TEACHING SPORTS ECONOMICS TO SPORT MANAGEMENT MAJORS

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When compared to more traditional fields of study in the discipline, the application of economic principles to sport is a relatively new endeavor. It has been less than 60 years since Simon Rottenberg (1956) published “The baseball players’ labor market,” the first article related to sports economics which appeared in a top journal (Fort, 2005, Sanderson & Siegfried, 2006). As late as 1980, only 24 journal articles had appeared that covered sports (von Allmen, 2005), but since then the field has exploded: Of 846 papers classified as sports economics research from 1990 through 2007, 260 (31%) were published from 2007 through 2009 (Santos & Garcia, 2011). The Journal of Sports Economics was founded in 2000, followed by the International Journal of Sport Finance in 2007, further reinforcing the need for specialized outlets for the ever increasing volume of sports economics research.

Commensurate with increasing research activity has been the growth of courses dedicated to sports economics. Economists with interest in the field have developed and offered courses in sports economics at more than 70 institutions in the United States and many more internationally (Humphreys, 2007). These courses are usually offered as upper-level electives for economics majors, and as such they are often taught assuming that the students had already taken courses in intermediate macro and micro theory and econometrics.

At the same time, the number of sport management degree programs has increased to the extent that today more than 340 universities award degrees in sport management in the United States and another 60 worldwide (North American Society for Sport Management, 2012). Sport Management programs that desire to be accredited by the North American Society for Sport Management (NASSM) must include content areas in both economics in sport and budget and finance in sport in their curriculum (see Table 1). Since most sport management faculties do not have expertise in these areas, these courses are often farmed out to economics or finance
instructors who express an interest in teaching the course. Most sport management majors would enter these courses with a background of only introductory economics and accounting, leaving them far less prepared than an economics major taking the same course. This often led to frustration for both instructors and students, since the mix of over-prepared and under-prepared students led the instructor to aim the level of rigor somewhere between the two groups, a strategy with satisfies no one.

This paper will briefly trace the history of how the sports economics course was developed, discuss how it developed its level of rigor, and investigate the problems that were created when sports management majors began taking sports economics. It will also offer suggestions as to how instructors can better serve the needs of sport management majors enrolled in the class by designing the course to meet the NASSM standards and a level of rigor that is appropriate with the students’ preparedness.

Sports economics for economics majors

The first sports economics courses were taught by economists that either had a research interest in sports economics or were confident that courses in sports economics would be well-attended. These courses were almost certainly offered as upper-level elective courses for economics majors, who had already had taken introductory courses in macro, micro, and statistics – more likely they had already taken intermediate macro and micro and econometrics.

As with any new course, one of the biggest hurdles that early adopters had was the lack of a textbook. Instructors had to patch together their own quasi-text by using book chapters, journal articles, and monographs. Since most of the material on sports economics was published in peer-reviewed journals, the readings often relied heavily on calculus and econometrics to draw
their conclusions. It was the nature of the available resources, and the department where the
course was housed (economics), were what most likely led to the level of complexity and rigor
of those early sports economics courses. Instructors assumed that students had adequate
preparation in microeconomics, calculus, and statistics, and presented their material accordingly.

In 1992, Quirk and Fort published *Pay Dirt*, a monograph dedicated to sports economics
(Quirk & Fort, 1992). It was essentially a survey of all the existing research in sports economics
to date tied together with a brief narrative. Sheehan’s *Keeping Score* (1996) contained content
that could provide a useful outline of a sports economics course, but was devoid of any
discussion the economic theory that underpinned his discussion. For different reasons, neither
was appropriate as a stand-alone undergraduate textbook, so many instructors (myself included)
used these books selectively and supplemented them with ancillary readings.

In 2001, Leeds and von Allmen published *The Economics of Sports*, followed a year later
by Fort’s *Sports Economics*. These books, still the market leaders, claim to be accessible to
undergraduates with one semester of microeconomic principles, yet rigorous enough for
advanced undergraduate and even graduate courses. The preface of Fort’s text is very clear on
this: “*Sports Economics* is the only text that provides enough content and rigor for a course
taken primarily by economics majors” (Fort, 2011, p. xi). In my opinion, this is an
overstatement, since Leeds & von Allmen is at least as rigorous, and more recent texts by
Kessen (2008) and Gratton, Liu, Ramchandani, and Wilson (2012) are advanced enough to be
used as a text in a graduate sports economics course

As long as the sports economics course was populated mainly by economics majors or
mathematically inclined students, there was no disconnect between the course materials and the
abilities of the students. When sport management majors began signing up for sports economics, this was not always the case.

