MBAD-6310
Sports Economics
Spring 2012

Class Room    City Center Building  Class Meets  Th 5:30-8:15pm
Instructor    Dr. Craig A. Depken II  Phone  704.687.7484
E-mail        cdepken@uncc.edu  Web page  belkcollege.uncc.edu/cdepken
Office        229A Friday Building  Office Hours  Th 2-4:30pm & by appointment

Course Objective: This course will apply economics to professional and amateur sports. The topics covered include franchise decision making, league structure and policies, professional and amateur labor markets, the role and impact of sports on campus, and the economic impact of sporting franchises and events on local and regional economies.

Texts: The Economics of Sports, 4th edition by Michael Leeds and Peter von Allmen (LVA) is the suggested textbook for this course. The first or second edition of Leeds and von Allmen is a reasonable substitute text, as is Rodney Fort’s book Sports Economics. Additional papers from the peer-reviewed literature will be posted at the course’s moodle page; students are responsible for printing or otherwise accessing the papers (many through the Atkins Library).

Course Web Page: The course web page is at www.belkcollege.uncc.edu/cdepken.

Grading: Grading will proceed in the following manner.

• Five Out-of-Class Projects worth 150 points
• 1 Midterm Exam worth 100 points
• 1 Final Exam worth 100 points
• 1 Term Paper worth 100 points

THE FINAL EXAM IS REQUIRED. NO EXCEPTIONS!!!

Out of the possible 450 points in the class, the grades will follow as such:

A 450-405  B 404-360  C 359-315  U 314-0

Test scores are NOT rounded up. Rounding of final course scores follows standard practice: only .5 or above will be rounded up to the next whole number.

Extra Credit: Individual extra credit projects are not offered in this class.
Academic Honesty: Please note that academic misconduct (cheating) will NOT be tolerated. In addition, students have the responsibility to know and observe the requirements of The UNC Charlotte Code of Student Academic Integrity. This code forbids cheating, fabrication or falsification of information, multiple submission of academic work, plagiarism, abuse of academic materials, and complicity in academic dishonesty. Academic evaluations in this course include a judgment that the students work is free from academic dishonesty of any type; and grades in this course therefore should be and will be adversely affected by academic dishonesty. Students who violate the code can be expelled from UNC Charlotte. The normal penalty for a first offense is zero credit on the work involving dishonesty and further substantial reduction of the course grade. In almost all cases, the course grade is reduced to F. Copies of the code can be obtained from the Dean of Students Office. Standards of academic integrity will be enforced in this course. Students are expected to report cases of academic dishonesty to the course instructor.

Make-up Exams and Tardy Projects: Make-up exams are generally not offered. Make-up exams will be offered if you miss an exam while officially representing the University at an off-campus event. If you miss an in-class exam, without prior consultation with the teacher of record, you will be given a zero (0) for that exam, and the weight of the missed exam may be placed on the final exam. Any out-of-class project (other than the term paper, see below) turned in late can earn a maximum of 75% of the project’s original value.

ADA Compliance: As a faculty member, I am required by law to provide “reasonable accommodation” to students with disabilities, so as not to discriminate on the basis of that disability. Student responsibility primarily rests with informing faculty at the beginning of the semester and in providing authorized documentation through designated administrative channels.

Cell Phones: All beepers, pagers and cell phones must either be turned off prior to class starting or placed in silent mode. The proliferation of cell phones and other communication devices has increased the negative externalities imposed on others when they activate during class.

Statement on Diversity: The Belk College of Business strives to create an inclusive academic climate in which the dignity of all individuals is respected and maintained. Therefore, we celebrate diversity that includes, but is not limited to ability/disability, age, culture, ethnicity, gender, language, race, religion, sexual orientation, and socio-economic status.

