New Perspectives in Sports Economics: A European View

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Abstract

As for any other forecast, there is a methodological issue in the background of any guesswork about what would be the new perspectives in sports economics. It is even more crucial in the latter area since the uncertainty of outcome in sports has an impact on the uncertainty of income drawn from fans, TV viewers, sponsors, patrons, and municipalities. If we assume that economists are more eager to start a research when it can be financed or, at least, when it deals with a sector, an area or a topic which is dragging a substantial amount of money into the economy, then the above-mentioned uncertainty of income turns itself into an uncertainty of the future research agenda. To tackle such a problem, no one can escape making a few assumptions. I would suggest three of them: a path dependence assumption, a cross-fertilization assumption, and the hypothetical existence of a specific social demand for peculiar areas of interests (topics) in European sports.

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As for any other forecast, there is a methodological issue in the background of any guesswork about what would be the new perspectives in sports economics. It is even more crucial in the latter area since the uncertainty of outcome in sports has an impact on the uncertainty of income drawn from fans, TV viewers, sponsors, patrons, and municipalities. If we assume that economists are more eager to start a research when it can be financed or, at least, when it deals with a sector, an area or a topic which is dragging a substantial amount of money into the economy, then the above-mentioned uncertainty of income turns itself into an uncertainty of the future research agenda. To tackle such a problem, no one can escape making a few assumptions. I would suggest three of them: a path dependence assumption, a cross-fertilization assumption, and the hypothetical existence of a specific social demand for peculiar areas of interests (topics) in European sports.

What is meant by path dependence is that new perspectives in sports economics would simply follow up the current research agenda, practically nobody swimming against the tide. Then, which is the tide? I would advocate that we do not witness the same tide (trend) in the American and European economics of sports today. Let me give a few examples. If one checks the content of the forthcoming *Handbook on the Economics of Sport* (Andreff & Szymanski, 2006), it is not only by chance that one sees no North American among the six authors about the macroeconomic evaluation of the sports economy (chap. 1) and no more...
among the thirteen authors of chapter 4 (sporting governance and the state) while there are seven Americans (and fifteen Anglo-Americans) out of twenty-one authors writing about the principal economic issues of professional team sports and half of North American authors as far as the dark side of the sports economy (discrimination, doping, corruption – chap. 7) is concerned. A double check is the sample of articles collected by Zimbalist (2001) from the American literature on the economics of sports. The first volume – 31 articles – is entirely devoted to the theory of sports leagues, antitrust analysis and sports leagues, and labour markets (for talents) while the second volume still covers labour markets (discrimination, 11 articles) and a typical American topic which is the economic analysis of college sports (8 articles). Only the rest of this second volume partly overlaps with the European sports economics since it includes: demand estimation (8 articles), economic impact of sports and facilities (5 articles), and some of the miscellaneous issues (9 articles).

My point is that there has been – and still is - basically a different specialisation by topics and research areas between North American and European economists of sport so far. Following the path dependence assumption, our guesswork will consider that the same (‘transatlantic’) division of labour would persist due to some acquired comparative advantages (or disadvantages) that must be clarified (section 1).

On the other hand, we can assume that this sort of no bridge between the American and the European sports economics will be overcome in the near future. This is the cross-fertilization assumption. It implies that an increasing number of European sport economists would start working on the topics the American economists are focused on – such a trend is under way already – and that American sport economists, then really swimming against the tide, would investigate the areas in which European economists have been involved so far – still to come, apart from a few exceptions mentioned in section 2. British sport economists may have a crucial role there to provide the required bridge between the Americanization of the European
sports economics (not only the Americanization of the European sports economy, see Hoehn & Szymanski, 1999) and the Europeanization of the American economics of sports.

The third assumption is that, willy nilly, the research agenda in sports economics in fact is socially determined – i.e. it responds to some sort of ‘social demand’, in the short term and in the long run. I would contend that this assumption is probably relevant in the context of both American and European sports economy and society, even though I would only stick to the European side of the coin (section 3). Then, the new perspectives in sports economics will depend on the current and future economic concerns that emerge in European sports. A counter-tendency to this trend is, of course, the increasing globalization of the sports economy but, for a while, it should not entirely level off the playing field in research and it would not pave the way for a unified global approach to the economics of sports (under assumption 3).

