

**UNIVERSITY OF GEORGIA**  
**Department of Economics**

**Spring Semester 2012**

**Economics 4460**  
**Sports Economics**

**Prof. Greg Trandel**

*(this version: January 10, 2012)*

Student Learning Center 207  
Tu, Th at 9:30 a.m.

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**Office Hours:** Monday: 10:00 a.m. – 12:00 noon

Wednesday: 11:00 a.m. – 2:00 p.m.

or by appointment if you are not free during the above times

**Nature of a Syllabus:** Note that any course syllabus is a general plan for a course. It may be necessary to deviate from the plan laid out on these pages. The instructor will describe to the members of the class any such deviations.

**Course Description:** There are a number of reasons why one might apply the tools of economic analysis to sports.

First, sports is a significant business in the United States (as well as in many other countries). Economic analysis of the institutions of the sports industry can look at many questions, such as the objectives of individual team owners in a sports league, and at their resulting incentives; at the consequences of league and team market power; at competitive balance among a league's members (considering its importance, policies (allegedly) designed to promote it, and empirical studies of the degree of such balance); at the economic impact of sports activities; at (supposed) justifications for the public funding of sports stadiums; at the determination of player salaries; at league-labor-union relations; and at evidence of discrimination against certain groups of athletes.

When considering issues like those just listed, the class will generally focus on professional leagues. In addition, however, the class will consider some issues unique to the college-sports environment.

The approach of the textbook — and sometimes that of the class — is often to cover a standard topic from “academic” economics, and then apply that concept to a particular example from the sports world. Some of the academic subjects will be ones that students have already covered in principles of microeconomics and/or intermediate micro. Examples include monopoly, prisoners' dilemma, marginal revenue product, and moral hazard. Other academic topics are ones that students may not have seen before. Examples may include vertical integration of monopolies and mixed-strategy equilibrium.

The class will use the textbook heavily for the first half or so of the course.

A second motivation for linking economic analysis and sports arises from the fact that sports contests create a winner (and a loser) and often produce detailed statistics. Such outcomes and data allow analysts to investigate topics that are of interest both in the sports context and in broader society. Examples are dishonesty (throwing matches or shaving points), (possibly unintentional) discrimination, and the response of athletes to changes in incentives.

A third approach to sports economics considers how the economic way of thinking could help us analyze the choices made by coaches, athletes, general managers, or others in regards to the

actual play of a game, to post-play analysis, to assembling a team, or to making group decisions. Examples include methods of player evaluation, the search for undervalued player skills, rigorous analysis of decision making, and (although this may sound like it doesn't fit) the design of voting systems.

The topics listed in the preceding two paragraphs are generally not in the textbook; the class will use other sources to investigate these subjects.

Research in sports economics sometimes receives substantial media attention. Over the course of the semester, the class will cover at least a few of these of "current events" topics.

**Textbooks and Readings:** The main text for this class is *The Economics of Sports* by Michael A. Leeds and Peter von Allmen (Pearson, Addison-Wesley), 4th edition (2011). You should have access to a copy of the book. The class will also utilize much of the material in the popular-press book *Scorecasting* by Tobias J. Moskowitz and L. Jon Wertheim. Other readings — including both academic economic research papers and journalistic pieces — will also be required. Most of these additional readings will be posted on the class's eLearning Commons webpage.

**Grading:** Your grade for this class will be based on a final exam (worth 140 points, which counts for 35% of your semester grade), two in-class exams (each worth 100 points, or 25% of your grade), a short (non-technical) data analysis paper (20 points; 5%), and two homework assignments (each worth 20 points, or 5%). Semester grades will be based on a 90–80–70–60 scale. The plus/minus grading option will be used for students who are quite close to the A/B and B/C dividing lines. Note, however, that no C– grades will be assigned.

**Data-Analysis Paper:** Students are required to write a short paper based on one of the empirical results covered over the course of the semester. Students will have a variety of topics from which to choose. More details on this assignment will be provided after we have covered some of the relevant topics. As one example of a possible paper, a student might use (publicly-available) data to check to see if a particular empirical pattern has continued to hold in the years since some piece of research was conducted.

The paper is due no later than spring semester reading day: Tuesday, May 1st.

**Homework:** Two homework assignments that count towards your semester grade will be distributed during the semester. These assignments will be due at the beginning of class on two Thursdays: February 9th and March 29th. The homework assignments will be checked, graded, and returned during the following class. We will spend part of that class reviewing the homework questions.