**Sports economics for sport management majors**

In the late 1980s, NASSM and the National Association for Sport and Physical Education (NASPE) began the arduous process of accrediting the increasing number of sport management programs in North America (Case, 2003). They created the Sport Management Program Review Council, and in 1993 published standards (known as the NASSM/NASPE standards) that became the benchmark for granting accreditation to sport management programs. In 2009, NASSM and NASPE updated the accreditation principles and process, founding the Commission on Sport Management Accreditation (COSMA). Like most accrediting bodies, the COSMA established minimum requirements for faculty, curriculum, course content, and so forth. Programs seeking accreditation must offer the required content somewhere within their course offerings, either as a stand-alone course or integrated into another course. Since there are content areas for sports economics (Table 2) and sports finance (Table 3), many sport management programs now require students to take a course in sports economics, sports finance, or some combination of the two to meet the COSMA standard. Despite the content requirement, Humphreys (2007) reported that only 16% of programs require sports economics, and only 48% require any economics course.

A word about the current accreditation process is in order. In 2007, before COSMA was established, almost 100 schools were accredited. To date, only 9 schools have been accredited by COSMA. Despite the decrease, many programs (including ours at St. John’s) claim that their curriculum is developed with the COSMA standards in mind.
Most sport management programs have only a few full-time faculty members. The additional course load is picked up by either adjunct faculty or faculty from other departments throughout the university with some expertise in the subject area. If sports economics was added to the curriculum, many sport management programs directed their students to take the course in the business school, where it would be taught by a member of the economics department. The student body would then be a mix of business students (primarily economics majors) and sport management majors, with each group bringing a certain level of preparedness to the course. Many of the sport management majors did not have background in microeconomic theory and statistics to succeed in the course, leading to problems for all involved. The sport management chair complained to the economics chair that the course was too tough, and the economics chair chafed at the suggestion to dumb down the course as intellectually questionable and a disservice to their own majors.

Sport management departments eventually realized that they would have to create their own sports economics course to prevent these problems and better serve their students. A stand-alone sports economics course for sport management majors could be tailored to the level of preparedness of the students, explore content necessary to meet the COSMA standards, and focus on economic issues facing sport managers rather than pure economic theory.

**Designing the sports economics course**

The department must first decide on the scope of the sports economics course. Some departments will choose to have a course dedicated solely to sports economics, but many decide to kill two birds with one stone and satisfy the “budget and finance” COSMA content area by naming the course “Sport Finance and Economics” or “Budgeting, Finance, and Economics of...”
On the surface it seems impossible to cover all the required content for both economics and finance in a single course, but as it turns out this is not as difficult as it may seem.

If the department decides to offer a sports economics course, the first decision is to choose a textbook. There are currently two sports economics textbooks in print from major publishers: *Sports Economics* by Fort (2011), and *The Economics of Sport* by Leeds and von Allmen (2011). Having used both of the books, I believe that either can be used effectively for the undergraduate course – the choice is simply the personal preference of the instructor. When developing a sports economics course sport management majors, three principles are paramount:

1. **Cover the COSMA standards.** Designing a sports economics course that covers the “economics in sport” content area will be relatively easy, especially if the framework of either of the two popular undergraduate textbooks are used (Table 2). The basic required content (macroeconomic and microeconomic principles, supply and demand, and economic impact principles) will certainly be covered in any introductory economics course. This leaves only “economic theory applied to sport manufacturing” as the only required content area that is not explicitly covered. Three of the five recommended content areas are usually covered as well (television in professional and intercollegiate sport, and the economic impact of venues and events) and will meet the 50% requirement.

If the course is also required to cover the “budget and finance in sport” content area (Table 3), expanding the course to cover the required materials turns out to be easier than one might think. Basic accounting principles such as financial statement analysis, principles of budgeting, budget development, and spreadsheet applications will be covered in any introductory accounting course. “Sources of revenues for financing” is a topic that is often covered in the section of the course that the issues that surround facility financing such as private v. public
funding, bonds, taxes, personal seat licenses and so forth. Of the recommended content, “financing facilities” is already covered, and many of us discuss “the present financial status of the sports industry” when we cover profits, capital gains, and present the latest *Forbes* team values. With very minor modifications to the course outline, the COSMA content area standards for both economics and finance can be covered in a single three-credit course.

2. **Be willing to modify the rigor of the course.** First, focus on the application of a theory, rather than its exposition. If the instructor is an economist, they should consider the fact that a sport management major has little interest in traditional economic theory for its own sake. For example, when discussing the demand for tickets to a sporting event, the role of price elasticity of demand should be considered as to its effect on revenues, rather than proving students with demand data and asking them to calculate elasticity coefficients.

Second, translate mathematical notation into English. Instructors should know that many students have taken only college algebra without any foray into either calculus or statistics, so discussions about saddle-point equilibria and coefficients of variation may fall on deaf ears. One way to simply a complex topic while still getting the point across is to take an example from Fort’s *Sports Economics*, a discussion of how a league expansion fee is determined:

Because these local and national TV impacts are an identifiable estimated dollar amount, they can be included in the expansion fee consideration process as the change in the net present value to existing owners, $\Delta NPV_n$:

$$\Delta NPV_n = \sum_{t=0}^{T} \frac{\Delta N_t}{(1 + r)^t} - \sum_{i=1}^{n} \sum_{t=0}^{T} \frac{L_{it}}{(1 + r)^t}$$

Where $\Delta$ denotes change, and there are $i = 1 \ldots , n$ total current owners. $\Delta N_t$ denotes additions to the national TV contact in each period $t$, and $L_{it}$ are the local
costs at one of the current locations in each period \( t \ldots \) It is now easy to see how the expansion fee would be determined, in general (Fort, 2011, p. 136).