1. Path dependence: swimming with the (European) tide

American and European sports economics were not born in the same cradle since their birth date is not the same and their birth context is not similar either. There from it derives that they have not focused on the same economic concerns and topics, they have not dwelt upon the same intellectual background, they have not adopted the same paradigms, and they have not used similar methodologies. Although the initial gap is partly filled in the 2000s compared to, say, the 1970s and 1980s, I would overemphasize the differences in order to detect which new perspectives were to emerge in the European sports economics if a path dependence in the research agenda was assumed.

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2 By contrast, I would briefly sketch what should be the American perspectives, under the same assumption, though I basically would leave Robert Baade doing this job.
1.1. Not from the same cradle\textsuperscript{3}

The birth date of sports economics is usually traced back to 1956 in the U.S. with the famous article by Simon Rottenberg (1956) about the invariance principle and the baseball players’ labour market, although Jay Topkins (1949) and Paul Gregory (1956) might have been considered as – less famous – front runners as well. From the very beginning, the American sports economics had a tight link with labour economics, the microeconomic theory of the firm and market competition. The article by Walter Neale (1964) is the starting point of the theory of professional sports leagues, since it differentiates sporting competition (and competitive balance) from market competition (and economic equilibrium). Not surprisingly, the first article published by a Canadian economic journal in the field (Jones, 1969) analysed the economics of professional hockey. Thus, the North American sports economics started focusing primarily on professional sports.

The most influential publication in this first period was Government and the Sports Business, edited by Roger Noll (1974) the bibliography of which contains about 25 publications in sports economics, although nearly half of them have been published in law journals, mainly on antitrust analysis. Its content is again exclusively geared toward professional sports: attendance, price setting, sport broadcasting and sponsorship, subsidies of stadiums and sport arenas, and discrimination in the labour markets for players.

Perhaps the main reason that sports economics developed in the U.S. was the growth of demand for antitrust analysis based around the reserve clause and related issues. Moreover, the clubs and leagues themselves supported these developments by hiring economists to present their arguments and engaging in the public policy debate with Congress. Modelling the sports economics started in the early 1970s, namely with El-Hodiri & Quirk (1971).

\textsuperscript{3} This point is derived from the Introduction of Andreff & Szymanski (2006) where it is further elaborated.
The American research agenda started to be noticed in the UK at the end of the 1960s, namely by Peter Sloane (1969). A further article in 1971 established a view that has been widely held ever since - that European clubs are not so much interested in profits (as is typically assumed in the U.S.), but rather behave like utility or win maximizers. In the 1970s and 1980s a small group of researchers developed the analysis of sport based on UK data, dealing primarily with issues relating to demand and competitive balance. Developments in the UK and America tended to follow what might be thought of as an Anglo-Saxon approach to economic analysis.

In Europe, outside the UK, sociological currents were much more in evidence. The seminal work by Volpicelli (1966) examined the economic relationships between modern sports and the manufacturing industry and the so-called “commodification” of sport. Volpicelli’s book influenced the emergence of a French ‘school’ of sports economics alongside with the writings of some sociologists. Following Pierre Bourdieu’s theses (1979) on social differentiation, the French sociologist Christian Pociello (1981) differentiated sports according to a number of social and economic factors. In the French context, these factors include the distribution of the state budget across sports, the role of technology and the influence of industrial patrons which determine the different growth rates of different sports practices (Andreff, 1981). Thus the early French economic approach of sports contained a provocative mixture of sociology and economics.

After 1977 the field developed rapidly in France, investigating the economics of professional cycling (Tour de France), launching the creation of a nation-wide sport accounting system, and developing an economic analysis of the ski industry and of the demand for sporting goods. The research centre on law and economics of sports created at Limoges University enlarged the scope of sports economics to the analysis of public subsidies to *amateur* football clubs, and also to the football (soccer) players’ labour market, focusing on
the socio-economic differentiation among players and the financial segmentation among clubs, in line with Doeringer & Piore (1971). In response to the demand of the Olympic committee and sport federations, accounting systems for non-profit making sport associations have been designed (Andreff, 1980) and the economic significance of voluntary work in sport has been assessed.

