BUS 3820-001
Sports Economics
Fall 2017
Room: SFEBB 3180
Class Days and Time: Tuesday and Thursday 2:00-3:20 PM
Instructor: Steve Maisch, PhD.
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Office: 009B Sterling Sill Center
Office Hours: Tuesday and Thursday 12:30 – 1:30 or by appointment
Requirements: Your grade will be based on the three best of four exams (i.e. drop your lowest score). Thus, if you are happy with the average of your first three exam scores then you do not need to take the final exam.
- Exam 1: September 14
- Exam 2: October 24
- Exam 3: November 21
- Exam 4: December 7
Break-down of letter grades:
A = 94 and above
A- = 90-93%
B+ = 87-89%
B = 84-86%
B- = 80-83%
C+ = 77-79%
C = 74-76%
C- = 70-73%
D+ = 67-69%
D = 64-66%
D- = 60-63%
E = Below 60%

THERE IS NO CURVE!!!!!
THERE IS NO EXTRA CREDIT!!!!!

Make-up Policy: If you know that you will be absent for an exam tell me by 8/29 and we will figure out a day and time to take the exam. There will be no makeup exams given except for health reasons. A doctor’s note is required.

Attendance: Outside of exam dates, attendance to class is not required though it is strongly encouraged. It has been the experience of previous students that it is very difficult to score well on the exams if you miss a lot of days.

Course Description: A variety of economic methods can be applied to sports. The class begins with a market analysis of the professional sports industry, including cost accounting, marketing strategies and profitability. Regional analysis is used to understand the effect of geography on teams and leagues. Econometric methods are used to relate sports performance statistics to athlete salaries and team profits. The history of antitrust law has guaranteed market power for professional teams, but competition in the marketplace from other sports and other entertainment options limits that power. Racial and gender discrimination is discussed as an historically important aspect of the professional athletic labor market. The economics of player's unions, league monopolies and contract negotiation is analyzed in terms of the theory of games. The course will end with discussions concerning collegiate athletics and the Olympics.

LEARNING OBJECTIVES FOR BUS 3820-001:

In addition to learning about the economics of sports, it is my intention that this course will allow you an opportunity to practice your critical thinking and quantitative literacy skills.

1. Critical Thinking: The Association of American Colleges and Universities (AACU) defines critical thinking as “a habit of mind characterized by the comprehensive exploration of issues, ideas, artifacts, and events before accepting or formulating an opinion or conclusion”.

2. Quantitative Literacy: The Association of American Colleges and Universities (AACU) defines quantitative literacy as the "habit of mind, competency, and comfort in working with numerical data. Individuals with strong QL skills possess the ability to reason and solve quantitative problems from a wide array of authentic contexts and everyday life situations. They understand and can create sophisticated arguments supported by quantitative evidence and they
can clearly communicate those arguments in a variety of formats (using words, tables, graphs, mathematical equations, etc., as appropriate)”.  

Critical thinking is difficult to assess directly which is why I utilize homework assignments that are not graded to provide an opportunity to practice critical thinking skills. Quantitative literacy will be directly assessed through the exams, which will be graded. The homework assignments will also provide an opportunity to practice using quantitative information to construct an argument for or against a position.
Topics and dates:

**Week I**  **Introduction: What is Sports Economics?**

Aug 22 - [T]

- Introduction to Sports Economics

Aug 24 - [TH]

- Market structure of sports, Indifference curves and how Industrialization led to ESPN.

**Week II**  **Do team owners really want their teams to win more?**

Aug 29 - [T]

- Sports franchises as profit maximizing firms. A simulation arguing why the Jazz might not want to win more.

Aug 31 - [TH]

- More on sports franchises and profit maximization. What does the data say? Correlations.

**Week III**  **Wait a minute! Major League Baseball is violating the Sherman Anti-trust Act of 1890.**

Sep 5 - [T]

- Monopoly and Anti-trust. What’s wrong with a monopoly?

Sep 7 - [TH]

- Regional Sports Networks, vertical integration and why the Dodgers suddenly got good. (And it’s not totally because of Clayton Kershaw.)
Week IV  EXAM WEEK
Sep 12 - [T]

- Review for exam

Sep 14 - [TH]

- Exam 1

Week V  Stadium Finance or why we give millionaire sports team owners millions of dollars to make their billion dollar team worth more billions.
Sep 19 - [T]

- Review exam and start on Stadium Finance. Jerry World and the rise of the luxury box seat in the NFL.

