

University of Waterloo
Department of Economics
ECON 254: The Economics of Sport (Section 001)
Course Outline – Winter Term 2016

Instructor Information

Instructor: Corey Van de Waal

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Class Meets: 11:00am – 12:50pm on Tuesdays and Thursdays.

Classroom: AL 211

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When sending email to your instructor, always use your University of Waterloo email account. "ECON 254" must appear in the subject line and the message must include your *full name and student ID number*.

Office Hours and Other Support Resources

Office hours: Wednesdays from 9:30am – 12:30pm (Starts January 6th and ends March 30th).
Office hours for the Final Exam Period will be announced in March.

If these office hours are not convenient for you, I am also available by arranging a mutually convenient appointment via e-mail.

Where to find this course outline:

This course outline is available at two locations for the duration of the term:

- Department of Economics website <http://economics.uwaterloo.ca/courses>
- LEARN web site (requires UW user id and password) <http://learn.uwaterloo.ca>

Brief Summary

The course will develop fundamental economic concepts in the context of the sports industry. We will limit our attention primarily (but not exclusively) to the consideration of the four major North American leagues: the NHL, NBA, NFL and MLB. The course is divided into three major sections.

First, we will consider some of the fundamental aspects of the industrial organization of sports. For example, we will consider what the output is in the sports industry and if it is more sensible to think of the team or the league as the "firm". We will consider a monopolistic model and examine how well it does in explaining several "stylised facts". In the second section, we will examine the labour economics of sports, focusing on the collective bargaining agreements of the different leagues and looking at the issues behind several strikes and lockouts. Finally, we will examine the public economics of sports, looking at competition between cities for sports teams. We will look at how and why cities spend public money on professional sports teams.

A deep knowledge of sports is not necessary, however; students may find this course more challenging if they are not somewhat familiar with the four sports leagues mentioned above.

Prerequisite: ECON 101.

Course Goals and Learning Objectives

At the end of the course, students should be able to

- apply elements of microeconomic theory to understand how consumers and producers make rational decisions in the sports industry;
- apply theoretical understanding to problems faced in sports markets;
- use applied economic techniques to analyze conceptual problems faced by agents in sports markets;

Textbook, Coursenotes, and Other Resources

COURSE NOTES

I will be posting summary notes relating to each lecture on D2L (LEARN) before each class. These notes are intended to highlight key learning objectives and will not necessarily include all of the material discussed in class (i.e. you will need to make notes).

TEXTBOOK

Leeds, Michael and Peter von Allman, *The Economics of Sports*, 5th edition, Pearson Addison Wesley, 2014.

Examinations in this course are based on the material contained in the textbook, course notes, and presented as lecture content (which are all strong complements, not substitutes...see Policy on Class Attendance).

Readings Available on LEARN

As mentioned, I will be posting the course lecture slides on LEARN before each class. It is your responsibility to keep yourself current with the assigned readings as well as maintaining an understanding of the lecture content.

- Any additional course materials (news, updates, announcements) will be posted on the LEARN web site <http://learn.uwaterloo.ca>
- The LEARN site is down occasionally. Save the course materials to your computer as soon as they are posted. Always be prepared!
- Students writing test and exams are responsible to save course materials on LEARN before the access to their courses is shut off (normally on the first day of classes of the next term).

Course Requirements and Assessment

The three assignments in this course will each be worth **10%** of your final grade (i.e. total assignment grade worth **30%** of your score in the course).

The class has been arranged into teams of 4 members for the completion of three group assignments. You are expected to work as a group with all team members contributing to each of the three group assignments. I will not mediate any team issues that arise.

The midterms will be written in the class period on the dates specified below. Midterm #1 will make up 20% of your grade, Midterm #2 will make up 25% of your grade, and Midterm #3 will make up 20% of your grade (i.e. total midterm grade worth **65%** of your score in the course).

A group peer evaluation and participation grade will make up **5%** of your final grade.

There will not be a final exam scheduled by the registrar during the examination period in April.

Assessment	Date of Evaluation	Weighting
Assignment 1	Tues. February 9 by 4pm	10%
Assignment 2	Tues. March 8 by 4pm	10%
Assignment 3	Tues. March 29 IN CLASS	10%
Midterm #1	Tues. February 2, in class.	20%
Midterm #2	Thurs. March 3, in class.	25%
Midterm #3	Thurs. March 31, in class.	20%
Peer Evaluation and Participation	Tues. March 29, in class.	5%
Total		100%

Notes

- The format for all midterms will be a mix of multiple-choice questions and written problems.
- The midterms will be written during the class time.
- Only the Registrar's Office can issue final grades.

This grading scheme will be implemented strictly for all students in the course (with the exception of verified illnesses – see below).

Examination Policy

Missing a Midterm Due to Illness During the Term

- Missing a midterm will automatically result in a grade of zero for that midterm. If the illness can be documented with a UW Verification of Illness Form (the only acceptable document), with approval you may transfer the weight of the missed midterm to the final exam. This remedy is a privilege and not a right.
- The midterm exam schedule has been set and will not be changed for whatever reason (no make-up midterm exams will be offered).

Submission of Exam Papers

- Late submission of exam papers is not accepted and missed submissions will receive a zero mark for whatever reason.
- Exam papers must be submitted in whole and on time in the exam room. Exam papers (a) not submitted on time, (b) submitted with missing pages, (c) submitted elsewhere, with the exception of students with permission to write in the AS Office, (d) not received at all will receive a grade of zero for whatever reason.
- It is the responsibility of students to ensure that they write exams in the location, date, and time assigned to their sections. Students writing exams in the wrong section are considered not writing exams at all and will receive a zero mark.

