

**STATE UNIVERSITY OF NEW YORK
COLLEGE OF TECHNOLOGY
CANTON, NEW YORK**



COURSE OUTLINE

SPMT/ECON 313 – Economics of Sport

Prepared By: Lorenda Prier

**SCHOOL OF SCIENCE, HEALTH, AND CRIMINAL JUSTICE
Sports Management
Fall 2014**

SPMT 313 Economics of Sport

- A. **TITLE:** Economics of Sport
- B. **COURSE NUMBER:** SPMT/ECON 313
- C. **CREDIT HOURS:** 3
- D. **WRITING INTENSIVE COURSE:** No
- E. **COURSE LENGTH:** 15 weeks
- F. **SEMESTER(S) OFFERED:** Spring
- G. **HOURS OF LECTURE, LABORATORY, RECITATION, TUTORIAL, ACTIVITY:**
3 lecture hours per week

H. **CATALOG DESCRIPTION:**

This course utilizes economic theory to assess market outcomes in the professional and collegiate sport industry. Fan decisions to attend games will be evaluated according to economic principals such as scarcity and demand. Further, fan responsiveness to ticket prices will include price elasticity, marginal revenue and price discrimination considerations. Students assess sport media markets, management decision making, and league structure in terms of market outcomes. The impact of stadium subsidies on economic impact is reviewed. This course content will aid students in interpreting current events and sport management decision making through the application of economic principles.

I. **PRE-REQUISITES/CO-COURSES:**

a. Pre-requisite(s): (FSMA 210) Introduction to Finance

b. Co-requisite(s): None

J. **GOALS (STUDENT LEARNING OUTCOMES):**

By the end of this course, the student will be able to:

<u>Course Objective</u>	<u>Institutional SLO</u>
a. Analyze sport as a business and appraise the economic importance of sport	1. Communication 3. Prof. Competence
b. Evaluate the impact of fan preference, fan income, entertainment substitutes, fan expectations, and population on the demand function	1. Communication 2. Crit. Thinking 3. Prof. Competence
c. Describe quality as a determinant of demand and assess the resulting short and long term cost and revenue implications	1. Communication 2. Crit. Thinking 3. Prof. Competence 4. Inter-intrapersonal
d. Critique league joint ventures that contribute to team market power and outcomes above acting individually	1. Communication 2. Crit. Thinking 3. Prof. Competence
e. Assess the current state of competitive imbalance in professional sport through the use of statistical and theoretical means.	1. Communication 2. Crit. Thinking 3. Prof. Competence 4. Inter-intrapersonal

f. Evaluate athlete compensation in terms of marginal revenue product theory	1. Communication 2. Crit. Thinking 3. Prof. Competence 4. Inter-intrapersonal
g. Appraise stadium public subsidies through economic impact analysis	1. Communication 2. Crit. Thinking 3. Prof. Competence 4. Inter-intrapersonal

K. TEXTS:

Sports Economics, 3rd edition, Fort, R. (Prentice Hall, 2011) www.prenhall.com/fort

L. REFERENCES:

Economics of Sport, 2nd edition, Eschenfelder, M., & Li, M. (Prentice Hall, 2007)

Dietl, H.M., Lang, M., & Rathke, A. (2011) The combined effect of salary restrictions and revenue sharing in sports leagues. *Economic Inquiry*

Fort, R. (2006). The value of major league baseball ownership. *Journal of Sport Finance*.

Kesenne, S. (2000) Revenue sharing and competitive balance in professional team sports. *Journal of Sports Economics*

Porter, P.K, & Scully, G.W. (1982) Measuring managerial efficiency: the case of baseball. *Southern Economic Journal*

Quirk, J. & Fort, R. (1992) Pay dirt: the business of professional team sports. Princeton, NJ: Princeton University Press.

Szymanski, S. (2003) The economic design of sporting contests. *Journal of Economic Literature*.

M. EQUIPMENT: Technology Enhanced Classroom

N. GRADING METHOD: A – F

O. MEASUREMENT CRITERIA/METHODS:

- Written Assignments
- Quizzes
- Small Group Task
- Discussion

P. DETAILED COURSE OUTLINE:

I. Sport Economic Basics

- a. Sport as an industry
- b. Economic importance of sport

II. Demand Factors

- a. Understanding the effect of scarcity on rationing and competition for ticket revenue
- b. Reviewing scarce sport characteristics (athletic prowess, quality, commonality, and winning)
- c. Identifying demand shifters and assess the impact on demand theory in sport
- d. Evaluating the effect of entertainment as a substitute for sports on demand
- e. Distinguish between upward sloping demand and changes in demand
- f. Identifying small and large markets based on demand
- g. Assessing the value buyers put on ticket price changes based on consumers' surplus
- h. Applying price discrimination to ticket pricing strategies

III. Revenue

- a. Comparing within league and between league revenue variation
- b. Assessing the impact of price elasticity on total revenue and marginal revenue
- c. Valuing rights fees (national broadcasting contracts) as a revenue source to leagues
- d. Calculating the value of a sports broadcast right from a media provider's perspective (ad slots and other marginal revenue streams)
- e. Comparing media revenues and player cost and media revenue disparity

IV. Cost, Profit, and Winning

- a. Understanding profit maximization and the impact on short and long term decisions
- b. Determining variable and fixed short run costs
- c. Investigating the relationship between owner spending and team quality over time
- d. Assessing the impact of adding star players on the winning percentage production function
- e. Extrapolating the long run cost of winning
- f. Understanding the tension between winning (higher and lower quality team choice) and costs

V. Sports Market Outcomes

- a. Assessing the consequences of single entity league structure
- b. Identifying league joint ventures that create team market power (expansion, relocation)
- c. Applying game theory to rival league failure
- d. Evaluating professional sport trends in revenue imbalance, payroll imbalance, and competitive imbalance
- e. Examining joint venture remedies for competitive imbalance (luxury taxes, national/local revenue sharing, player drafts and salary caps)

VI. The Value of Sports Talent

- a. Utilizing marginal revenue product (MRP) to assess athlete compensation
- b. Performing graphical analysis of the competitive talent market
- c. Disproving the myth of rising player salaries accounting for ticket price increases
- d. Identifying the effects of the draft and the reserve clause on MRP and competitive balance (invariance principle)
- e. Assessing economic evidence of owner collusion

VII. Government Subsidies and Economic Impact

- a. Identifying infrastructure, operating, and stadium public subsidy cases
- b. Applying cost-benefit analysis to assess the size of a subsidy
- c. Understanding the use of a spending multiplier in calculating economic impact
- d. Applying the rational actor explanation to stadium subsidy outcomes
- e. Identifying owner power in securing subsidies (believable threat locations)

VII. College Sport

- a. Identifying similarities in supply and demand factors between college and professional sports
- b. Understanding player restriction (recruiting, amateurism) mechanisms to maintain competitive balance
- c. Estimating the value of individual star players to their athletic departments

Q. LABORATORY OUTLINE: N/A