

Economics of Sports

ECP 3006

Joe Whitman

Office: 331 Matherly Hall

Email: jwhitman89@ufl.edu

Classroom: 112 Matherly Hall

Meeting Times: T&R 9:35am - 11:30am

What is this Course About?

This course uses economic theory as a framework for understanding the business of sports. Likewise, we will find that sports offers many practical examples of economics in action. Sports economics can also be a “natural laboratory” of sorts for testing the predictions of economic theory, as we will see when we discuss whether or not professional athletes and sports teams behave in a way that is economically “rational”. We will start with some stylized facts about sports economics, how the business of sports operates, and the structure of sports leagues and organizations. Then we will cover several important economic decisions for firms in the sports industry such as pricing, advertising, and broadcasting sporting events. We will also cover various other economic problems which arise in sports leagues – antitrust issues, insurance and risk, cheating, corruption, gambling, and the like. As the course comes to a close, we will discuss the economics of athlete compensation – labor negotiations and bargaining, athletes’ contracts, and the role of sports agents.

Course Information and Policies

- *Website:* This course has a website on Canvas (elearning.ufl.edu). Assignments and grades will be posted here. If you have trouble logging in, please let me know.
- *Office Hours:* I am available in my office (331 Matherly Hall) by appointment and every Wednesday from 9:30am to 12:30pm. You can email me at jwhitman89@ufl.edu to ask questions or schedule an appointment.
- *Textbooks and Course Materials:*
 - The textbook: “*Sports Economics*”, by Roger D. Blair (ISBN: 978-0521876612)
 - We will also read some journal articles during the semester (e.g. “Do Firms Maximize? Evidence from Professional Football”, by David Romer). I will make these available to you on Canvas.
- *Prerequisites:* You must have previously taken *Intermediate Microeconomics* (ECO 3101) or equivalent to enroll in this course.
- *Attendance* is **required** but not graded. You are responsible for any material you may have missed during lectures and I do not distribute lecture notes. Please show up for class on time as late arrivals are very disruptive.
- *Communication:* Other than lecture and office hours, I will communicate with you through your university email and the Canvas website. Class announcements will be posted to Canvas. You should also receive these announcements via email, so please check your email regularly.
- *Late work* of any kind will not be accepted.
- *Cellphones* and other electronic devices (including laptops and tablets) may not be used during class, and should be turned off or silenced to avoid disrupting other students. If you have an exception (such as an accommodation permitted by the DRC), please let me know as soon as possible.

Assignments

Your grade is split across the following assignments:

- Problem Sets (15%)
- Midterm Exam 1 (25%)
- Midterm Exam 2 (25%)
- Final Exam (35%)

Problem Sets

Note the due dates listed in the course schedule below. **Late problem sets are not accepted.** You may study the problem sets with your classmates (I encourage you to study in groups!) but every student must turn in their own work. Simply copying a classmate's work is not allowed. Your answers must be legibly written or typed and graphs drawn neatly. **All problem sets are due digitally via Canvas.** Instructions for how to submit an assignment via Canvas can be found at the following URL: <https://community.canvaslms.com/docs/DOC-10663-421254353>.

Although you can complete your work without handwriting anything, I don't recommend it. Drawing your graphs by hand is good practice and much less hassle than generating a graph in Canvas, for example. I strongly suggest you handwrite your work, scan it to a PDF file, and upload the file to Canvas. You can do this using the scanners at a library, a home scanner, or even with your phone.¹

Exams

All exams are given in class and closed book. Midterms are non-cumulative but may implicitly use concepts covered on previous exams. The final exam *is* cumulative and will occur in our usual classroom. The course schedule lists the final exam time and date. You may not consult with others or use notes of any kind during any exams. **Only simple (four-function) calculators are allowed.** This means a calculator that doesn't do much more complicated than divide, multiply, add and subtract. Graphing calculators (such as the TI-83) are definitely **not** allowed. If you are unsure if your calculator is allowed, please ask. I do not bring extra materials to exams (such as calculators or pencils) so be sure to bring your own. Makeup exams are only given in extreme cases (ex. medical emergency). Makeup exams are scheduled at my discretion unless the student is hospitalized or has an otherwise excused absence on the makeup exam date. If you have an excused absence on an exam day, let me know well in advance so I can make accommodations.

Grading Policy and Scale

I do not offer incomplete grades, substitute work, or grade changes. Extra credit is only offered under special circumstances and at my discretion. If extra credit is offered, it will be offered to the entire class. Individual students will not receive extra credit assignments. The grading scale is as follows:

- | | |
|-----------------|-----------------|
| • (A) 92-100 | • (C+) 77-79.99 |
| • (A-) 90-91.99 | • (C) 73-76.99 |
| • (B+) 87-89.99 | • (C-) 70-72.99 |
| • (B) 83-86.99 | • (D) 60-69.99 |
| • (B-) 80-82.99 | • (E) 0-59.99 |

These letter grades correspond to your GPA according to UF's grading point guidelines.²

Etiquette and Professional Conduct

As university students, you are expected to observe common classroom etiquette and conduct yourself in a professional manner. **Any behavior that disrupts the learning of other students is unacceptable.** The

¹Android and Google Drive users will most likely find this method easiest: <https://support.google.com/drive/answer/3145835?co=GENIE.Platform%3DAndroid&hl=en>.