In a paper on the state of arts in the French economics of sports, nearly 100 articles, books and Ph.D dissertations were listed eleven years ago (Andreff, 1995). The major areas covered were industrial economics, public policy, labour markets, sport facilities and regional economic development, and sport consumption linked to practice. However, by the end of the 1980s, the different approaches in the French sports economics - most of them belonging to non mainstream economics - joined together under the label of “political economy of sports”. The volume edited with such a title (Andreff, 1989b), is quite representative. In other words, the French approach to the economics of sports was less focused on professional sports than the North American one, simply due to their lower relative importance in the French sports economy until the early 1990s. On the other hand, it was closer to heterodox than to mainstream neo-classical economic analyses.

In Germany, two approaches have been adopted in the first publications on sports economics. One is similar to the Anglo-American analysis with such articles as Melzer & Stäglin (1965), following up the discussion launched by Rottenberg and Neale but within the context of the football Bundesliga, and Büch & Schellhass (1978) about the transfer system in German football4. However, just like in France, some other roots of sports economics are to be found at the interstices of sociology, management science and economics. Klaus Heinemann, a sociologist, was one of the pioneers in the field. Gärtner & Pommerehne (1978) asked the epistemological question “is the football spectator an homo oeconomicus”? Egon

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4 My thanks to Markus Kurscheidt for drawing my attention on to these first two German articles.
Franck (1995) theorised about management strategies in the team sport industry using the theory of property rights, the principal-agent model, transaction costs and institutional economics. However, the real rocket pad for sports economics was a study led by Wolfgang Weber et al. (1995) on the economic significance of sport in a reunified Germany which must be regarded as the first step toward the current macro-econometric modelling of the sports economy and the impact of major sport events.

1.2. Two different research agendas

As a result from different roots and approaches, the American and European economics of sports have followed different paths at different paces. The number of American publications in the area took off already in the 1980s and skyrocketed in the 1990s whereas a similar take off of the European literature in sports economics lagged until the second half of the 1990s, merely linked with a new concern for professional team sports after the Bosman case (1995). The time lag at birth (from U.S. 1956 to Europe 1966-69) has roughly maintained up to the mid-1990s, but a catch up process is on the tracks since 1997-98 with a new impulse in European researches connected with the increasing ‘professionalization’ of sports, involving more and more former amateur sports into money making in Europe. Notwithstanding this recent converging trend, the American and European approaches to sports economics have been diverging in many respects during nearly three decades (Table 1). Although the actual delineation is less sharp than it appears in the table, I would comment the European column of the latter.

The economic context of sport development was dramatically different on the two sides of the Atlantic. Professional and elite sports were flourishing and were primarily financed with private money since the 1950s in North America while they were comparatively
underdeveloped in Europe and partly subsidised on public funds (less and less when moving from the 1960s to the 1990s). Coubertin’s ideology was prevailing in Europe, making sport a humanitarian and/or public good, and sport subsidisation (at least by municipalities) a priority. The development of mass sport, sport for all, sport at school, and amateur sports was considered as creating basic social values, and usually was an objective of the state (sporting and economic) policy. France, Italy, Portugal, and the Scandinavian countries are among the most representative countries for this trend. Thus, it is quite logical that the roots of sports economics were not to be found in the same concerns in the American and European sports.

Table 1 - The American and European approaches to sports economics from the 1960s to the mid-1990s

<table>
<thead>
<tr>
<th>Items</th>
<th>American sports economics</th>
<th>European sportseconomics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of birth</td>
<td>1956</td>
<td>late 1960s</td>
</tr>
<tr>
<td>Prevailing context</td>
<td>Privately financed professionnal &amp; elite sports, college sports</td>
<td>Free &amp; subsidised mass sports (for all), underdeveloped professional sports</td>
</tr>
<tr>
<td>Major concerns</td>
<td>Antitrust, labour market for talents, racial discrimination, money making in sport</td>
<td>Sport participation, amateur sport &amp; accounting, public finance, governance, commodification, non profit making associations</td>
</tr>
<tr>
<td>S.E. deriving from</td>
<td>Law, business, standard microeconomics</td>
<td>Sociology, institutional economics, accounting, management science</td>
</tr>
<tr>
<td>Dominant paradigm</td>
<td>Mainstream neoclassical theory</td>
<td>Political economy, heterodox theories</td>
</tr>
<tr>
<td>Methodology</td>
<td>Primarily quantitative: microeconomic modelling &amp; econometrics, data bases, sample studies</td>
<td>Primarily qualitative: macroeconomics, statistics, input/output, multipliers, macro-econometric modelling</td>
</tr>
<tr>
<td>Main limitations</td>
<td>Unheeded non business sport, less critical approach</td>
<td>Data secrecy &amp; cheating, guesstimates, debates</td>
</tr>
</tbody>
</table>
In North America, the main issues were linked to professional sports and sport business in the so-called sports industry (market, competition, labour). In Europe, one was much more concerned with sport for all and, possibly, sport for free (i.e. subsidised sport). Public (municipality and state) finance had a major share in the overall sport finance of non-profit making associations. Among the main issues, the possible mismanagement at the association (club, league, federation) level of monies partly flowing from taxpayers and the fight against dire embezzlements were top on the list. On the other hand, the increasing tendency to find private sources of finance (the so-called “commodification” of sport) was clashing with the European understanding of the Coubertinian rules, and was much studied and debated.

