Winter 2022
Wed (3:45 – 5:00) & Fri (2:15 – 3:30)

Classroom: MULH 3034

ECON 291

Economics of Leisure, Recreation & Sports

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Office Hours: Mon (11:15 – 12:30) & Fri (10:00 – 2:00)

Description

This course covers topics related to how individuals choose to spend the time available to them when they are not working. After studying a theoretical model that highlights the factors that impact leisure hours, the course then considers some manners in which leisure time is spent. This includes participation and consumption of sporting activities; "rockonomics", which is the economic study of the music industry; and the economics of the video game industry, which has many unique characteristics.

Objectives and Learning Outcomes

This course has three objectives:

1. To learn how leisure can be modeled using the tools of economics;
2. To demonstrate how statistical analysis can be used to study professional sports and leisure;
3. To use economics to understand how resources are allocated in professional sports and leisure.

Pre-requisite

ECON 101: Introduction to Microeconomics

Evaluation

- Assignments (three @ 10% each): 30%
- Mid-Term Exam: 20%
- Final Exam: 40%
- Attendance & Participation: 10%

Textbook

You don't need to purchase a textbook for this course. Readings can be downloaded from Moodle.

Key Dates

February 18

Assignment #1 is due

February 12 to March 5

Assignment #2, which consists of participating in Round #225 of *Miniconomy*, is live.

March 4

Mid-Term Exam

March 30

Assignment #3 is due

April

Final Exam to be scheduled by the Registrar's Office

Course Outline

Part I: The Work-Leisure Trade-off

1. The Theory of Work and Leisure: A Robinson Crusoe Economy

- We study a model that helps us understand the number of leisure hours that households have at their disposal. Due to necessary consumption requirements, we find that an infinite amount of leisure may not be the most desirable solution.

2. Empirical Evidence on Work and Leisure: Who Works the Most?

- In some countries, many workers enjoy four-day work weeks and six weeks of paid vacation. In others, two weeks of vacation time is a luxury. How can our Robinson Crusoe model account for these differences?

  Reading:

  Gratton, C. and P. Taylor (2000) *Economics of Sport and Recreation*. New York: Spoon Press. ISBN 0-419-18960-2 (Available as an e-book through the St FX library), Chapter 3.

Part II: Leisure Industries

3. The Economics of the Video Game Industry

- The video game industry generates more worldwide revenues than the NFL and NHL combined. It is also peculiar in the sense that it does not follow the aggregate economic cycle. We will study the past, present and future of this industry.

  Readings:

  Crandall, Robert and J. Gregory Sidak (2006) "Video Games: Serious Business for America's Economy." Entertainment Software Association. https://www.criterioneconomics.com/docs/sidak-video-games-serious-business-for-americas-economy.pdf

  Entertainment Software Association of Canada (2021) "Annual Report" https://theesa.ca/wp-content/uploads/2021/08/AnnualReport21_EN.pdf

  Entertainment Software Association (2021) "2020 Economic Impact Report" https://www.theesa.com/industries/economic-impact/

  Entertainment Software Association (2021) "2021 Essential Facts About the Video Game Industry" https://www.theesa.com/wp-content/uploads/2021/08/2021-Essential-Facts-About-the-Video-Game-Industry-1.pdf

  Williams, Dmitri (2002) "Structure and Competition in the U.S. Home Video Game Industry." *The International Journal of Media Management* 4(1), 41-54.

4. The Economics of the Music Industry

- Consuming music is another way in which households like to spend some of their leisure time, be it through attending concerts or through purchases for home consumption. The music industry is quite peculiar, so we will discuss how concerts and music are priced.

  Readings:

  Connolly, M. and A. Krueger (2006) "Rockonomics: The Economics of Popular Music" in *Handbook of the Economics of Art and Culture*, vol. 1, V.A. Ginsburgh and D. Throsby (eds), Amsterdam: North Hollad, pp. 667 – 719.

  Fer, A. and B. Baarsma (2016) "Rockonomics Revisited: The Rise of Music Streaming Services and the Effect on the Concert Industry." *International Journal of Music Business Research* 5(1), 7 – 35. https://musicbusinessresearch.files.wordpress.com/2012/04/volume-5-no-1-april-2016-fer-and-baarsma1.pdf

  Krueger, A. (2005) "The Economics of Real Superstars: The Market for Rock Concerts in the Material World." *Journal of Labor Economics* 23(1), 1 – 30.

5. The Economics of Trading Cards

- With the pandemic forcing more people to spend time at home (either through layoffs or telework), and government income supports that allowed household disposable income to rise despite higher unemployment, many households have reverted to collecting as a hobby. Among collectibles, trading cards (which includes game cards such as Pokemon, or sports cards such as hockey cards) have exploded in popularity, causing prices of some cards to appreciate tremendously. We'll use a simple model to explain the factors that can cause price increases, and explain the cyclical nature of the hobby.

  Readings:

  O'Brien, T., L. J. Gramling and M. Rodriguez (1995) "An Introduction to the Collectible Sportscard Market." *Managerial Finance* 21(6), 47-63.

6. The Economics of Home Gardening

- Again, with the pandemic confining many people to their homes, combined with supply-chain issues that drive-up the price of many food items, interest in home vegetable gardening has grown rapidly. With the planting season just around the corner, we examine the costs and benefits associated with growing your own vegetables. This can help households decide whether they need a garden; how big it should be; and what crops are likely to yield the highest benefit/cost ratio.

Readings:

Athearn, K. et al. (2021) "Costs and benefits of vegetable gardening." University of Florida. https://edis.ifas.ufl.edu/publication/FE1092

Langelloto, G. (2014) "What are the economic costs and benefits of home vegetable gardens?" *Journal of Extension* 52(2), 1-8. https://www.researchgate.net/publication/306223401_What_Are_the_Economic_Costs_and_Benefits_of_Home_Vegetable_Gardens

Part III: Professional Sports

7. The Economics of Professional Sports: Theory

- Professional sports teams in North America usually compete within "leagues", entry into which is strictly controlled. This competition within a monopoly makes professional sports an interesting industry to study.

Readings:

Jones, J. C. H. (1969) "The Economics of the National Hockey League." *Canadian Journal of Economics* 2, 1-20.

Neale, Walter C. (1964) "The Peculiar Economics of Professional Sports" *Quarterly Journal of Economics* 78, 1 – 14.

8. The Economics of Professional Sports: Empirical Studies

- Professional sports leagues generate mountains of data, and like economic variables, some series can be used to explain or predict others. Sports analytics received a boost from the Oakland A's and "Moneyball", with the results that most professional sports teams now have analytic departments that attempt to assemble winning teams at lower cost.

Readings:

Chan, Timothy and David Novati (2012) "Split Personalities of NHL Players: Using Clustering, Projection and Regression to Measure Individual Point Share." MIT Sloan Sports Analytics Conference, 2-3 March 2012. http://www.sloansportsconference.com/wp-content/uploads/2012/02/59-Chan_Novati_Split-personalities-of-NHL-players.pdf

Hakes, J. and R. D. Sauer (2006) "An Economic Evaluation of the *Moneyball* Hypothesis." *Journal of Economic Perspectives* 20, 173-185.

Hakes, J. and R. D. Sauer (2007) "The Moneyball Anomaly and Payroll Efficiency: A Further Investigation." *International Journal of Sport Finance* 2, 177-189.

Keller, Tony and Neville McGuire (2011) "The New Economics of the NHL: Why Canada can Support 12 Teams". Mowat Centre for Policy Innovation, School of Public Policy & Governance, University of Toronto. http://www.mowatcentre.ca/research-topic-mowat.php?mowatResearchID=31

Lanoue, Derek (2015) "Does it Pay to Win the Stanley Cup?" University of Windsor Working Paper 15-02. http://web2.uwindsor.ca/economics/RePEc/wis/pdf/1502.pdf

Mason, D. S. and W. M. Foster (2007) "Putting Moneyball on Ice?" *International Journal of Sports Finance* 2, 206-213.

McLean, Robert C. and Michael R. Veall (1992) "Performance and Salary Differentials in the National Hockey League." *Canadian Public Policy* 18, 470-475.

Schuckers, Michael (2011) "DIGR: A Defense Independent Rating of NHL Goaltenders using Spatially Smoothed Save Percentage Map." MIT Sloan Sports Analytics Conference, 4-5 March 2011. http://myslu.stlawu.edu/~msch/sports/Schuckers_DIGR_MIT_2011.pdf

Vincent, Claude and Byron Eastman (2009) "Determinants of Pay in the NHL: A Quantile Regression Approach." *Journal of Sports Economics* 10, 256-277.

Woodland, Linda M. and Bill W. Woodland (2001) "Market Efficiency and Profitable Wagering in the National Hockey League: Can Bettors Score on Longshots?" *Southern Economic Journal* 67, 983-995.