Apple iPhone users can use the built-in Notes app: <https://www.theverge.com/2017/9/26/16362386/apple-ios-11-notes-document-scanner-how-to-use>.

Users of virtually any smartphone can use Dropbox: <https://www.dropbox.com/help/mobile/document-scanning>

²catalog.ufl.edu/ugrad/current/regulations/info/grades.aspx

following guidelines are given to help students who are still adjusting to a university environment or are otherwise unsure about classroom etiquette.

- Arrive on time and remain in class for the duration of the lecture. If you must leave, do so as quietly as possible so you minimize the disruption to other students.
- Bring necessary materials to class, such as a notebook and a writing instrument. Supplies will not be provided to you.
- Avoid side conversations with your classmates during lecture. This is very distracting to other students and to your instructor.
- All communication should be polite and courteous.

Academic Honesty

The following is a statement from UF regarding academic honesty: “UF students are bound by The Honor Pledge which states, ‘We, the members of the University of Florida community, pledge to hold ourselves and our peers to the highest standards of honor and integrity by abiding by the Honor Code. On all work submitted for credit by students at the University of Florida, the following pledge is either required or implied: On my honor, I have neither given nor received unauthorized aid in doing this assignment.’ The Honor Code³ specifies a number of behaviors that are in violation of this code and the possible sanctions. Furthermore, you are obligated to report any condition that facilitates academic misconduct to appropriate personnel. If you have any questions or concerns, please consult with the instructor or TAs in this class.”

Students with Disabilities

Students with disabilities requesting accommodations should first register with the Disability Resource Center⁴ by providing appropriate documentation. Once registered, students will receive an accommodation letter which must be presented to the instructor when requesting accommodation. Students with disabilities should follow this procedure as early as possible in the semester.

Student Athletes

Student athletes are responsible for reporting any days they are unable to attend class due to conflicts with their athletic schedule by the second week of class. If this is not possible (tournaments, other unforeseen athletic schedule changes) please notify me as soon as possible so I have time to make appropriate accommodations.

Student Wellness

Life does not stop for coursework. If you have a serious physical or mental health issue come up at any point, I strongly encourage you to seek help. Here are some resources that may help you:

The Counseling and Wellness Center
URL:counseling.ufl.edu/cwc/Default.aspx
Phone:(352)-392-1575

The University Police Department
(352)-392-1111 or 9-1-1 for emergencies.
The Student Healthcare Center
URL:shcc.ufl.edu/contact/

³dso.ufl.edu/sccr/process/student-conduct-honor-code/

⁴Phone: (352)-392-8565, Web: dso.ufl.edu/drc/

Schedule (Subject to Change)

TUESDAY	THURSDAY
Aug 21st	23rd Introduction to Sports Economics <i>Blair</i> , Chapter 1
28th The Business of Sports <i>Blair</i> , Chapter 2	30th Extra Credit Assignment Due Sports Leagues and Organizations <i>Blair</i> , Chapter 3
Sep 4th Competitive Balance <i>Blair</i> , Chapter 4	6th Pricing Decisions <i>Blair</i> , Chapter 5
11th Pricing Decisions <i>Blair</i> , Chapter 5	13th Problem Set 1 Due Advertising in the Sports Industry <i>Blair</i> , Chapter 6
18th The Market for Sports Broadcasting Rights <i>Blair</i> , Chapter 7	20th Insuring Player Talent <i>Blair</i> , Chapter 8
25th Sports Leagues and Antitrust Policy <i>Blair</i> , Chapter 9	27th Problem Set 2 Due Midterm Exam 1 Review
Oct 2nd Midterm Exam 1	4th "Do Firms Maximize? Evidence from Professional Football" <i>Romer</i> (2006)
9th Sports Gambling <i>Blair</i> , Chapter 10	11th Cheating in Sports <i>Blair</i> , Chapter 11
16th Competing for Sports Franchises and Events <i>Blair</i> , Chapter 14	18th Problem Set 3 Due Salary Determination: Competition and Monopsony <i>Blair</i> , Chapter 17
23rd The National Collegiate Athletic Association as a Collusive Monopsony <i>Blair</i> , Chapter 18	25th "Professionals Play Minimax" <i>Palacios-Huerta</i> (2003)
30th "Professionals Play Minimax" <i>Palacios-Huerta</i> (2003)	Nov 1st Problem Set 4 Due Midterm Exam 2 Review
6th Midterm Exam 2	8th Salary Determination: Bidding and Bargaining <i>Blair</i> , Chapter 19

TUESDAY	THURSDAY
13th Players' Unions and Collective Bargaining <i>Blair</i> , Chapter 22	15th Problem Set 5 Due Players' Unions and Collective Bargaining <i>Blair</i> , Chapter 22
20th Economic Value of Multiyear Contracts <i>Blair</i> , Chapter 20	22nd Thanksgiving Break, No class
27th Final Offer Arbitration in Major League Baseball <i>Blair</i> , Chapter 21	29th The Role of Sports Agents <i>Blair</i> , Chapter 23
Dec 4th Problem Set 6 Due Final Exam Review	6th No class
11th No class	13th No class Final Exam TOMORROW December 14th, 12:30pm!