Sep 21 - [TH]


Week VI  When speaking on Conventional Wisdom, John Kenneth Galbraith once said: “We associate truth with convenience, with what most closely accords to self-interest and personal well-being or promises best to avoid awkward effort or unwelcome dislocation of life. We also find highly acceptable what contributes most to self-esteem.”
Sep 26 - [T]

- Even more on stadium finance. The Ramsey Rule: Politics and economics or why we don’t tax kidney dialysis to fund Rio Tinto stadium when we should.

Sep 28 - [TH] (Game theory homework posted on CANVAS)

- Expected Value and Game Theory: Should you go for it on 4th and 3? Should you take that EPO to win The Tour? Yes you probably should in both cases.
- Game Theory Assignment posted on CANVAS. You don’t need to hand it in but you should definitely work on it.
**Week VII**  
Monopsony power and why Bryce Harper is worth $74.69 million to the Nats and is *only* getting paid $2.5 million.

Oct 3 - [T]

- Monopsony Power, the Reserve Clause and A.J. Pierzinski’s salary when a lot of team’s want an old catcher and when only one team wants an old catcher. We’ll go over the game theory homework as well.

Oct 5 - [TH]

- Monopsony power, salary caps, TV and Unions.

**Week VIII**  
(Fall Break. Find a book in the suggested reading list to read?)

Oct 10 – [T]

- No class

Oct 12 – [TH]

- No class

**Week IX**  
CBA’s and why the average salary in MLB is $4 million and Roger Maris had to deliver beer in the off season to make ends meet. (It was the season he broke the home run record!)

Oct 17 - [T]

- Mixed strategy games, collective bargaining and when to expect a curveball.

Oct 19 - [TH]

- Review for exam

**Week X**  
Exam week

Oct 24 - [T]

- Exam 2

Oct 26 - [TH]
• Regression analysis and let’s see if we can hack into how Forbes values sports teams.

**Week XI**  **Wait a minute! Why is that guy getting paid so much?**

Oct 31 - [T]

• Regression analysis and let’s see if we can hack into how Forbes values sports teams.
• Regression Homework 1 assignment posted on CANVAS. It does not need to be turned in but you should work on it.

Nov 2 - [TH]

• Sports Labor Market and estimating Lebron’s marginal revenue product.

**Week XII**  **Wait a minute! Why is that guy paid so little?**

Nov 7 - [T]

• Back to A.J. Pierzinski, monopsony power, discrimination and exploitation.

Nov 9 - [TH]

• Competitive Balance: The uncertainty of outcome hypothesis or why ESPN classic is just not that exciting.
• Competitive Balance Assignment posted on Canvas. You don’t need to hand it in but you should do it.

**Week XIII**  **Why is the NBA getting less competitive while the NFL and MLB are getting more competitive?**

Nov 14 - [T]

• More on competitive balance. The Herfindahl-Hirschman index and the market share of basketball players vs. quarterbacks.
• Talent Distribution: An evolutionary biologist and an economist walk into a bar.

• Regression Homework Assignment 2 posted on CANVAS. Work on this one before the review on Tuesday.

Nov 16 - [TH]

• Review for exam
Week XIV  EXAM WEEK
Nov 21 - [T]
• Exam 3

Nov 23 - [TH]
• No Class. Watch football and eat.

Week XV  Yup. College athletes should get paid.
Nov 28 - [T]
• College Athletics: What! They get a free education! Opportunity costs revisited.

Nov 30 – [TH]
• College Athletics: The U, the PAC-12 and did the 2002 Olympics have any impact on skier days in Utah?

Week XVI  EXAM WEEK
Dec 5 – [T]
• Review for exam

Dec 7 – [TH]
• Final Exam in class

Additional Readings (None of these are required but they are interesting):


**Some Good Websites:**

Professor Rodney Fort’s pages: https://sites.google.com/site/rodswebpages/codes

Data on a plethora of sports: http://www.shrpsports.com/

More data on various sports: http://www.databasesports.com/

Interesting articles on sports in Forbes magazine: http://www.forbes.com/sportsmoney/

The go to site for baseball data: http://seanlahman.com/

Some good data on baseball in Japan: http://baseballguru.com/jalbright/stats.html

Good database on the Tour de France and some other cycling things: http://bikeraceinfo.com/

The Institute for Diversity and Ethics in Sport: http://www.tidesport.org/

Nate Silver and others discuss cool stuff: http://fivethirtyeight.com/