Research Statement

Dante DeAntonio
Department of Economics
Lehigh University

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I am a PhD job market candidate in Economics at Lehigh University with research fields in labor economics, sports economics, applied microeconometrics, and industrial organization. My research so far has been focused on two topics: sports applications of labor economics and occupational licensing. My dissertation focuses on sports applications, and I have become interested in the study of occupational licensing through my advisor, first as a research assistant and later as a co-author.

My job market paper analyzes strategic bargaining in the context of contract negotiations for newly drafted National Football League (NFL) players. Players in strategic bargaining games have many options at their disposal in attempting to negotiate the best possible contract terms. In this paper I look at the effect of delaying contractual agreement on total contract values. For newly drafted NFL players, delaying contractual agreement is defined as a player “holding out” or refusing to sign a contract until after the start of his team’s training camp (the first mandatory team activity leading up to the regular season). Past research presents a conceptual model in which players hold some private information (either positive or negative), in addition to all of the publicly available information leading up to the NFL draft. The model resulted in a separating equilibrium in which players with positive private information delayed contractual agreement and, as a result, signed contracts with more lucrative terms.

My research builds on that model and produces the first causal estimates of the value of a contract holdout for NFL rookies. The causal estimates are obtained using an instrumental variables model which corrects for the potential endogeneity in the decision to hold out. Possible sources of endogeneity include unobservable aspects of player performance confounding the estimates or differences in risk preferences such that better players are more concerned
with injury and therefore hold out at higher rates. I find that state income tax rates serve as a valid instrument in this setting for two reasons. First, due to the existence of a hard salary cap in the NFL, it is impossible for teams located in high tax states to systematically offer higher contract values to all players; therefore, state tax rates cannot have a direct impact on contract terms. Second, I show in a first-stage regression that a team’s home state tax rate is statistically significant in determining the likelihood that a player will choose to employ a holdout strategy. The reason for this significant effect is the existence of “jock taxes,” which are extensions of state tax laws to nonresident professional athletes. The jock tax ensures that a player’s tax burden is, in large part, determined by the income tax rate in the state where his team plays and is not dependent on where the player lives.

Using an instrumental variables approach I find that a player who delays contractual agreement increases his total contract value by around $120,000, on average. The effects are substantially larger for players who are selected in early rounds of the draft (and sign larger contracts), increasing to an average effect of around $430,000 for players selected in the first round of the draft. Also, by looking at the length of a contract holdout I estimate how holdout duration affects contract value. Using the distribution of player holdouts I find that for each additional day a player delays agreement, total contract value increases by approximately $10,000, on average.

Another chapter of my dissertation adds to the growing debate surrounding the compensation (or lack thereof) of college athletes who play football and men’s college basketball. Arguments have been made in recent years that athletes in these “revenue” sports are generating profits for their respective schools which are far greater than the value of the athletic scholarships that they receive. Previous literature has estimated that premium college basketball players (those who go on to be drafted) produce revenues for their school in excess of $1 million per year. Values of that magnitude could imply that players are being exploited by their universities and are not being compensated at a level that is commensurate with their marginal revenue product.

I advance the previous literature by estimating a panel data model using a sample of 326 teams which participate in Division I basketball. The panel data model allows for the inclusion of school-level fixed effects to control for the unobserved characteristics of universities which confound earlier estimates and which help to differentiate revenue generated by player performance versus school-specific characteristics. Using this method, I estimate that a premium men’s basketball player who goes on to be drafted provides only $382,000 in additional revenue to his school, provided that he plays on a team which belongs to one of the six major college basketball conferences. Players outside of those conferences (whether
drafted or not) fail to provide any significant revenue to their schools. Further, I demonstrate the possibility that instead of premium athletes being exploited to generate increased profits for their school, it may be the case that the extra value they provide is used to fund scholarships for less productive teammates. This paper has been revised and resubmitted to the *Journal of Sports Economics*.

In future research I hope to continue exploring interesting sports questions relating to labor economics. Sports have been engrained in our culture for decades, and recently sports economics has become more mainstream in the economics literature. The availability of sports-related data is growing rapidly, and it is opening more and more avenues for research. I will continue to seek out interesting sports-related questions and data as I find that these topics are increasingly popular within the academic community and are especially useful in getting students interested in economics. The third chapter of my dissertation expands on my work in this field by estimating the labor market effects of sports arenas and stadiums. While this topic has been researched heavily before, I expand on the literature by examining arenas which are used by lower-level professional sports teams, and also by estimating the effects at a more localized geographic level; ZIP code areas.

Outside of my dissertation research I have worked on a paper studying the determinants of occupational licensing with two of my committee members (Robert Thornton and Edward Timmons). The paper reviews the growth of occupational licensing over time and the more recent outcry over the potential negative employment effects resulting from it. We summarize the few attempts that have been made by states to “de-license” occupations, or remove licensing already in place. In reviewing the efforts to scale back occupational licensing, we develop a model of the determinants of de-licensing, and determine what common factors exist amongst the states who have proposed such legislation. The paper calls attention to the rapid growth of occupational licensing over time and looks at ways in which we might expect to see a reversal of this current trend. This paper has been accepted for presentation at a session of the AEA Meetings in January 2016.

Research on occupational licensing has recently attracted increased political and media attention as we search for ways to spur job growth in the future. The growing interest surrounding occupational licensing is evident in the recently released White House Report, “Occupational Licensing: A Framework for Policymakers.” Politicians and citizens alike are concerned with the influence and the effect that occupational licensing has on the job market, and I hope to advance the literature by continuing to determine the causes of increased licensing and circumstances in which de-licensing might occur, as well as the impact licensing has on employment and wages in different occupations.