Some important dates:

- Classes begin: January 9
- First Day of Class: January 12
- MLK, Jr. Day: Monday, January 16
- Spring Break: March 5-March 10 (No Class)
- Spring Recess: Friday, April 6
- Classes End: Tuesday May 1
- Last Class: Thursday April 27
- Midterm Exam: Thursday, March 1
- Final Exam: Thursday May 10 (5:00PM-7:30PM) [subject to change: see university exam schedule]
- Term papers due: Thursday May 10
Homework

I plan five out-of-class assignments which will address one or more topics we discuss in class. You will often be asked to undertake analysis of existing data or data that you gather on your own or as a member of a team. Data analysis, specifically regression analysis will be undertaken in this class using MS-Excel and the Data Analysis ToolPak and Data Analysis ToolPak VBA add-ins. You can access these add-ins using computers in the Belk College of Business or by obtaining a copy of Microsoft Excel at the Atkins Library.

Term Paper Guidelines

**Assignment:** Write an original research paper concerning one or more topics covered in the class. The paper should be between 8-15 pages double spaced 12 point Times New Roman type with 1 in. margins (left, right, top and bottom).

**Possible Topics:** There are almost a limitless number of topics that could be undertaken for the term paper. You can choose an empirical analysis that uses regression analysis to investigate a particular question or hypothesis we discuss in class (or that you find elsewhere), you can choose to review the existing literature in a particular area of sports economics (a minimum of six papers), you can undertake a more descriptive research project in which you address some qualitative aspect of sports in the context of the topics we discuss in class.

Some possible topics:

2. Salary determination in your favorite sport.
3. The impact of salary disparity in your favorite sport.
4. Issues surrounding the values of sports sponsorship.
5. The impact of Title IX in college sports.
6. Economic aspects of the Olympics or the World Cup

**Due Date:** The paper is due by the beginning of class on the day of the final exam Thursday, May 10, 2012

**Late Papers:** Papers handed in after the May 10, 2012, deadline can earn a maximum of 90% of the original project’s value, including any penalties for failing to participate in class discussion.

**Importance to Grade:** The numeric score on this assignment makes up 22% of the overall grade.

**General Information:** The following points may be obvious, but they will be mentioned anyway. The score you earn on the term paper will depend on the accuracy of the paper’s content, the appropriateness of the analysis, and the quality of the writing and organization of the paper, and the completeness of any pertinent literature review. I recommend writing the paper in a somewhat conversational tone so that it can be understood by an intelligent person who has not taken this class, although you should explain any “jargon” used in the discussion. Feel free to discuss your paper idea with your classmates, family and friends, co-workers, and your professor. You often learn as much about a topic by talking with others as you do reading articles and books. However, the paper you hand in must consist solely of your own work. Any indication that you collaborated with another person concerning the material content of your paper will result in a minimum 50% reduction in the grade you can obtain on the term paper portion of the class.
Abbreviated Course Outline (Subject to Change)

1. Introduction
   • Sports Economics Defined ("Sportometrics: Introduction", "The Peculiar Economics of Professional Sports" both available at moodle page)
   • Economics Review (LVA Ch 1 and 2)
   • Introduction to Regression (handouts)

2. The Franchises
   • Profitability I: Ticket and concession pricing (LVA Ch. 3)
   • Profitability II: Team Quality (LVA Ch. 3)

3. The Leagues
   • The role of leagues (LVA Ch. 4)
   • Competitive balance (LVA Ch. 5)
   • League rules, institutions, and incentives (handouts)

4. The Managers
   • Managerial quality and team performance (handouts)
   • Why hire or fire the coach? (handouts)

5. The Players
   • Ethics of Professional Sports Salaries (handouts)
   • The Market for Sports Labor (LVA Ch. 8)
   • Player value and salary determination (LVA Ch. 9, handouts)
   • The Impact of the Reserve Clause (handouts)
   • Wage inequality (handouts)
   • Strike and Lockouts (LVA Ch. 9)
   • Steroids and performance enhancing drugs (handouts)
   • Age and race in sports labor markets (LVA Ch. 10, handouts)

6. Amateur Sports (LVA Ch.11)
   • Role of sports on campus
   • NCAA’s creation and role
   • Paying players?

7. The Cities
   • Impact of Stadiums on Franchises (handouts)
   • Stadium economics (LVA Ch. 6 and 7, handouts)
   • Economic impacts of franchises and events (LVA Ch. 7)

