

The Economics & Econometrics of Sports, Culture and Religion

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Objective of the Course

In her best-selling book “Sex, Drugs and Economics: An Unconventional Introduction to Economics”, Diane Coyle characterizes what others have called the “dismal science¹” as follows: “... economics is not a set body of knowledge about certain financial subjects. It is instead a method for thinking about any subject. There can be an economics of anything – marriage, sport, crime, drug trafficking, education, movies, and even, yes, sex. Economics is one route toward understanding any aspect of human nature, and one of the most illuminating because of its analytical rigor” (Coyle 2004: xii).

Thus, economics focuses not only on prices, incentives, information, and constraints, but also focuses on social interaction, since parents, teachers, customers, co-workers, managers and politicians play important roles in driving behavior. This approach has two major implications:

- First, economics focuses on variables that parents, teachers, customers, co-workers, managers or politicians have a great deal of control over – namely information, decisions, and incentives.
- Second, the standard ingredients of the economist’s “toolbox” can (and should be) used to analyze a variety of social phenomena occurring in environments such as e.g. sport, culture and religion.

During the course, we will discuss selected empirical papers from each of the three areas. In practical sessions, we will estimate models to explain e.g. the observable variation in player salaries and market values, wine prices, and exits from the Catholic and Protestant churches in Germany.

Evaluation

Students prepare a presentation based on three assigned papers and write a short empirical essay (2,500 words) on one of the topics covered in the course. The essay will count 60% and the presentation 40%.

¹ The term was first used by Scottish historian Thomas Carlyle in an essay criticizing the ideas of Thomas Malthus and John Stuart Mill, in which he argued slavery should be restored to increase labor productivity in the West Indies (Carlyle, T. (1849): Occasional Discourse on the Negro Question. Fraser’s Magazine for Town and Country, XL, p. 672).

Literature

Part 1: Economics & Econometrics of Individual Sports

Session 1.1: Decision Making in Individual Sports: Cheating and Risk-Taking

- Balafoutas, L., F. Lindner and M. Sutter (2012): Sabotage in Tournaments: Evidence from a Natural Experiment. *Kyklos*, 65(4), pp. 425-441.
- Duggan, M. and S.D. Levitt (2002): Winning Isn't Everything: Corruption in Sumo Wrestling. *American Economic Review*, 92, pp. 1594-1605.
- Genakos, C. and M. Pagliero (2012): Interim Rank, Risk Taking, and Performance in Dynamic Tournaments. *Journal of Political Economy*, 120, pp. 782–813

Session 1.2: Choking Under Pressure? Individual Behavior When the Stakes Are High

- Brown, J. (2011): Quitters Never Win: The (Adverse) Incentive Effects of Competing with Superstars. *Journal of Political Economy*, 119, p. 982-1013.
- Harb-Wu, K. and A. Krumer (2019): Choking Under Pressure in Front of a Supportive Audience: Evidence from Professional Biathlon. *Journal of Economic Behavior & Organization*, 166, 246-262.
- Toma, M. (2017): Missed Shots at the Free-Throw Line: Analyzing the Determinants of Choking Under Pressure. *Journal of Sports Economics*, 18, pp. 539-559.

Session 1.3: Peer Effects

- Guryan, J., K. Kroft and M.J. Notowidigdo (2009): Peer Effects in the Workplace: Evidence from Random Groupings in Professional Golf Tournaments. *American Economic Journal: Applied Economics*, 1, pp. 34-68.
- Neugart, M. and M.G. Richardi (2013): Sequential Teamwork in Competitive Environments: Theory and Evidence from Swimming Data. *European Economic Review*, 63, pp. 286-305.
- Yamane, S. and R. Hayashi (2015): Peer Effects among Swimmers. *Scandinavian Journal of Economics*, 117, pp. 1230-1255.

Part 2: Economics & Econometrics of Culture (Arts, Wine, Gastronomy)

Session 2.1: Investing in Art

- Mei, J. and M. Moses (2002): Art as an Investment and the Underperformance of Masterpieces. *American Economic Review*, 92(5), pp. 1656-1668.
- Renneboog, L. and C. Spaenjers (2013): Buying Beauty: On Prices and Returns in the Art Market. *Management Science*, 59(1), pp. 36-53.
- Graddy, K. and P.E. Margolis (2011): Fiddling with Value: Violins as an Investment? *Economic Inquiry*, 49(4), pp. 1083-1097.

