

## Homework Assignment #4: Sports Economics 229

Due Friday, March 13

The Oakland A's, a small-market baseball team, is forced to compete year after year against teams like the Red Sox and Yankees with many times their resources. How did Billy Beane, the A's manager, figure out how to win so many games in the late 1990s and early 2000s? Read *Moneyball* for an account of "the art of winning an unfair game," and write a summary of Beane's solution to fundamental economic problem of maximizing on-field success subject to a budget constraint. In writing your paper you may wish to answer some of the following questions. Do not feel compelled, however, to answer all of them.

- What traits of professional baseball players are overvalued and what traits are undervalued?
- Why do scouts systematically miss out on "diamonds in the rough" that Billy Beane was able to find?
- What skills do you think are essential for success in the career of a baseball player?
- What skills do you think are essential for success in the career of a baseball manager or scout?
- Does "Billyball" work for teams at all payroll levels (like the Red Sox) or only those in the bottom half of the economic ladder (like Oakland).
- Do you think the book accurately portrays what happens in the management of professional sports franchises? Why or why not?
- If you were a team owner, which, if any, of the characters portrayed in the book would you trust with managing your team? Why?

In addition, now that several teams have hired away Billy Beane's top assistants (such as Theo Epstein who was hired by the Red Sox), will this strategy still work? Compare and contrast the Beane's results in the book to the findings of Jahn Hakes and Raymond Sauer, "An Economic Evaluation of the *Moneyball* Hypothesis," *Journal of Economic Perspectives*, Summer 2006, pp. 173-186. This article is available on the class website.

Your paper must be typed and should be 4 to 6 double-spaced pages.

(Those person's enjoying Michael Lewis's account of professional baseball may enjoy his other recent sports book, "Blindside," about the economics of the NFL. While *Moneyball* remains Lewis' best-known work, he has been called "the best business journalist in the country." You almost certainly would enjoy "Liar's Poker," his famous examination of the bond markets during the 1980s, and his latest work, "Panic: The Story of Modern Financial Insanity," is an edited volume of articles related to recent financial crashes that clearly, and depressingly, show how we got into this mess.)