Consequently, the first articles in the American sports economics were very much influenced by legal issues and published in law journals, focusing on the Sherman Act area of validity, labour contracts and the revenue sharing of TV broadcasting rights. In the background, the standard microeconomic analysis of market competition, as regards to labour and product (i.e. the sport event) markets, was called for helping decision makers.

In continental Europe, sports economics basically sprang from academic works and debates among sociologists, institutional economists and socio-economists, in the post-1968 intellectual mood whereas the demand for their researches was not emerging from the private business community but rather from the ‘sport movement’ itself (Olympic committees, sport federations, leagues and clubs), the municipalities and the state. While the dominant paradigm of the American sports economics, from the very beginning, started to be the mainstream neoclassical (microeconomic) theory, most of the first European economists involved into analysing the sports economy appeared to be non mainstream: they were coming from the institutionalist, evolutionist, ‘regulationist’, post-Keynesian or even quasi-Marxist horizons. In a nutshell, they were not economists interested in (analysing) money making, profit maximising, private business. They rather were those leaning towards the analysis of social
issues, associative life, self-management, merit wants, public subsidies with an overall view and a macroeconomic background. They were not used to publish in famous mainstream economic journals, except a few of them (see the survey of the 1969-1982 sports economics literature in Chantelat et al., 1998).

Not surprisingly, the same methodology was not privileged on both sides of the Atlantic, at least until the early 1990s. Theoretical microeconomic modelling and econometric testing were prevailing in North America, using data bases and sample studies about professional sports. In Europe, both data secrecy about sport associations and the non mainstream approach led the research agenda toward attempts at improving the statistical knowledge about the sports economy and building up a national accounting of it, then using macroeconomics, multipliers, simple statistical testing and, eventually, input-output analysis and macro-econometric modelling.

A European keynote speaker would be at ease to talk at length about what seems to be the main limitations of the American approach (from a European point of view). But it would be unfair. Nevertheless, I cannot refrain myself from mentioning that non-business (non-profit making) sport is the dark side of the moon in the American literature on the economics of sport. This is not to say that European sports economics escapes to any hindrance or limitation. I would consider as the most damaging one the statistical and accounting secrecy (though improving) whose economists are not necessarily the most accountable for (have a look at the ‘sport movement’ and the sport business in Europe!). The consequence is a (too great) number of guesstimates used in European researches about the sports economy and, possibly, a lower confidence in the observed quantitative results than in North America. My guess is that, from an American point view, the European sports economics is crossed by too many controversial debates, probably assessed as too much ‘ideological’ because it is enshrined in the Coubertinian train of thought and an ‘old-style’ political economy approach.
3. Perspectives in following up the European specialisation

The different approaches to sports economics came out with different area and topic specialisation on the two sides of the Atlantic. Notwithstanding the areas of overlapping researches (see section 2), the traditional American specialisation was achieved in topics derived from the American model of professional team sport organization (Table 2) and most publications were dealing with baseball and American football, then ice hockey and collegiate sports. Of course, American rules were studied in the case of basketball as well, but this area is not non-existent in the European literature on sports economics (then not listed in Table 2).