Session 2.2: Death, Publicity, and Creativity in Arts and Music

- Brandes, L., E. Franck and S. Nüesch (2016): Death-Related Publicity as Informational Advertising: Evidence from the Music Industry, in: *Marketing Letters*, 27, pp. 143-157.
- Graddy, K., and C. Lieberman (2018): Death, Bereavement, and Creativity. *Management Science*, 64(10), pp. 4505-4514.
- Ursprung, H.W. and C. Wiermann (2011): Reputation, Price, and Death: An Empirical Analysis of Art Price Formation. *Economic Inquiry*, 49(3), pp. 697-715.

Session 2.3: The Impact of Reputation and Certification on Wine Prices

- Fanasch, P. and B. Frick (2020): The Value of Signals: Do Self-Declaration and Certification Generate Price Premiums for Organic and Biodynamic Wines? *Journal of Cleaner Production*; forthcoming.
- Cardebat, J.-M., B. Faye, E. Le Fur and K. Storchmann (2017): The Law of One Price? Price Dispersion on the Auction Market for Fine Wine. *Journal of Wine Economics*, 12(3), pp. 302-331.
- Delmas, M., O. Gergaud and J. Lim (2016): Does Organic Wine Taste Better? An Analysis of Experts' Ratings. *Journal of Wine Economics*, 11(3), pp. 329-354.

Session 2.4: Expert Ratings and Fake Reviews in Gastronomy

- Gergaud, O., K. Storchmann and V. Verardi (2015): Expert Opinion and Product Quality: Evidence from New York City Restaurants. *Economic Inquiry*, 53(2), pp. 812-835.
- Luca, M. and G. Zervas (2016): Fake It Till You Make It: Reputation, Competition, and Yelp Review Fraud. *Management Science*, 62(12), pp. 3412-3427.
- Ehrmann, T., B. Meiseberg and C. Ritz (2009): Superstar Effects in Deluxe Gastronomy – An Empirical Analysis of Value Creation in German Quality Restaurants. *Kyklos*, 62(4), pp. 526-541.

Session 2.5: The Impact of Recent Gurus and Ancient Rankings

- Graddy, K. (2013): Taste Endures! The Rankings of Roger de Piles (†1709) and Three Centuries of Art Prices. *Journal of Economic History*, 73(3), pp. 766-791.
- Hadj Ali, H., S. Lecocq and M. Visser (2008): The Impact of Gurus: Parker Grades and *en Primeur* Wine Prices. *Economic Journal*, 118(529), F158-F173.
- Malter, D. (2014): On the Causality and Cause of Returns to Organizational Status: Evidence from the Grands Crus Classés of the Médoc. *Administrative Science Quarterly*, 59(2), pp. 271-300.

Part 3: Economics & Econometrics of Religion

Session 3.1: The Impact of Scandals on Religious Outcomes

- Bottan, N.L. and R. Perez-Truglia (2015): Losing my Religion: The Effects of Religious Scandals on Religious Participation and Charitable Giving. *Journal of Public Economics*, 129, pp. 106-119.
- Piazza, A. and J. Jourdan (2018): When the Dust Settles. The Consequences of Scandals for Organizational Competition. *Academy of Management Journal*, 61(1), pp. 165-190.
- Frick, B. and R. Simmons (2017): The Impact of Exogenous Shocks on Exits from the Catholic and Protestant Churches in Germany, 1953–2015. *Applied Economics Letters*, 24(20), pp. 1476-1480.

Session 3.2: The Impact of Religion on Economic Outcomes

- Becker, S.O. and L. Woessmann (2013): Not the Opium of the People: Income and Secularization in a Panel of Prussian Counties. *American Economic Review: Papers & Proceedings*, 103(3), pp. 539-544.
- Becker, S.O. and L. Woessmann (2010): The Effect of Protestantism on Education before the Industrialization: Evidence from 1816 Prussia. *Economics Letters*, 107, pp. 224-228.
- Campante, F. and D. Yanagizawa-Drott (2015): Does Religion Affect Economic Growth and Happiness? Evidence from Ramadan. *Quarterly Journal of Economics*, 130(2), pp. 615-658.