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Mason Magic Isn't Rocket Science

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It's Economics, at Least When An Acclaimed Faculty Theorizes

By Neil Irwin
Washington Post Staff Writer
Thursday, March 30, 2006; D01

Back before George Mason University's basketball team was two wins away from a national championship, the school had a different set of all-stars: its economics department. It counts two Nobel laureates and is a ground-breaker in research into how changing incentives affect people's behavior.

But perhaps the two sets of stars have something to learn from each other. Basketball, as it turns out, makes an intriguing laboratory for testing economic theories against how things work in the real world -- a specialty of George Mason's economists.

As the basketball team prepares to face the University of Florida in a semifinal game Saturday evening, The Washington Post called some of George Mason's other big men yesterday to ask how they might apply their pet areas of research to examining their team's recent success. In case you have trouble keeping them straight: Economists have game theory; the basketball players have just got game.

There's another big difference. "I don't remember anywhere near this big a celebration when Vernon won the Nobel Prize," said GMU economics professor Alex Tabarrok, referring to colleague Vernon L. Smith, who shared the \$1 million prize in 2002.

George Mason's economics department was put on the map by its other Nobel winner, James Buchanan, who broke ground in using economic tools to analyze political decision making and the impact of laws on society. It's called public choice theory, and its lessons are particularly useful for the basketball court.

Think of a basketball game as a vastly simplified proxy for the real world. There are laws that govern behavior (the rulebook), people who enforce those laws (referees), and a way to measure who is succeeding and who isn't (the score).

Just as lawmakers can change the way wealth is distributed by changing tax and other rules, changes to the rules of basketball can have sometimes unpredictable effects on what teams score the most, and how.

Peter Boettke, a George Mason economist and avid basketball fan, offers an outlandish example: "I can change one rule in basketball and Michael Jordan will no longer be the best basketball player of all time. You could change the rules to require the game be played on stiletto heels. Then Cindy Crawford would be the best player."

He and a student are beginning research that would use economic techniques to examine what he suspects are myths. For example, some sports commentators argue that contemporary basketball players are weaker shooters than their predecessors, who had better fundamental skills. Boettke plans to examine whether the advent of the three-point line is the actual reason for apparently weaker shooting

percentages. After all, awarding an extra point for more distant shots creates an incentive for players to shoot from farther away than they used to, resulting in lower shooting averages.

He said that if his research into basketball yields any interesting conclusions, he may slip them to GMU Coach Jim Larranaga before publishing them -- after all, he's more likely to find some use for them. "All we egghead academics do is sit back and ask, 'What are the rational choice mechanics of all of this' and try to have fun with it," Boettke said.

He figures that George Mason's recent success has to do with the incentives facing the very best young basketball prospects. Elite players commonly drop out of college to join the NBA early, meaning the advantage enjoyed by top college programs able to recruit them is smaller than it was. What is at work may be a version of what game theorists call "prisoner's dilemma." Elite players may have more incentive to position themselves to be hot NBA prospects than to do the things -- pass the ball around, for example, as opposed to shooting -- that would make their teams more successful. George Mason's players, who have been long-shot professional basketball prospects, may have fewer competing incentives and might therefore be more inclined to work as a team.

Boettke's work is in the tradition of former George Mason economist Robert D. Tollison, who published papers on how balancing the number of two-point and three-point shots is a form of arbitrage and how the addition of an extra referee affected the number of fouls called in Atlantic Coast Conference basketball in the 1980s. (Surprisingly, it reduced fouls called by more than a third.)

George Mason economist Robin Hanson has been a leading theorist of the notion that "prediction markets" can be used to figure the odds of things happening in the future -- questions as varied as whether rain will fall next week, whether the Saudi ruling family will fall in the next decade or whether Florida will fall to George Mason on Saturday night.

That theory is tested by overseas betting markets that allow people to trade futures based on the outcome of sporting and news events. On one such market, TradeSports, futures contracts based on the outcome of the NCAA tournament yesterday afternoon gave George Mason an 11.7 percent chance of winning it all.

Hanson is hoping to outsmart the markets, though. "This is a case where I have my intuition, and I bet a little that they're wrong. But I'm not very confident," said Hanson, who figures Mason has a better shot of winning it all than the futures markets assume.

And what might be the significance of George Mason's success for the regional economy? We left the economics department and asked Stephen S. Fuller, a George Mason public policy professor.

"People would initially think of the additional spending for T-shirts and everything," but that isn't likely to have any economic impact, Fuller said. "It's local spending that if not spent on a George Mason sweatshirt would have been spent somewhere for some reason."

In fact, there may be a mild -- very mild -- economic loss to Northern Virginia, as the money that George Mason fans spent in the District last weekend while watching games there and the money they'll spend in Indianapolis while watching the Final Four games will not be disbursed closer to home.

For the big winners, look to the George Mason fundraisers. "The development office ought to be riding the biggest wave," he said, as alumni are more inclined to give money.

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