Table 2 - The American and European specialisation in sports economics until the 1990s

<table>
<thead>
<tr>
<th>Items</th>
<th>American sports economics</th>
<th>European sports economics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall sport, some major topics in the other continent literature</strong></td>
<td>Competing leagues, franchise relocation, salary cap, luxury tax, rookie draft, production function of professional team sports, racial discrimination, free agent, revenue sharing, players agents</td>
<td>Amateurism, voluntary work sporting goods industry &amp; trade, public vs. private finance, sporting ethic &amp; finance, sports accounting, employment in the sports industry, economics of doping &amp; corruption</td>
</tr>
<tr>
<td>Major specific areas</td>
<td>Economics of baseball, US football, ice hockey and collegiate sports</td>
<td>Economics of European soccer, rugby, cycling, cricket</td>
</tr>
<tr>
<td><strong>Professional sports</strong></td>
<td>closed</td>
<td>open</td>
</tr>
<tr>
<td>League</td>
<td>profit maximising</td>
<td>win maximising</td>
</tr>
<tr>
<td>Teams</td>
<td>horizontal: franchise relocation</td>
<td>vertical: relegation &amp; promotion system</td>
</tr>
<tr>
<td>Team mobility</td>
<td>regulated</td>
<td>deregulated (Bosman)</td>
</tr>
<tr>
<td>Labour market</td>
<td>Naming, merchandising</td>
<td>TV rights, stock flotation</td>
</tr>
<tr>
<td>New financing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Competition | Antitrust law exemption | European competition rules |

Under the path dependence assumption, we have to expect that the core of American research would remain the multifaceted topics concerned with the American model of professional team sports, and exemplified by the above mentioned sports, in particular baseball and American football. A glance at all the articles published in the *Journal of Sport Economics* since 2000 provides a good idea of what might be foreseen if the tide would not reverse or even if it would only slightly change (see a first topic coverage in Mondello & Pedersen, 2003).

The European sports economics would stick, with the same assumption, to topics like the (economic) decline of amateurism, the economic significance of voluntary work, the trade off between public and private financing of sport (Andreff *et al.*, 1994) and the connected clash between ‘privatization’ of finance and sporting ethic (in particular from a post-Coubertinian viewpoint), the improvement of (private) accounting and auditing in non-profit making sport associations, the upgrading of a national macroeconomic accounting framework for sports likely to provide better data\(^5\), the economic impact of sport on overall employment - given the high average European unemployment rate (Primault, 2006), the economics of doping and corruption (Berentsen, 2002; Bourg, 2000; Eber & Thépot, 1999; Maennig, 2002), including embezzlements and other financial misdoings in (both amateur and professional) European sports. The first steps in studying the innovative sporting goods industry (Andreff, 2006b; Desbordes, 2001) and its international trade, outward-processing, foreign direct investment and production relocation in the Third World countries (Andreff, 2004a) would be prolonged.

When it comes to professional sports, path dependence would mean a research agenda concentrating on open leagues, the promotion-relegation system, win maximising teams, the

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5 The leading European countries in this area today are Germany (Ahlert, 2000; Meyer *et al.*, 2000), France (Andreff, 2006a), England (Cambridge Econometrics, 2003) then, though not a country, Andalusia (Otero Moreno *et al.*, 2000) and the Czech Republic (Novotny, 1998).
economic consequences of the Bosman case which has deregulated the European labour market for talents (Késenne, 2000a), the so-called ‘sporting exception’ in the face of the European competition policy, and the new structure of finance in professional sports (Andreff & Staudohar, 2000).

From the evolving research agenda in the past decade, it seems (it is my own expectation) that the probability is lower that the European sports economics will firmly stick to its traditional topics in the near future (it is already derailing from its previous long lasting research agenda) than the probability of the American sports economics moving away from its core issues. I would bet more than one penny on it.

2. Cross-fertilization: a converging trend?

The next question is to know whether some cross-fertilization is at work between the American and European sports economics so that, in the long run, there would be some sort of convergence towards a single unified approach. A first proof of such a converging trend would be that an increasing number of researches achieved by European sport economists would take over some topics of the American economics of sports whereas, the other way round, American sport economists would start studying some specific issues of the European sports economics. A second index of convergence (and possible cross-fertilization) is the existence of similar topics, areas and concerns on the two sides of the Atlantic as regards to sports economics. Fortunately, the American and European economics of sports have already a number of focuses in common, and there they can easily further cross-fertilize.

2.1. Reciprocal areas of interest
A few North American sport economists have already started working and publishing on European sport issues. I would take as an example, Rodney Fort’s article (2000) attempting to single out the differences between European and North American sports with the underlying view that they are not that deep and so many. It may have been (I did not ask Rodney) the start up of a book on international sports economics comparisons (Fort & Fizel, 2004) in which Paul Staudohar (2004) provides an American view about the Bosman case and the 2001 FIFA-UEFA-European Commission agreement as to the new rules governing the player transfer system in European football.

