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Symposium

Introduction to the Symposium on Sport Economics

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The past two decades have witnessed an explosion of scholarly research in the field of the economics of sports, and an increasing acceptance from the mainstream of the economics discipline. Of course, common interest in athletics is nothing new. As noted by the first paper in this symposium, spectator sports date back to at least the early Greeks and Romans; and Adam Smith, no less, briefly explored the topic of the economics of recreation in his classic text, *The Wealth of Nations*.

Modern scholarly interest in sports, however, rests on several key aspects. First, sports are a large and growing part of the economies of most modern industrialised nations. Humphreys and Ruseski (2008), for example, estimate the size of the sports industry in the United States alone at up to $82 billion (AUD84 billion) per year. Furthermore, this figure has grown over time, at a rate faster than general economic growth, as rising incomes have led to increases in disposable income and leisure time that have contributed to increased spending on recreational activities like spectator sports.

Second, the social importance of sport is even larger than the economic impact. In purely monetary terms, the cardboard box industry is larger in most countries than the professional sports industry; however, cardboard box fans rarely gather at the local pub to discuss the latest products, nor do newspapers and websites typically devote entire sections to the corrugated paper industry. Clearly, sports capture the public's imagination in a way that goes well beyond a simple economic calculation.

Third, sports provide economists with a wealth of publicly available data that is often difficult to find in other fields of economic study. Indeed, the sports pages and websites are full of data that are begging to be analysed by some aspiring sports economist, and often this data reveals information that is of interest far beyond the sporting world.

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This symposium collects six papers covering a variety of sports economics-related topics and is designed both to present interesting research in the field but also to demonstrate a range of topics typically addressed by sports economists. As can be seen from the contributions in this issue, sports economists are not easy to classify narrowly, and their research frequently addresses many fields within applied microeconomics including labour economics, industrial organisation, public finance, health economics, and consumer behaviour.

Heather Mitchell, Heath Spong, and Mark Stewart examine funding to national sports teams and individual athletes by governments across the World in the pursuit of international sporting success. They suggest that politicians exploit athletic success for political gain. The fact that there can be only one winner of any competition, however, means that the competition among nations has characteristics of a prisoner's dilemma, leading to excessive funding in 'the race to win the race'.

Liam Lenten explores some of the interesting economic trends facing the Australian Football League (AFL). AFL teams are operated predominantly as member-run clubs, as opposed to the privately-owned franchises that dominate American team sports and much of European soccer. While numerous papers within the field of sports economics examine demand as measured by paid attendance to matches, the contribution of this paper to the literature is that demand is measured via membership purchases. The study finds that annual membership purchases are strongly correlated to the previous year's win-loss record, though league-wide trends also impact the sale of memberships. The paper then compares this demand pattern to that of game attendance levels, the more common measure of demand in the area of sports economics.

The relationship between player salaries and revenue in the AFL is analysed by **Ross Booth, Robert Brooks, and Neil Diamond**. Whilst broadcasting revenues for the league have risen thanks to a new five-year, AUD1.253 billion deal signed in April 2011, players have received a smaller share of overall revenues through the past decade — a result consistent with theoretical models of player salaries under member-controlled governance. The relatively small percentage of revenues paid to players frees up funds for alternative applications including better coaching, improved facilities, and spending on general game development.

Ruud Koenig and Remko Amelink highlight the connection between sports and health by examining the mortality of Dutch professional soccer players. The lifestyles of top-level athletes can lead to health problems due to injury, the use of performance enhancing drugs, or unhealthy recreational activities. On the other hand, professional players also receive high levels of routine medical care, have superb levels of physical fitness, and are typically wealthy enough to purchase sufficient health care. The data from Dutch players from the early 1970s suggest that professional players lead longer lives than their non-athlete counterparts.

The 'uncertainty of outcome hypothesis' (UOH) is a fundamental component of demand in sports economics. Part of the allure of sports is that during a particular match, anything can happen, and therefore it is hypothesised that events with uncertain outcomes should attract fan interest. **Rodney Paul, Brad Humphreys, and Andrew Weinbach** use sports gambling data as a proxy for the level of uncertainty for football games played at smaller colleges in the US and compare these data to game attendances. Their findings fail to support the UOH, instead suggesting that attendance rises when the home team is likely either to win (on the one hand) or lose by a wide margin (on the other hand).

Finally, over the past several decades, cities, states, and countries around the world have spent large sums of public money building sports infrastructure and hosting sports mega-events. In contrast to sports organisers, who frequently claim that spectator sports bring riches to host communities, independent economists typically find little or no direct economic impact from hosting sporting events. **Robert Baumann, Taylor Ciavarra, Bryan Engelhardt, and Victor Matheson** add to the literature by examining whether new stadiums or mega-events such as the Olympics can at least provide positive externalities, in the form of serving to reduce crime rates in host cities. They find that neither new sports infrastructure nor large sporting events do much to clean up crime in the towns in which stadiums are built or games are played.

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References

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