All of those equations with the summation signs are likely to intimidate any undergraduate without a strong background in mathematics. A way to interpret all the mathematics would be to explain the concept like this: “The existing league owners would calculate how much their future profits will change due to expansion. This could be positive or negative, depending on the impact on national TV revenues, so the expansion fee is actually the ownership value of the new team plus or minus the net effect on the revenues of the existing owners.” The typical undergraduate student is far more likely to grasp the concept in narrative form rather than mathematical notation.

**3. Try to design activities for varying levels of ability.** Von Allmen (2005) identifies an excellent strategy for satisfying students with different backgrounds: Assign research projects that allow students with a good understanding of econometrics to delve into those issues at their own pace, while allowing less prepared students to choose less quantitative topics. Over the years I have permitted students to prepare term projects that were more based on marketing principles than on economic principles, but as long as the object of the paper was to examine the profits of a firm or of a league I was satisfied.

**Summary**

A course in sports economics must be tailored to the audience. Since many sport management programs are mandating curricula based on the COSMA standards, more and more will require students to take courses in sports economics as part of their degree program. Traditional sports economics courses, designed as upper-level electives for economics majors,
are likely to be too complex for sports management majors without a strong background in microeconomic theory and statistics.

Sport management programs have responded to this problem by developing their own sports economics or hybrid sports economics and sports finance courses. Courses developed specifically for sport management majors can be tailored to the level of preparedness of the students, explore content necessary to meet the COSMA standards, and focus on economic issues facing sport managers rather than pure economic theory. Some departments have even gone so far as to hire economists to their own faculty when none of the existing faculty are willing or able to teach the course, a good sign for future students that are required to take the course.

There is still room for growth for sports economics in the sport management curriculum. As of 2007, only about 16% of all sport management programs required students to take a course in sports economics, and only 48% required students to take any course in economics (Humphreys, 2007). Of those that have undergraduate programs that were accredited by the SMPRC, 44% require either sports economics or a sports economics/sports finance hybrid course. As more and more programs seek accreditation, or at least utilize the the demand for sports economics courses will undoubtedly increase.
Table 1

*COSMA Common Professional Components*

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A) Social, psychological and international foundations of sport management
   1) Sport management principles
   2) Sport leadership
   3) Sport operations management/event & venue management
   4) Sport Governance
B) Ethics in sport management
C) Sport marketing & communication
D) Finance/Accounting/Economics
   1) Principles of sport finance
   2) Accounting
   3) Economics of sport
E) Legal aspects of sport
F) Integrative experience, such as:
   1) Strategic management/policy
   2) Internship
   3) Capstone experience

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*Note.* From North American Society of Sport Management (2010), p. 11.
Table 2

**COSMA content area - Economics in sport**

**Premise:** Sport is an industry in the national economy and, as a result, it is shaped by external economic influences. As a major national industry, it also contributes to the shaping of the national economy. The student will obtain an understanding of economic principles.

**Required content (all topics must be addressed):**
- Delineation of micro and macro economic principles
- Economic growth of the sport industry in the 20th century
- Concepts of competitive strategy (supply and demand)
- Economic impact principles
- Economic theory applied to sport manufacturing and service industries
- Economic theory applied to professional sports
- Economic perspectives applied to labor relations in professional sports
- Economic theory applied to stadiums and arenas
- Economic theory applied to intercollegiate sports

**Recommended content (a minimum of 50% must be addressed):**
- Relating infrastructure to competitive strategies in the manufacturing and service industries
- Impact of television industry on professional sports
- Impact of television industry on intercollegiate sports
- Economic theory applied to the sport club industry
- Economic impact of venues and events

Table 3

COSMA content area – Budget and finance in sport

Premise: The student will understand why budget and finance in sport is a critical component of all sports related industries. The student will also be familiar with sound financial control, its methods and principles.

Required content (all topics must be addressed):
- Basic accounting principles – types of accounting
- Financial statements
- Sources of revenues for financing – public sector vs. private sector, governments, membership, fees, PSL’s, taxes, bonds, etc.
- Principles of budgeting – types (capital, master, departmental, line item, zero-based, PPBES)
- Budgets as a method of control, organization, and reallocation
- Budget development
- Spreadsheet utilization (Lotus, Excel, or Quicken’s Quickbooks) – basic laboratory experiences
- Financial aspects of facilities management

Recommended content (a minimum of 50% must be addressed):
- Present financial status of the sports industry – collegiate, professional, private manufacturers
- Concessions and merchandising – trademark licensing, inventory, cost control, cash management
- For profit and not-for-profit budgeting
- Development and fund-raising principles and methodology (campaigns, alumni, auctions)
- Financing facilities

References