Roger Noll’s article on the promotion and relegation system in English football (Noll, 2002) is even more significant. Given the observed results, Noll states rather laudatory comments about this system since, except an ambiguous effect on competitive balance, players earn higher wages and promotion and relegation has a net positive effect on attendance. Then, he concludes on how promotion-relegation might be implemented in North America, in tune with Szymanski & Ross (2000). Marc Lavoie’s contention (Lavoie, 2005) that European professional sports should not transplant the regulation tools of the North American model is also, in some sense, cross-fertilizing. Finally, Paul Staudohar’s involvement in the finance structure of European professional leagues and teams (Andreff & Staudohar, 2000) exhibits how much transatlantic cooperation and comparison can bring about more convergence between American and European trains of thought (see also Barros et al., 2002).

Going even further – and probably swimming against the American tide -, George Sage (2000) applies a political economy approach to mass sports (rather unusual in the American literature), school sports, intercollegiate sports, professional sports, globalization of the sporting goods production (a typical European topic) and child labour in relocated factories in the Third World. He focuses on such issues as sport organizations with a non-profit status and
state intervention in the sports economy, he contests the official view that college sport is amateur sport, and he adopts the European parlance of sport “commodification”.

When it comes to European researches related to core issues of the American sports economics, they have been fuelled by new thinking and debates about a European model of professional team sports organization, regulation and finance, after the Bosman case. “Importing” in European football, basketball, rugby and ice hockey a closed league system with such rules as a salary cap, a players draft, an exemption from the European competition policy and, possibly, a withdrawal of promotion and relegation, at least in a European Super League, have their pros and cons, their fans and their opponents. Of course, a hot debate encompasses a good deal of comparisons, controversial issues and, eventually, cross-fertilization (Bourg, 2004; Gouguet, 2005; Hall et al., 2002; Jeanrenaud & Késenne, 1999; Primault, 2001; Szymanski, 2004; Szymanski & Kuypers, 1999; Szymanski & Smith, 1997). On the other way round, we find the survey of baseball economics by Stefan Szymanski (2006).

Those works written by European economists that deal with other topics common to European and American sports are significant as well. I would mention the comparison of the relationships between team performance and wage bills by Simmons & Forrest (2004), between sports and broadcasting by Gratton & Solberg (2004). Here again, co-authoring with an American economist, is probably the strongest cross-fertilizer as it appears in the co-authored publications by Peter Sloane and Robert Sandy (2003) and with Mark Rosentraub (2004). Reading the latter book, any European sport economist would find out that scalping is an underdeveloped research area in European sports economics, although scalping actually is witnessed before any mega-event in European football, for instance. The same remark applies to racial discrimination (see 3 below) in European football.
Our conclusion is that direct co-operation (and co-authoring) between European and American sport economists would be a major channel for cross-fertilization and the derived outcome should be an increase in the number of comparative and international (transatlantic) topics on the future research agenda.

2.2. Common topics and areas

Convergence is obviously easier in those topics that have been – and still are - common to the European and American sports economics. The following list is by no means exhaustive, but anyone involved in the economics of sports research could associate some American and European names (that I would not mention) to most of the below-listed topics (Table 3).

Table 3 – Common topics in the American and European sports economics

<table>
<thead>
<tr>
<th>Areas</th>
<th>Topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td>Inelastic pricing &amp; demand for spectator sports, attendance, pricing the uses of sport facilities &amp; recreation parks, sports services as collective goods or merit wants</td>
</tr>
<tr>
<td>Mega sport events, sport facilities</td>
<td>Economic impact (multipliers), cost-benefit analysis, externalities, use and non use values, willingness to pay with information asymmetry (different methodologies)</td>
</tr>
<tr>
<td>Investment</td>
<td>Local government subsidies &amp; regional (urban) economic development, sport &amp; leisure economics</td>
</tr>
<tr>
<td>Financing</td>
<td>Overall sport finance, financing professional team sports, financing sport facilities and events</td>
</tr>
<tr>
<td>By-products</td>
<td>Sport broadcasting, sponsorship, gambling</td>
</tr>
<tr>
<td>National sport wins</td>
<td>Economic determinants of medals (Olympics), comparative advantage of nations</td>
</tr>
<tr>
<td>Designing contests</td>
<td>Theory of tournaments &amp; the design of sporting contests, optimal prize structure and balanced contests in professional individualistic and team sports</td>
</tr>
</tbody>
</table>
Pricing in the sports economy is the same issue on the two sides of the Atlantic and has been dealt with in the same way. Fortunately, nearly all American and European studies have shown that the demand for spectator sports is inelastic to prices and attendance reacts more to the quality of the sport event (uncertainty of outcome, stars on the pitch, stadium comfort, etc.). As regards to pricing of the uses of (municipal) sport facilities, leisure and recreation parks, we witness the same trade off, here and there, between subsidization and full cost pricing. In the background, the same debate opposes the view that sport and leisure services are collective goods to the one assessing them as merit wants that must be definitely financed on public funds.

