DePaul University

EXPLORING ECONOMICS THROUGH SPORTS - ECO 336

Spring 2025

Professor: Anthony C. Krautmann

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Office Hours: Wednesdays 10:30-11:30

Prerequisites: ECO 105 and MAT137

Course Description:

This course will cover many of the basic principles and theories in Microeconomics using the sports industry to illustrate these topics. We’ll look at such questions as “Do large-city professional sports franchises have a competitive advantage over their small-market counterparts?” or “Is Shohei Ohtani really worth $70 million per year to the Dodgers?” or “Why did Chicago and the State of Illinois use $660 million of public money to refurbish Soldier Field?” The main objective of this course is getting you to use and understand economics analysis.

This is a rigorous course in economics, and not a class whose primary purpose is to debate the daily sports pages. We will be applying microeconomic theory and statistical analysis to the behavior and outcome of professional sports leagues. The prerequisites for the course are Principles of Microeconomics (ECON105) and the Business Statistics course (MAT137). If you are expecting a casual discussion of whether the Cubs will ever again make it to the World Series again, or wishing that the McCaskey family would sell the Bears, then you should probably consider some other course.

Course material:

1. The textbook we will use is The Economics of Sports, (7th ed.) by Michael Leeds, Peter von Allmen, and Victor Matheson (Routledge), ISBN 9781032330037. If you wish to save money on this text, you can go to Amazon and purchase an earlier edition of the text (earlier editions were authored by just Leeds and von Allmen). Of course, an older edition may not have as many up-to-date examples as the 7th edition, but for a fraction of the cost, it may be worth it. For purposes of the course, an older version should suffice. Also, consider the e-book alternative for this text, as it costs about half as much.
2. There are many handouts in D2L that the student is expected to master. Each week/topic in the Table of Contents includes my Lecture Notes, as well as separate handouts outlining concepts covered in that segment.

3. You will probably want to get a hold of an old textbook used in a Principles of Microeconomics course -- as we will be using many of these principles. Also, you’ll want to dust off your old Statistics textbook because we’ll be running a lot of regressions.

Classroom Rules and Procedures:

1) You are expected to attend each lecture and participate in classroom discussion.

2) You will need access to a computer statistical program to run empirical analysis. We will use Excel primarily, but you are welcome to use other statistical packages (e.g., STATA, Minitab).

3) Homework assignments must be handed in via the “Submissions” tab in D2L. All Submissions into D2L must be in one of the following file formats: {.docx, .pdf, or .jpg}. **Late homework assignments will not be accepted**.

4) Laptop computers in lecture: Students are allowed to bring laptops to lecture only for purposes of taking lecture notes, looking at handouts, or running statistical analysis.

5) Grades will be determined in the following proportions:

30% Homeworks, 35% Midterm, 35% Final

6) The (take-home) Midterm and Final exams will be distributed on 5/5 and 6/4, respectively. Your answers are to be submitted into the Submission tab in D2L by the due dates listed below. Again, files must only be submitted into D2L as {.docx, .pdf, or .jpg}.

Course Objectives

This course satisfies the Data Analytics requirement of the Sports Management degree, as well as an elective for Economics students. As such, we will apply several concepts from Economics to the Sports Industry. By the end of the course, the student will be expected to be able to:

1. Apply the Law of Supply and Demand to the sports industry
2. Use statistical analysis to estimate the economics of the sports industry (e.g., be able to estimate whether players are over- or under-paid; does competitive balance affect fan demand?)
3. Explain how sports teams use their monopoly positions to make profits
4. Explain how a team owner exploits his/her monopsony position
5. Explain the role of government in the sports industry

Using D2L with this Class

1. Begin by surveying the syllabus. This survey will roughly outline the course schedule, aligning the lecture topics we cover. In D2L you will also find numerous handouts you are responsible for reading.
2. In D2L you will also find the weekly Lecture Notes (usually listed first in each week). This will be an essential reference for the course. You will also find numerous “OVERHEAD” documents within each weekly content. These we will discuss in class.
3. In D2L, you will find the weekly homework assignments (“HOMEWORK ASSIGNMENTS”). The schedule for these homeworks is based on the topics.
4. Note the Study Guide/Outlines for the Midterm and Final Exams in the Table of Contents.