Topics covered

- Toolbox Development
- Industrial Organization of Sport
- Labour Economics in Sport
- Public Policy Issues in Sport

Tentative Class Schedule

This class schedule is very ambitious. Modifications and/or eliminations of certain content might be required given our limited time together. Any necessary modifications or eliminations to the course content will be communicated to you in the regular class period.

DATE	LECTURE #	TOPICS
Jan. 5/16	1	Introductory Lecture – Stylised Facts
Jan. 7/16	2	Toolbox: Comparative Advantage, Opportunity Cost, Supply and Demand, and Elasticity
Jan. 12/16	3	Toolbox: Price Ceilings and Scalping, Market Structures, and Changes in Cost
Jan. 14/16	4	Assignment #1 Tutorial, Industrial Organization (Leagues, Rules, Barriers to Entry, Marketing, Public Goods)
Jan. 19/16	5	Industrial Organization: Profit Maximization (Revenue Sources, Revenue Sharing, and Costs)
Jan. 21/16	6	Industrial Organization: Monopoly Pricing, Vertical Integration, Operating Income, Soccer’s Open System, Single-Entity Leagues
Jan. 26/16	7	Monopoly and Antitrust, Consumer Surplus, Price Discrimination, and Introducing Monopsony
Jan. 28/16	8	Monopoly and Antitrust Impacts, Baseball’s Antitrust Exemption, Prisoner’s Dilemma, Successive Elimination of (Weakly) Dominated Strategies, Pure Strategy Nash Equilibrium.
Feb. 2/16	-	MIDTERM #1

Feb. 4/16	9	Mixed Strategy Nash Equilibrium, and Competitive Balance
Feb. 9/16	10	Competitive Balance Measures, Altering Competitive Balance, and Coase Theorem
Feb. 11/16	11	Labour Supply and Demand, and Labour Markets with Imperfect Competition, Human Capital Theory
Feb. 16/16	-	READING WEEK
Feb. 18/16	-	READING WEEK
Feb. 23/16	12	Monopsony and the Reserve Clause, Free Agency, Arbitration, and the Draft
Feb. 25/16	13	The Effect of Rival Leagues on Salaries, Economics of Tournaments, NASCAR salary anomaly, Lorenz Curves
Mar. 1/16	13	The Effect of Rival Leagues on Salaries, Economics of Tournaments, NASCAR salary anomaly, Lorenz Curves
Mar. 3/16	-	MIDTERM #2
Mar. 8/16	14	Labour-Leisure Choice, Labour Unions, and Bilateral Monopoly.
Mar. 10/16	15	Collective Bargaining, Labour Conflict, and Tennis Associations.
Mar. 15/16	16	Public Finance in Sports, Economic Value of New Stadiums, and Leagues vs. Cities (Monopoly Power).
Mar. 17/16	17	All-or-Nothing Demand Curve, the Winner's Curse, Olympic and World Cup Overspending, and Form and Function of Stadium Facilities.
Mar. 22/16	18	Stadium Location, Costs and Benefits of a Sports Franchise to a City, Government Subsidies, Externalities, Multiplier Effects.
Mar. 24/16	18	Stadium Location, Costs and Benefits of a Sports Franchise to a City, Government Subsidies, Externalities, Multiplier Effects.
Mar. 29/16	19	TIME PERMITTING: Special Events, Public Choice, Taxes, and Debt.
Mar. 31/16	-	MIDTERM #3

Other Policies

Electronic Device Policy

- **THE CLASSROOM IS A HANDHELD-DEVICE-FREE ZONE.**
- Turn off all handheld devices and put them away for the duration of the lecture.
- Laptop computers may only be used to view lecture material.
- Photographic devices are not permitted in class due to copyright and privacy issues.
- Audio or video recording devices are not permitted in class due to copyright and privacy issues.

Policy on remarking of Tests: If you feel that your test was not marked properly, you must advise the instructor within 5 business days of the date on which the test is handed back to the class. Any student that submits a test for remarking should understand that the entire test will be remarked and that their grade may improve, remain unchanged or perhaps even decrease as a result of the remarking process.

Attendance Policy

Class attendance is an integral part of your educational experience. While attendance is not a graded component of this course, it is an important factor in ensuring your complete understanding of the material presented. You are responsible for all material presented in the scheduled lecture periods whether you choose to attend lectures or not.

Classroom Protocols

- I do NOT lend my lecture notes to students for any reason.
- In order to maintain a learning environment in this classroom, I expect the highest level of courtesy and professional behaviour from every student. In particular, be punctual and turn off all audible ringers on all devices during class.
- As a courtesy to the custodial staff, if you have coffee, water, etc., please dispose of your garbage when you leave the classroom.
- No private conversations in class will be tolerated.

Institutional-required statements for undergraduate course outlines approved by Senate Undergraduate Council, April 14, 2009.

Economics Department Deferred Final Exam Policy

Deferred Final Exam Policy found at <https://uwaterloo.ca/economics/current-undergraduates/policies-and-resources/deferred-final-exam-policy>.

Cross-listed course

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

Academic Integrity

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#).

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70 - Student Petitions and Grievances](#), Section 4.

Appeals: A student may appeal the finding and/or penalty in a decision made under Policy 70 - Student Petitions and Grievances (other than regarding a petition) or Policy 71 - Student Discipline if a ground for an appeal can be established. Read [Policy 72 - Student Appeals](#).

Other sources of information for students:

[Academic Integrity website \(Arts\)](#)

[Academic Integrity Office \(UWaterloo\)](#)

Accommodation for Students with Disabilities

Note for students with disabilities: The [AccessAbility Services](#) office, located on the first floor of the Needles Hall extension (1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.