8. Additional topics (time permitting)
   • PGA: Tiger Effect, tradeoff between distance and accuracy (handouts)
   • NASCAR: effects of teammates, driving multiple series, driver owners (handouts)
   • Soccer – Referee Bias in the FIFA world cup, Impact of World Cup on World Economy (handouts)
   • Performance under pressure: Soccer, NHL, NCAA, NFL (handouts)
Expanded Course Outline (Subject to Change)

1. Introduction (LVA Ch1 and Ch 2)
   - Introduction to Sportometrics
   - Introduction to Regression (handouts)
   - Economics Review (handouts)

2. The Franchises (LVA Ch 3)
   - Ticket pricing – primary market (price differentiation & price discrimination)
     - “When Tarps Enhance Profits in Professional Sports,” Craig A. Depken, II
   - Ticket pricing – secondary market
   - Team quality and profitability (handouts)

3. The Leagues (LVA Ch. 4 and Ch. 5)
   - Model of a League
     - “Upsets,” Evan Osborne
   - Competitive Balance Defined
• Competitive Balance, Attendance, and Uncertainty of Outcome
  • “The Uncertainty of Outcome Hypothesis in Division IA College Football,” Craig A. Depken, II and Dennis P. Wilson
  • “League Level Attendance and Outcome Uncertainty in the NBA, NFL and NHL” Brian Mills and Rodney Fort

• League rules and incentives (handouts)
  • NHL Rules Changes
  • NFL Rules Changes
    • “The Impact of Helmet-to-Helmet Rules in the NFL,” Craig A. Depken, II
  • The Designated Hitter Rule as Moral Hazard
    • “Do Relief Pitching and Remaining Games Create Moral Hazard Problems in Major League Baseball? “Kevin Baldini Mark T. Gillis Matt E. Ryan

• Amateur Drafts:
• “Do teams always lose to win?: Performance incentives and the player draft in the Australian Football League,” Jeff Borland, Mark Chicu, and Robert Macdonald.

4. The Managers (Handouts)

• Managerial quality and team performance (handouts)
  • “Why Have a Manager in Professional Sports?” Craig A. Depken, II

• Managerial efficiency
  • “Hired To Be Fired: The Publicity Value Of Managers,” John Charles Bradbury

• Bench Managers vs. Player Managers
  • “What Happened to the Player Manager in Professional Baseball,” Craig A. Depken, II

5. The Professional Players (LVA Ch. 8, Ch. 9 and Ch. 10)

• Ethics of Professional Sports Salaries
  • “Professional Athletes do Not Deserve What they Earn,” Anonymous

• The Labor Market for Professional Athletes

• Measuring player value:

• Impact of the reserve clause
  • “The Introduction of the Reserve Clause in Major League Baseball: Evidence of its Impact on Select Player Salaries during the 1880s,” Jennifer Ashcraft and Craig A. Depken, II.

• Wage inequality and team performance

• Strikes and wages, attendance, job tenure

• Steroids and performance enhancing drugs
  “Performance-Enhancing Drugs: An Economic Analysis,” Evan Osborne, mimeo.

• Age and race in sports labor markets

6. Amateur Sports (LVA Ch.11)
• Role of sports on campus – SAT scores, State appropriations, alumni giving

• NCAA’s creation and role

• Paying players?

7. The Cities and Stadiums (LVA Ch. 6 and Ch. 7)
• Franchise-level Effects of a New Stadium
  • “Private Financing and Sports Franchise Values: The Case of Major League Baseball,” Phillip Miller

• Impacts of stadium construction on local property values

• Economic impacts of franchises and events

8. Specific topics (Time allowing)
  • PGA: Tiger Effect, tradeoff between distance and accuracy
  • NASCAR: Effects of teammates, Effects of running multiple series, Driver Owners
  • Soccer – FIFA world cup, Bias in the world cup, others?
  • Performance under pressure: Soccer, NHL, NCAA, NFL (Depken, Sonora and Wilson; others)