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| Sports Economics |

Supply and Demand Review: Competitive Market

MobLab Game: Competitive Market

Key Teaching Points:

* The “invisible hand” of the market: how individual profit maximization leads to competitive market equilibrium.
* Price discovery: the equilibrium market-clearing price results from the valuations of different buyers and costs of different sellers.
* Shifts in either supply or demand change equilibrium outcomes.

*Additional variations: Can include price floors, ceilings, and taxes.*

Monopoly

MobLab Game: Monopoly

Key Teaching Points:

* Profit maximization involves thinking on the margin.
* In the absence of price discrimination, the uniform price case will lead to a sub-optimal price for both markets. Third degree price discrimination can lead to improved welfare across both markets.

MobLab Game: Double Marginalization

Key Teaching Points:

* Double marginalization approximates the relationship between professional and amateur leagues.
* Review concepts of marginal revenue and monopoly pricing.
* Show how, in the absence of communication or contract to help coordinate decisions, the successive exercise of market power leads to higher market prices and a loss in economic efficiency.

Cartel Behavior and the NCAA

MobLab Game: Bertrand

Key Teaching Points:

* Communication and repeat interaction facilitates collusive behavior in a market that would otherwise experience vigorous competition.

Monopsony Power of Sports Leagues and Unions

MobLab Game: Simple Labor Market (With group size 4)

Key Teaching Points:

* Show that with one employer in the market they have incentive to offer the lowest acceptable wage.
* Can use the Simple Labor Market game with group size 16 first, and compare the equilibrium wage to when there is a monopsony.

*Add in minimum wages or unemployment insurance into the game to simulate the influence of Unions on the market outcome.*

Contract Negotiations

MobLab Game: Common Value Auction

Key Teaching Points:

* A rough approximation, however, players can be thought to have a common value for each team (bidder) and each team has a signal of that player's value.
* If the true common value is an average of all the signals then the winner will have overbid for the player, i.e., the winner's curse.

MobLab Game: Ultimatum Game

Key Teaching Points:

* Demonstrates how social norms such as fairness and altruism may factor in the decision-making process for economic actors.

MobLab Game: Bargaining: Alternating Offer

Key Teaching Points:

* Players learn about tradeoffs and fairness in negotiations.
* Promotes learning about backward induction and subgame perfect equilibria in sequential games.

MobLab Game: Principal-Agent

Key Teaching Points:

* Students learn how the optimal contract offered to the worker depends on the information environment (full information v. asymmetric information).
* Students learn how the magnitude of different contract features (flat-fee and bonus) depend on worker outside option and cost of effort.

*Related to contracts and negotiations, instructors may find our time and risk preferences surveys as a helpful companion.*

Social Dilemmas and Team Incentives

MobLab Game: Prisoner’s Dilemma (Push/Pull)

Key Teaching Points:

* Key features of games: payoff matrices, best response, dominant strategies, and Nash equilibrium.
* The tension between individual and group interest.
* Can be applied to a number of sports economics topics related to antitrust, doping, the regulation of sports such as helmets, etc.

*Additional Game: Prisoner’s Dilemma (Classic Matrix).*

MobLab Game: Public Good: Punishment and Reward

Key Teaching Points:

* When group output depends on individual efforts, but benefits are shared in common, individuals have an incentive to free ride.
* Individuals in a group can incur a cost to punish or reward other group members.
* Show how incurring these costs results in preserving norms for cooperation.

Public Finance of Sports

MobLab Game: Externalities with Policy Interventions

Key Teaching Points:

* With externalities, the equilibrium of a competitive market without interventions is inefficient.
* By reducing transactions, a tax can increase efficiency (total surplus) in a market with a negative externality
* Marketable permits for an activity generating a negative externality leads to efficiently reducing that activity.

MobLab Game: Blank Survey

Key Teaching Points:

* Create your own survey-based experiment on contingent valuation using our Blank Survey tool. You can create different frames to elicit student WTP and WTA for non-market goods.

MobLab Game: Voter Turnout (One Candidate)

Key Teaching Points:

* Explore the paradox of voting and the "size effect" with students to see how stadium projects persist even if they are known to be inefficient.