

Class: Economics 540
Title: Economics of Sports
Semester: Spring 2013
Time: Monday/Wednesday 8:00am-9:15am
Location: Holman 133

Professor: Dr. Carl Kitchens

Email: kitchct@olemiss.edu

Course Website: Available on Blackboard

Office Hours: TBA

Textbook: 1. Academic Papers Posted on Blackboard
2. Blair, Roger. "Sports Economics" Cambridge University Press (optional)

Software: Stata 12 (small student version available for purchase through the bookstore)

Course Description:

The aim of this class is to use data from the world of sports: player statistics, salaries, outcomes from individual plays, betting markets, etc to test economic theory. The class will focus on how research in economics is performed using data from sporting events. By the end of the semester each student should be able to develop an economic question or hypothesis, collect sports related data from public sources, empirically evaluate the question, and be able to discuss and present the outcome of this research.

Grading:

This is a reading and discussion based class with the research project as the end goal. Each homework will focus on the empirical tools needed to analyze data to answer an economic question.

Undergraduates

Homeworks– 20 points
Midterm Exam– 20 points
Class Participation – 10 points
Paper/Final Presentation – 50 points

Total: 100 points

Graduate Students

Homeworks– 10 points
Midterm Exam– 20 points
Class Participation – 10 points
Paper/Final Presentation – 50 points
Reading Presentation – 10 Points

Total: 100 points

Grades:

A: 100-88 points
B: 76-87.99 points
C: 66 – 75.99 points
D: 55-65.99 points
E: <54.99 points

Attendance: It is strongly recommended that students attend lecture, however it is not mandatory. The course will focus on the discussion of academic papers throughout the semester and your participation in the discussion will greatly impact your ability to complete the research project.

Makeups: In the event that you miss class on the day of the midterm, you will only be allowed to makeup the exam with a University approved excuse as outlined in the University Handbook, ie. Travel for participation in a University Athletic event (not attending as a fan)

Research Project: Each individual will be tasked with posing a sports related research question, collect a dataset, analyze the data, write up and present the project. A handout with more details will be provided covering the project

Students with Disabilities: Students who wish to request special accommodations need to do so via the procedures established by the University's Disability Resource Center.

Academic Honesty: Students are expected to act with integrity. Any student deemed to be academically dishonest will receive a failing grade and be recommended for dismissal from the college and university.

Outline of Topics for the Semester (Subject to Change based on Time Available)

- 1) Introduction to Statistics and Regression (A few Weeks)
- 2) Primer in Stata
- 3) Test of Market Efficiency - Review of Supply and Demand
 - a. Hakes and Sauer. "An Economic Evaluation of the Moneyball Hypothesis"
 - b. Camerer, Colin. "Does the Basketball Market Believe in the 'Hot Hand,'?"
- 4) Wage Determination – Marginal Productivity of Workers, Monopsony, Auctions, Final Offer Arbitration
 - a. Scully "Pay and Performance in MLB"
 - b. McCormick and Tollison "Why do black basketball players work more for less money?"
 - c. Price and Wolfers "Racial Discrimination Among NBA Referees"
 - d. ESPN - Players, NBA dismiss racial bias in officiating
 - e. Kahane, Longley, and Simmons "The Effects of Coworker Heterogeneity on Firm-Level Output: Assessing the Impacts of Cultural and Language Diversity in the National Hockey League"

- 5) Individual Decision Making (Risk Neutral Individuals) with applications to Cheating in Sports, Steroids, Entering the Draft Early, etc
 - a. McCormick and Tollison “Crime on the Court”
 - b. Heckelman and Yates “And a Hockey Game Broke Out: Crime and Punishment in the NHL”
 - c. Kitchens “Identifying Changes in the Spatial Distribution of Crime: Evidence from a Referee Experiment in the NFL”
 - d. Duggan and Levitt “Winning Isn’t Everything: Corruption in Sumo Wrestling”
- 6) Individual Decision Making with Time and Uncertainty Components
 - a. Discussion of Romer “Do Firms Maximize”
 - b. Discussion of the NBA Draft and Tanking – Price, Soebbing, Berri, and Humphreys “Tournament Incentives, League Policy, and NBA Team Performance Revisited”
- 7) The NCAA as a Cartel
 - a. Brown “An Estimate of the Rent Generated by a Premium College Football Player”
 - b. Humphreys and Ruseski “Monitoring Cartel Behavior and Stability: Evidence from the NCAA”
- 8) An Introduction to Game Theory and Strategic Interaction between Individuals and Firms

Contest Theory and Optimal Effort

- a. Maloney and McCormick “The Response of Workers to Wages in Tournaments: Evidence from Foot Races”
- b. Brown, Jennifer. “Quitters Never Win: The (Adverse) Incentive Effects of Competing with Superstars”

Mixed Strategy and the Nature of Sports for Testing it

- a. Walker and Wooders “Minimax Play at Wimbledon”
- b. Chiappori and Levitt “Testing Mixed-Strategy Equilibria When Players Are Heterogeneous: The Case of Penalty Kicks in Soccer”

Principal Agent Problems and Player Contracts

- a. Berri and Krautmann “Shirking on the Court: Testing for the Incentive Effects of Guaranteed Pay”
- b. Maxcy, Fort, and Krautmann “The Effectiveness of Incentive Mechanisms in MLB”