Aims and Objectives

This course provides an introduction to the economic theory of contests and will use sports as an example of how the theory can be applied. The course is intended to familiarise the student with the basic models and then explore some policy issues that have arisen in the design of sports competitions. On the theoretical side it will focus on the development of rent seeking models in the tradition of Tullock. From the point of view of sports, it will look at issues of competitive balance that have entered into public policy debate in the US and Europe.

Course Structure

The course is divided into nine half-day units. Each unit will consist of three sessions. The first will be in lecture format, introducing the topic, the second will discuss a key paper in the area, for classroom discussion led by a member of the class, and the third will involve a case study discussion based on a particular topic.

Course Requirements:

In preparation of the course:

- Carefully work through the required readings with a focus on the research question, the contribution to the literature and the research design.
- Skim the additional readings to get a basic sense for the research question.
- Prepare a two-page summary of the assigned paper to be distributed before class.

During the course:

- Lead the class discussion of the assigned paper.
- Contribute to class discussions when you are not the leader.

After termination of the course:

- Write a short report (up to 2000 words) on the organization of a sports league of your choice. You should assess the state of demand in the light of contest incentives and competitive balance. You have one week to complete this task.
**Unit 1: The Principal-agent problem**


*Related readings:*


*Case Study: Do Basketball Players Shirk?*


**Unit 2: The Tullock Contest**


*Related Readings:*


*Case Study: How to design a marathon*

Unit 3: Labour Market Tournaments


Related Readings:


Case Study: The impact of the three point rule in football.


Unit 4: Empirical Research on tournaments and contests


Related Readings


Case Study: the Limits of Incentives

Jennifer Brown, Quitters never win, the (adverse) incentive effects of competing with superstars
Unit 5: Competitive balance in sports

Key Paper: J-L Arnaut, The Independent European Sports Review

Related Readings:


Case Study: Trends in competitive balance in European football

UEFA proposals on training of young players:

Unit 6: The Contest Nash Equilibrium of a Sports League

Case Study: This is a simulation exercise involving participation of the whole class. No preparation is required.

Related Readings:


**Unit 7: Competitive balance, the Coase theorem and the paradox of power**


*Related Readings:*


*Case Study: Predicting Olympic Medals*


**Unit 8: Objectives**


*Related Readings:*


*Case Study: Is vertical separation of sports leagues optimal?*

Unit 9: The incentive effects of promotion and relegation


Related Readings


Case Study: The Atlantic League

Atlantic League or North Atlantic Drift? http://www.le.ac.uk/sp/sf-review/00-01/01article9.html