the paper will be provided at that time.

**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. There is no maximum number of A's or B's awarded. In previous semesters roughly 20% of the class earned in the A-range and 35% of the class earned in the B-range. No extra credit of any kind is given to adjust grades at the end of the semester.

**Exam Format:** There will be two mid-term exams given during the semester (**September 26<sup>th</sup>** and **November 7<sup>th</sup>**) and a cumulative final exam (**December 12<sup>th</sup> @ 12:00pm**). 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 (p. 1) of the syllabus) with you to each exam.

**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.
- You will be permitted to discuss the guided reading questions with your classmates, but each student must submit their own assignment in their own writing.

**Regrade Requests:** It is your responsibility to make sure that the grades in the Sakai and Gradescope gradebook are correct. Any grade related issues have to be settled within a week after the grade is posted by submitting a regrade request form to me. Regrade requests related to GRQs can be submitted through Gradescope, but for all other requests, please use the “Regrade Request Form” found in Sakai/Resources. There are no exceptions to this rule. For instance, if you find that your midterm exam grade is incorrect and notify me 2 weeks after it was posted, the grade will not be changed.

**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. An exception will be made for University-approved absences (see <http://catalog.unc.edu/policies-procedures/attendance-grading-examination/>); students with this type of absence may request a make-up examination at a time convenient to both student and instructor.

If you do not have a University-approved absence, then 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 Tuesday, then you will have until Thursday to provide your documentation. If the explanation and documentation are approved by me, then the weight of the midterm 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. If you are unable to attend the final exam, then you will need to provide me with an “Exam Excuse” from the Dean’s Office. If you have 3 exams within 24 hours and wish to take the make-up exam, then you must submit your exam excuse to me by 4:00pm on Wednesday, December 3<sup>rd</sup>. The make-up for the final exam will be held at 8am on Friday, December 13<sup>th</sup>.

**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.

**Counseling and Psychological Services:** CAPS is strongly committed to addressing the mental health needs of a diverse student body through timely access to consultation and connection to clinically appropriate services, whether for short or long-term needs. Go to their website: <https://caps.unc.edu> or visit their facilities on the third floor of the Campus Health Services building for a walk-in evaluation to learn more.

**Accessibility Resources & Services:** UNC-Chapel Hill facilitates the implementation of reasonable accommodations for students with learning disabilities, physical disabilities, mental health struggles, chronic medical conditions, temporary disability, or pregnancy complications, all of which can impair student success. See the ARS website for contact and registration information: <https://ars.unc.edu/about-ars/contact-us>

**Calendar and Reading List (pp. 5-6):** 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 to Sports Economics (August 20 – August 27)**

- Berri, Chapters 1, 2 (including appendix)
- Kesenne, Chapters 1

**II. What is a Team's Objective: Wins or Profits? (August 29 – September 3)**

- Berri, Chapter 3

**III. Competitive Balance: Measuring It and Evaluating Its Importance (September 5 – September 17)**

- Berri, Chapter 4 (including appendix)
- Coates, Dennis, Brad R. Humphreys and Li Zhou. 2014. "Reference-Dependent Preferences, Loss Aversion, and Live Game Attendance." *Economic Inquiry* 52(3): 959-73.
- Humphreys, Brad R. 2002. "Alternative Measures of Competitive Balance in Sports Leagues." *Journal of Sports Economics*, 3(2): 133-48.
- Treber, Janet, Rachel Levy, and Victor Matheson. 2013. "Gender Differences in Competitive Balance in Intercollegiate Basketball." In *Handbook on the Economics of Women in Sports*, edited by Eva Marikova Leeds and Michael Leeds, 251-68. Northampton, MA: Edward Elgar.

**IV. Subsidizing Sports (September 19 – September 24)**

- Berri, Chapter 10

**Exam #1 (September 26)**

**V. Player Labor Market (October 1 – October 8)**

- Berri, Chapter 5 (Intro, Sections 5.1-5.3)
- Kesenne, Chapters 3 (pp. 48 – 58) and 5 (pp. 103-113)

**VI. The Economic Value of Playing Talent (October 10 – October 22)**

- Berri, Chapter 6 (Intro, Section 6.1, and Sections 6.5-6.9)
- Hakes, Jahn K. and Raymond D. Sauer. 2006. "An Economic Evaluation of the *Moneyball* Hypothesis." *Journal of Economic Perspectives* 20(3): 173-85.

**VII. Discrimination in Sports (October 24 – October 29)**

- Berri, Chapter 7 (Intro, Sections 7.1 – 7.2)

**VIII. Women and Sports (October 31 – November 5)**

- Berri, Chapter 8 (Intro, Sections 8.1 - 8.2, 8.4 – 8.5, appendix)

**Exam #2 (November 7)**

**IX. Analyzing League Policies and Their Effect on Competitive Balance (November 12 – November 19)**

- Kesenne, Chapters, 6 and 7 (ignore "two-decision variable model")
- Kesenne, Stefan. 2000. "The Impact of Salary Caps in Professional Team Sports." *Scottish Journal of Political Economy* 47(4): 422-30.

**X. The Economics of College Sports (November 21 – December 3)**

- Berri, Chapter 9
- Blair, Roger D. and Joseph Whitman. 2017. “The NCAA Cartel, Monopsonistic Restrictions, and Antitrust Policy.” *The Antitrust Bulletin* 62(1): 3-14.
- Sanderson, Allen R. and John J. Siegfried. 2018. “The National Collegiate Athletic Association Cartel: Why it Exists, How it Works, and What it Does.” *Review of Industrial Organization* 52(2): 185-09.

**Final Exam (December 12<sup>th</sup> @ 12:00pm)**

**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, “What would you be doing – right now – if you weren’t in class?” and “What is the opportunity cost of going to a class that meets at 7pm?”

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 we do 80 polls, for example, your poll grade will only be based on your highest 68 polls. In other words, you can miss 12 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 27<sup>th</sup>**, all poll responses will be graded according to the procedures outlined in this document.

**Registration instructions for Poll Everywhere** : All students, including those who have registered previously for Poll Everywhere, should go to [poll.unc.edu](http://poll.unc.edu), click **Student Account Registration** and log in via “Single sign-on.” In addition, please take the time to read the Student FAQs before our first class meeting.

**Using Poll Everywhere in Class**: Students may log in at either [polleverywhere.com](http://polleverywhere.com) or by using the Poll Everywhere mobile app. With either method, you will enter your official UNC-CH email address, select the Single-Sign-On link and enter your Onyen and Password.

- 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 and a report will be submitted to the Honor Board.

**If you encounter technical issues, you can contact ITS Help or refer to the Help options at the bottom of the [poll.unc.edu](http://poll.unc.edu) page.**