BOSTON COLLEGE  
Department of Economics  

Sports Economics (EC 370.01 – Fall 2010)  
McElroy Commons 237: T Th (1:30 – 2:45)  

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Hrs: T 3-4:30 and by appt.  

Course Description: This applied economics course explores various aspects of the economics of sports and sports leagues, with a major focus on empirical analysis. We will consider a number of topics, including:  
- the business and economics of professional team sports and sports broadcasting,  
- analysis of leagues’ competitive balance policies,  
- player relations issues including analysis of the drivers of players’ salaries,  
- the public finance aspects of professional sports teams and stadium financing, and  
- relevant issues in collegiate sports.  

This is not a sports history or trivia class.  

Prerequisites: Intermediate Microeconomics (EC201 or EC203) and Econometrics (EC228 and/or EC327). Students are expected to know how to run simple econometric models (OLS), and to be comfortable with interpreting regression results.  

This course makes extensive use of Excel. You should not take this course if you do not have strong Excel skills. To brush up on your Excel skills, you might look at the materials assembled by the ITS department: http://www.bc.edu/offices/cst/tandc/training/course_materials.html. Statistical languages such as Stata, SPSS or SAS are not required, but will be helpful.  


BlackboardVista: Everything distributed in class will eventually be posted on the course’s BlackboardVista site. In addition you’ll find a large amount of data and additional material posted there. Let me know if you have trouble accessing that material.  

Academic Integrity: You will be held to Boston College’s standards of academic integrity. If you have any questions as to what that means, please go to http://www.bc.edu/integrity.  

Grading Breakdown:  
- 36%: Six Empirical Exercises  
- 35%: Final Exam (on the material covered in the Fort text)  
- 15%: Research Prospectus  
- 10%: Quizzes  
- 4%: Tuesday/Thursday Talks
Boston College  
EC 370: Sports Economics

**Exercises:** The course is built around a set of six empirical exercises, which each count towards 6% of your course grade (for a total of 36%). These will typically (but not always) be team assignments (with 3-4 students per team) and will be graded. Students will grade their teammates as well. I will assign the teams. Students will typically have two weeks to complete an Exercise; beginning to work on an Exercise in week #2 is a really bad idea. In many cases, there are faster and slower ways to complete the Exercise. Let me know if progress is painfully slow, and I’ll be happy to make suggestions to help speed things up.

As you can tell from the above, the semester basically divides into two parts: On even weeks, we’ll be working through the Fort text, and on odd weeks we’ll be focused on the Exercises. Exercises will have a preliminary due date on Tuesdays, and a final due date on Thursdays. Teams will be expected to discuss their findings on Thursdays. No late work accepted. If we do not get through as many Exercises as anticipated, the course grade weights may be changed. Final grades on Exercises are curved.

**Quizzes and the Fort Text:** The Fort text provides the basic structure and foundation for the course. We will be working through the different chapters of the text as we progress through the course. Students are expected to keep up with the reading (and will be quizzed on the reading assignments prior to class discussion). I hope to get through most of the text, though we will skip Chapters 11 (The Stadium Mess) and 12 (Taxes, Antitrust and Competition Policy), and the detailed histories of labor relations in the different major sports leagues (Chapter 9). If we get too far behind in the Fort text, I may use some of the Exercise Tuesday time to catch up. Quiz scores will be curved in computing the course grade.

**Research Prospectus:** If this class was smaller, you’d be writing a term paper. Given the class size, I’ve reduced this assignment and instead ask you to think about the empirical term paper that you would have written for this course, had a term paper in fact been required. These prospecti, which may not be more than five pages in length (all in, so including references, tables, etc.) should have three parts:

1. Introduction (description of topic and why it is of interest)
2. Brief literature review (the Journal of Sports Economics and Journal of Quantitative Analysis in Sports will be useful, as will the books and links listed at the end of this Syllabus)
3. Discussion of the data that you might work with, and the hypotheses that you would have tested had you done the empirical term paper

There is no page minimum, though I suspect you’ll need at least three pages to adequately cover the material. Prospecti will be judged in part on creativity, which I readily admit is quite subjective, and as well on feasibility, which won’t be as subjective. If you want to know how your topic will score in these dimensions, just ask me. Research Prospecti are due by or on December 2nd. This is an Economics course. Topics that are merely sabermetric exercises will not receive a grade above B+.