**LECTURE SCHEDULE**

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| --- | --- | --- |
| **TOPICS** | **Lectures (approx.)** | **HWK** |
| **Review of Economics & Statistics** | | |
| *Intro to Sports Economics lecture notes*  *Regression Methods lecture notes*  Ch. 1 and Appendix 2B in LAM  Estimates of the Size of the Sports Industry  Measuring Concentration in an Industry  Calculating the Real Rate of Return  Converting Nominal into Constant Dollars  Humphrey and Ruseski Tables  Sports Industry Overview - Plunkett  Comparative Advantage and Babe Ruth  Downloading Regression Add-In in Excel | **3 lectures** | **Hwk #1**  **Due 4/9** |
| **The Economist’s Arsenal** |  |  |
| *The Economist’s Arsenal lecture notes*  Ch. 2 in LAM  Law of Supply and Demand  Taxes: Shifts S-curve  Tax Incidence  Concept of Elasticity  Evaluating Social Policy with the Pareto Principle  Price Ceilings  Production Technology, Costs | **3 lectures** | **Hwk #2**  **Due 4/21** |
| **Industrial Organization of Sports Industry** | | |
| *Market Structure lecture notes*  Ch. 2.3 in LAM  Market Structure  Competition vs. Monopoly  Demand Issues (Krautmann/Hadley)  Expansion Fees in the NFL  Profit maximization (LR vs. SR) | **2 lectures** | **Hwk #3**  **Due 4/28** |
| **Economics of Leagues** |  |  |
| *Economics of Leagues lecture notes*  Ch. 3 in LAM  Economics of Leagues: The Peculiar Economics of Sports Leagues  Supersonics Operations Statement\*\*  Public Goods and Externalities  Open vs. Closed Leagues  Profit Maximization vs. Win Maximization | **2 lectures** | **Hwk #4**  **Due 5/5** |
| **MIDTERM Exam -Distributed 5/5**  **Due 5/8 by 11:59 pm (Chicago time)** |  |  |

**LAM refers to Leeds, von Allmen, Matheson (textbook)**

**LECTURE SCHEDULE (continued)**

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| **TOPICS** |  | **HWK.** |
|  | | |
| **Monopoly Power and Social Welfare** | | |
| *Market Power and Social Welfare lecture notes*  Ch. 3 & 4 in LAM  Monopoly Behavior  Social Surplus and Evaluating Monopoly\*\*  Caveats to Monopoly Power  Monopoly Power and Deadweight Loss  Monopoly and Price Discrimination  Pricing Strategies | **2 lectures** | **Hwk #5**  **Due 5/19** |
| **Labor Economics in Sports** | | |
| *Labor Markets in Sports lecture notes*  Ch. 9 & 10 in LAM  The Baseball Players’ Labor Market (Rottenberg)  Monopsony Power\*\*  Compensating Wage Differentials MLB (Krautmann) | **2 lectures** | **Hwk #6**  **Due 5/28** |
| **Memorial Day (5/26/25) – NO CLASS** | | |
| **Competitive Balance** | | |
| *Competitive Balance lecture notes*  Ch. 5 in LAM  Models of Competitive Balance  El Hodiri Quirk Fort Model\*\*  Efforts to Affect Competitive Balance\*\*  Measuring Competitive Balance\*\*  Fort’s AND Leeds-vonAllmen CB data\*\* | **3 lectures** | **Hwk #7**  **In class 6/4** |
|  |  |  |
| **FINAL EXAM – distributed 6/4**  **Due 6/7 by 11:59 pm (Chicago time)** |  |  |

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