Syllabus Sports Economics II (Master Program Economics)

1. Supply and demand on sports markets

1) Marburger, Daniel R. (1997), Gate revenue sharing and luxury taxes in professional sports, Contemporary Economic Policy XV: 114-123.

2. Talent and labor markets in sports

10) Szymanski, Stefan (2006), Reply: “Professional team sports are only a game: The Walrasian fixed-supply conjecture model, contest-Nash equilibrium, and the invariance

3. Corruption


4. Doping


5. Subsidies


Surveys:
1. Supply and demand on sports markets
- Szymanski, Stefan (2003), The economic design of sporting contests, Journal of Economic Literature XLI: 1137-1187.
2. Talent and labor markets in sports
3. Corruption
4. Doping
5. Subsidies
Sports Economics II

MA Program

Questions for discussions
Questions for discussion
(Vrooman, 1995)

• Solve the maximization program that leads to equation (1).
• Explain the conditions for the Invariance Proposition.
• Explain the conditions for the Fickle Fan Effect.
• Explain the role of the parameters $\delta$ and $\gamma$ for the results of the model.
• Discuss the effects of free agency, revenue sharing and salary caps.
Questions for discussion
(Marburger, 1997)

(1) Why does revenue sharing have an impact on competitive balance in the Marburger model?

(2) Why does a uniform 'luxury tax' $L_i = rct_i$, $0 \leq r \leq 1$, $r$ uniform tax rate, not change the competitive balance of a league?

(3) May a 'luxury tax' with a subsidy scheme reduce the competitive balance of a league?

(4) What kind of 'luxury tax' with a subsidy scheme may enhance the competitive balance of a league?

(5) What is the impact of revenue sharing and a 'luxury tax', respectively, on player salaries?
Questions for discussion (Fort and Quirk, 2004)

• Can we be sure that there is overinvestment in talent in European football?

• If in the PM version of team sports salaries for players are smaller than in the WPM version, who gets the difference?

• Why do not fans own their favorite teams?

• Why do not players own their team?

• Why do not cities own their team?
Questions for discussion  
(Késenne and Pauwels, 2006)

• Show with the pricing rule in eq. (4) that the price elasticity of demand is smaller than unity (i.e., inelastic) at the optimal ticket price.

• Perform the comparative static analysis for the market size, $m$, in the PM and WPM model, respectively.

• Explain the effects of a maximum ticket price for the demand of talent.

• Explain the effects of a salary cap for ticket price and demand for talent.
Questions for discussion
(Késenne, 2011)

• Determine the price elasticity of demand for TV-Sports in the Kesenne-paper

• What happens in the model if the price advertisers are willing to pay per viewer depends non-linearly on the number of TV-spectators?

• The model is a so-called two-sided market model. How this model should be solved? (Hint: *backward induction*.)

• Do you think that the solution of the model is convincing?
Questions for discussion
(Bollinger and Hotchkiss, 2003)

• Introduce firing costs of $T > 0$ into the „risky worker“ model. When is it still profitable to employ the risky worker? Hint: Note that firing costs have to be paid only once.

• Assume that players A and B can be hired for 200.000 €/year. Productivity A: 300.000 € with probability 0.1 and -100.000 € with probability 0.9, productivity B: 205.000 € constantly. Do you hire player A or player B for 20 years if (a) after 1 season players can no longer be fired or (b) players may be fired at any time?

• Explain why VCTOT is a relevant variable to test Lazear’s theory.

• Explain why VCTOT x SEASON is a relevant variable to test Lazear’s theory.
Questions for discussion
(Vrooman, 2007)

• Explain the differences between open and closed sports leagues
• Show why the distribution of talents among European countries played a role for the Bosman effect
• Why revenue sharing does not change competitive balance according to the invariance proposition?
• Analyse the effects of a (constraining) $\lambda$-share payroll cap in a closed $\pi$-max, $\sigma$-league for team 1 and 2.
• Why does revenue sharing and payroll caps work in a sportsman league, but not in a $\pi$-max league?
Questions for discussion
(Szymanski, 2004)

• Why are conjectures of teams relevant for the analysis of teams’ behavior?
• What is the difference between a game theoretic model and a market equilibrium model according to Szymanski?
• Discuss the difference between a Walras and a Cournot-Nash conjecture.
• What is the crucial assumption for revenue sharing decreasing competitive balance?
• Do you agree with the analysis of Szymanski?
Questions for discussion (Eckard, 2006; Szymanski, 2006)

• Analyse the disagreement between Szymanski and Eckard
• What is the appropriate modeling strategy for sports leagues?
• Explain the difference between the 'logic of choice' and 'choice behavior'
• Discuss the similarities and differences between sports leagues and other industries
Questions for discussion (Duggan and Levitt, 2002)

• Explain why exactly there is such an incentive to match rigging in sumo wrestling tournaments
• Are there good reasons for the nonlinearity in the payoff function at 8 wins?
• Why is it so difficult to 'prove' corruption with statistical means?
• Describe the authors' empirical strategy to exclude alternative explanations of the peculiarities of the data
• How would you attempt to analyze corruption in a football league?
Questions for discussion
(Dietl, Lang and Werner, 2010)

• Explain the differences between the D&L (2002) study and the DL&W (2010) study (methods and results)

• Why is there a fall-back to corruption in Suomo wrestling after 2003?

• Explain the reason for the retreat of corruption in Sumo wrestling after 2000

• Can all data peculiarities in sports (and in other areas) be attributed to corruption? What other reasons could be at work?
Questions for discussion
(Eber and Thépot, 1999)

• Discuss the differences between doping and training.
• Explain the significance of risk aversion for the decision to dope.
• Discuss whether the doping behavior depends on the sequential structure of the game.
• Is it important whether the doping game is a one-shot game or a repeated game?
• *Quis custodiet ipsos custodes?* Put differently: How is the incentive structure of national anti-doping authorities?
Questions for discussion  
(Owen, 2003)

• Derive the optimal talent hiring rule from equation (3)

• Check the second-order condition for the profit maximum defined by (4)

• Determine: \[ \frac{\partial r_i^*}{\partial \sigma_i}, \frac{\partial r_i^*}{\partial w}, \frac{\partial r_i^*}{\partial n} \]

• Explain equation (7), (10) and (11)

• Derive equation (8), (12) and (14)
Questions for discussion  
(Fort, 2004)

- What is the motivation of politicians to subsidize monopoly team owners?
- Is it for sure that the team owners may appropriate the subsidy in final analysis?
- What are the distributional effects of subsidizing team owners with tax revenues?
- Are all citizens of a city better off with the subsidy?
- Should a city host a pro sports team when confronted with a minimum efficient size-problem as depicted in Figure 1?