**Tuesday/Thursday Talks:** In each class, we’ll devote the first 10 minutes or so of class time to a discussion of a current relevant issue. The discussion will be led by a team of two students (team assignments will be distributed on Tuesday Sep 14th). The team leading the discussion may want to distribute a brief set of “talking points” (five bullet points max) to guide and focus the discussion. To provide a sense of how this might work, I’ll do the first two presentations on Sep 9th and 14th.
Preliminary calendar:

1. Week 1: Sept 7\textsuperscript{th} and 9\textsuperscript{th}
   - Syllabus, Thurs Topic (Maxwell), Fort 1,
   - Distribute Exercise 1: The Sports League Challenge (Competitive balance I)
     This Exercise will run over the course of the entire semester (the Dec 9\textsuperscript{th} class will be devoted to the results of this Challenge). In this Challenge (which is closely related to Chapter 6 of the Fort text) you’ll be evaluating the efficacy of various measures that sports leagues have adopted to promote competitive balance, including revenue sharing, luxury taxes, salary caps, reverse order of finish drafts, and so forth. For more information, go to [http://www.cmaxxsports.com/challenge/challenge.html](http://www.cmaxxsports.com/challenge/challenge.html).
   - Distribute Exercise 2: Pythagorean Theorem (MLB) (Econometrics 101)
     This Exercise is primarily intended to get students back up to speed with regression analysis. Students will work individually on this Exercise; I will provide you with most of the necessary data.

2. Week 2: Sept 14\textsuperscript{th} and 16\textsuperscript{th}
   - Tues Topic (Maxwell), Thurs Topic (students), Fort 2

3. Week 3: Sept 21\textsuperscript{st} and 23\textsuperscript{rd}
   - Tues/Thurs Topics (students)
   - Discuss Exercise 2: Pythagorean Theorem
   - Distribute Exercise 3: Ticket Price Model (NFL) (Market demand I)
     Working in teams, students will build ticket price econometric models to better understand what factors have driven ticket prices for NFL teams in the past decade. While I will provide you with a good bit of data for this Exercise, you will be expected to bring additional data to your analysis.

4. Week 4: Sept 28\textsuperscript{th} and 30\textsuperscript{th}
   - Tues/Thurs Topics (students), Fort 3, start Fort 4

5. Week 5: Oct 5\textsuperscript{th} and 7\textsuperscript{th}
   - Tues/Thurs Topics (students)
   - Discuss Exercise 3: Ticket Price Model
   - Distribute Exercise 4: The Average Fan Model (MLB) (Market demand II)
     Again working in teams, there are two phases to this Exercise. In the first phase, you’ll be building a theoretical microeconomics model that explicitly addresses the impact of population on local prices and revenues as well as league-wide competitive balance. In the second part of the Exercise, you’ll be testing the results from Phase I with MLB data. I will provide you with most of the data that you’ll be using in this Exercise.

6. Week 6: Oct 12\textsuperscript{th} and 14\textsuperscript{th}
   - Tues/Thurs Topics (students), finish Fort 4

7. Week 7: Oct 19\textsuperscript{th} and 21\textsuperscript{st}
• Tues/Thurs Topics (students)
• Discuss Exercise 4: The Average Fan Model
• Distribute Exercise 5: Revenue and Player Pay-Performance (NBA) (Labor Economics 101)
  In this team Exercise, you’ll be building pay-performance models a la Scully (1974) for the NBA, looking at the factors that drive compensation. A fun part of this Exercise will be our assessments of the ten most over-paid and under-paid players in the NBA. I will provide you with most of the data that you’ll be using in this Exercise.

8. Week 8: Oct 26th and 28th
  • Tues/Thurs Topics (students), Fort 7 and 8 (we’ll come back to 5 and 6)

9. Week 9: Nov 2nd and 4th
  • Tues/Thurs Topics (students)
  • Discuss Exercise 5: Revenue and Player Pay-Performance
  • Distribute Exercise 6: Parity and Payroll & Revenue Imbalance (NAPSLs) (Competitive balance II)
    In this final team Exercise, you’ll be comparing competitive balance as well as payroll and revenue imbalance both across the four major NAPSLs (North American Professional Sports Leagues) (MLB, NBA, NFL and NHL) and as well over time. I will provide you with all of the data that you’ll be using in this Exercise.

10. Week 10: Nov 9th and 11th
    • Tues/Thurs Topics (students), Fort 6

11. Week 11: Nov 16th and 18th
    • Tues/Thurs Topics (students)
    • Discuss Exercise 6: Parity and Payroll & Revenue Imbalance

12. Week 12: Nov 30th and Dec 2nd
    • Tues/Thurs Topics (students), finish Fort 6, Fort 5
    • Research Prospecti due Thursday Dec 2nd

13. Week 13: Dec 7th and 9th
    • Tues/Thurs Topics (students), Fort 10 and 13
    • Discuss Exercise 1: Sports League Challenge
Additional Resources

A. Websites: to name a few (you will find the first two especially useful)

- John Vrooman: http://www.vanderbilt.edu/Econ/faculty/Vrooman/sports.htm
- Multi-author blog: www.thesportseconomist.com
- Sports Business Daily: www.sportsbusinessdaily.com (expensive but informative; two week trial subscription; student rates (still expensive); the library is looking into acquiring a subscription)
- SportsBiz: http://thesportsbizblog.blogspot.com/
- Sports Law: http://thesportslawprofessor.blogspot.com/
- and http://www.emaxxesports.com/misc/misc.html (you’ll find useful webpages devoted to the NBA, MLB and the NCAA… with more to come over the course of the semester)

B. Some Books: