

BEHAVIOR AND INCENTIVES IN ECONOMICS: THE CASE OF SOCCER

- *Total length of the module: 45 Hours*
- *Length of each session: 1,5 hour*
- *Number of sessions 30 Lectures*

INTRODUCTION TO THE COURSE

This course takes soccer as an illustration of theories and empirical evidence related to economic incentives and behaviour. Soccer is widely followed and generates a great amount of information. This knowledge is used in a systematic way to explore the validity of economic theories and to empirically test predictions generated by these theories.

REQUIREMENTS

Basic knowledge of Economics

CONTENTS

1. Demand and Supply in the Soccer Market

- Demand: preferences, elasticity, addiction.
- Social preferences.
- The two roles of preferences: explanation for individual decisions and metric of welfare.
- Costs and Performance: the economics of stars and outliers. The role of talent.
- The soccer industry: players, fans and media.

2. Markets and Organizations in Soccer

- Competition and anti-trust in soccer.
- Competitive balance in soccer.
- Home-field advantage.
- Institutions and regulations that internalize externalities: leagues and federations.
- Salary caps and revenue sharing rules.

3. Cognitive Power in Soccer

- Uncertainty: predictions and ex-post rationalization.
- Beliefs and judgement in the soccer industry.
- Share price movements and betting.

- Game theory in soccer: simultaneous and sequential games.
- Rationality: shooting penalties, mixed strategies and behavioral economics.

4. Individuals and groups in Soccer

- Rules and referee behaviour: creating, enforcing and influencing the rules.
- Corruption in soccer.
- Team production and incentives for individuals and teams.
- The role of the manager. Efficiency measurement in soccer.
- Tactics: evolutionary economics.

5. Efficiency in Soccer

- The costs and benefits of organizing big sports events such as Soccer World Cups.
- Governance of for-profit and non-profit soccer clubs.
- The Player Transfer Market: analogy to takeovers and auctions.
- Is contemporary soccer sustainable?
- Determinants of national success in soccer. Is it a coincidence that Spain excels in soccer when its economy is in worst shape?

GRADING

- 1 essay to be presented in class (40%)
- 1 final exam (60%)

BIBLIOGRAPHY

- Dixit, A.K.; Nalebuff, B.J. (2008), *The Art of Strategy*, Norton.
- Dobson, S.; Goddard, J. (2001), *The Economics of Football*, Cambridge University Press.
- Galí, J.; Vives, X. (2010), *Football Economics*. Proceedings of the Armand Carabén Workshop on Sports Economics. IESE Reports of the Public-Private Research Center, 4.
- Gladwell, M. (2008), *Outliers. The Story of Success*, Little Brown.
- Kuper, S.; Szymanski, S. (2009), *Soccernomics*, Nation Books.
- Moskowitz, T.B.; Wertheim, L.J. (2011), *Scorecasting. The Hidden Influences behind How Sports Are Played and Games Are Won*, Crown Archetype.
- Schwartz, H. (2008), *A Guide to Behavioral Economics*. Praeger.
- Taleb, N.N. (2004), *Foiled by Randomness. The Hidden Role of Chance in Life and in the Markets*, Penguin Books.
- Taleb, N.N. (2007), *The Black Swan. The Impact of the Highly Improbable*, Penguin Books.