Your grade on a homework assignment will depend (in part) on whether or not your answers are correct and (more importantly) on the amount of effort you put into doing the assignment. Late homework will not be accepted. If, however, you are unable to attend one of the relevant classes, you can hand in your homework early (up to 9:25 a.m. on the day the assignment is due) in Prof. Trandel's office. Feel free to work together on homework. However, each of you is required to write up and submit an *independent* answer sheet. This means that word-for-word copies will *not* be accepted.

**Exams:** Tests will be given in class on two Thursdays: February 16th and April 5th. These tests will be noncomprehensive and will cover the material presented in class up to and including the class preceding the exam, along with the relevant homework and reading material. The final exam will be given at 8:00 a.m. (we might adjust that a little bit) on Thursday, May 3rd. and *will be comprehensive*.

Each test will be a mix of objective questions and questions that require either written or calculated answers. The objective questions will generally be multiple choice. These questions can

come from class alone, from the textbook or other readings alone, or might be covered in multiple sources. A good answer to a written-answer question will generally be a couple sentences long (i.e., shorter than “essay” length). For these questions, partial credit may be given.

On the days when exams are returned, the class will spend some time reviewing the test questions. After this has been done, the exams will be returned to the instructor. Students can again see those exams either in any of the instructor’s office hours, or during the last class meeting (when the exams will again be brought to the classroom).

Test scores (as well as final semester grades) will be posted through the eLC system.

A student who misses a test without making prior arrangements will receive a grade of zero on that exam. If any circumstances that will prevent a student from taking an exam arise, he or she should talk to Prof. Trandel as soon as possible. If a student has any special problems, such as a potential “incomplete” grade, he or she may wish to contact the office of the Vice President for Student Affairs, at 542-3564.

**ECON 6460:** Students who are registered for ECON 6460 rather than ECON 4460 will have to complete an additional assignment. Please talk to me about this fairly early in the semester.

**Class vs. Text:** The lectures and the reading assignments in this class are designed to complement (rather than duplicate) each other. As a result, to get the full benefit of the class, you must both attend lecture and read the assignments.

The exams will reflect the fact that the lectures and the readings are not perfect substitutes. In other words, some test questions will be based on class material that is not found in the textbook, while others may cover topics discussed in the readings, but not in class. Attendance will not be recorded in this class, but the exam format ensures that your test scores (and your class grade) will suffer if you fail to attend class on a regular basis.

**Academic Honesty:** As a University of Georgia student, you have agreed to abide by the University’s academic honesty policy, “A Culture of Honesty”, and the Student Honor Code. All academic work must meet the standards described in “A Culture of Honesty” found at: <http://www.uga.edu/honesty/>.

Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.

**Miscellaneous:** While it is sometimes difficult to ask questions during class, please do not hesitate to do so. Any instructor needs to know when he or she is going too fast or not being clear. Please ask questions — you’ll perform a service for yourself, for your classmates, and for the instructor.

**Approximate Class Schedule:** The following material gives a rough idea of what topics (and what textbook chapters) will be covered on each of the class’s three exams. It’s likely that the actual topics to be covered on each exam won’t exactly match what is listed below. The precise coverage of each test, as well as the reading assignments — both in the textbook and outside readings — for each week, will be made clear in class throughout the semester.

• **Exam I (on Thursday, February 16th):**

*Topics:* league structure, objectives, and decisions; team-owner objectives and decisions; profits and profit maximization; monopoly and cartels; competitive-balance issues; team movement; the economic impact of sports franchises and events, and (public) financing of stadiums.

*Readings:* Leeds and von Allmen, chs. 1, 3, 4, 5, 6, and 7, and various additional material to be posted on eLC. [Note: the material from ch. 2 and its appendices — which covers theoretical

and empirical economics — will not be covered in one chunk; various topics will instead be addressed at the time when the material is needed.

- **Exam II (on Thursday, April 5th):**

*Topics:* labor-management negotiations; salary determination; pro-sports tours; issues related to college sports; intentional and unintentional discrimination; and mixed-strategy equilibrium.

*Readings:* Leeds and von Allmen, chs. 8, 9, 10, and 11; various additional material to be posted.

- **New Material for (comprehensive) Final Exam (on Thursday, May 3rd):**

*Topics:* possible cheating and detection; motivation for rules changes, and responses to such changes; player, manager, and referee actions; player evaluation; optimal coach and general-manager decisions; and (perhaps) voting systems and prediction (betting) markets.

*Readings:* various chapters of *Scorecasting* and other material to be posted.