The economic analysis of mega sport events and the connected sport facilities and infrastructure has evolved along the same path in North America, in Europe and everywhere else. The shortcomings of most impact economic studies have been pointed at, the least not being the strong influence on the results of the political powers supporting the application for hosting the event. I would not come back to the 2004 Athens Olympics or the 2012 Paris applications which were not based on as sound cost-benefit analysis and economic modelling as could be wished. Methodological tricks usually come out with an overestimation of multipliers. The relevant tools necessary to assess externalities, the use and non use value of a project, and the willingness to pay in a situation of information asymmetry (transportation costs, contingent evaluation, and monetisation of physical damages) are not often utilized in a proper cost-benefit analysis of sport events. So that it is not often easy to estimate the exact welfare impact of a (public or private) investment in sport on urban, local and regional economic development. The same hindrances apply to studying the impact of sport and leisure infrastructures geared towards sport for all.

Financing of the sports economy overall, financing the professional team sports, and financing sport events and facilities is another area of international comparisons in sports
economics. The spectator sport’s by-products such as sport broadcasting, sponsorship, and gambling, since they are increasingly affected by globalization, have become a common interest as well.

Finally, there is a renewal in the trend of researches in two areas. One is the study of economic determinants explaining the number of medals won by a nation at the Olympic Games in order to determine its comparative advantage and the most probable number of medals that it can be predicted to win at the next Olympics. Although we can trace back this area of interest to a first article by Ball (1972), there is a recent upsurge in publications concerning the medals won by any country (Bernard & Busse, 2003), by developing countries (Andreff, 2001; Hoffmann et al., 2004) and transition economies (Poupaux, 2003; Tcha, 2004).

The second area is the application of the tournament theory to designing sporting contests with issues such as maximising the winning efforts of the athletes, under the constraint of the initial equality chance of winning. A trade-off is demonstrated between sorting players by ability and handicapping the stronger athletes or players, once a war of attrition among contestants has been avoided. The area has been surveyed by Muehlheusser (2006), Sobry (2003), and more extensively in Szymanski (2003) where the analysis is prolonged toward the proxies for prize maximisation in the case of professional team sports.

All these topics will certainly continue to delineate an area of deep convergence between European and American sports economics.

3. A socially determined specificity of the (European) sports economics

Our last assumption is that, in fact, the research agenda in the economics of sports, as in many other areas in economics, is determined by a social demand for developing specific
topics with respect to particular current economic issues emerging in sports at the moment. This is how differences have widened the gap between the American and European sports economics over the past five decades. I would not look at the current economic concerns in North American sports (see Baade’s keynote speech), but I would mention and list what seems to be the major unresolved issues and urgently needed studies in European countries, differentiating those issues that pertain to the overall sports economy from those more specifically called by economic and social vested interests in professional team sports. My listing is by no means exhaustive but it relies on what one can read in the press and in a few economic articles, and on the current debates agitating the Olympic organisation, international sport federations, professional leagues and clubs, as well as the business circles connected to sports.

3.1. Promising topics that arise from the current development of the European sports economy

Sociologists have investigated some socio-demographic variables (age, gender, social status) that determine sport participation. Economic variables (subscription, ticket price, incomes, sporting goods ownership or lease, facilities location) are increasingly playing a significant role as determinants of sport participation, though they are not much studied by economists (Andreff & Nys, 2002; Sobry, 2002). Linked to sport participation, household consumption of sporting goods and services is evolving in most European countries: more services, less goods. Moreover, after nearly three decades of skyrocketing expansion (from the late 1960s to the mid-1990s), the growth in household consumption of sporting items has slowed down (however, it is still between 3 and 6% per year in Western European countries). The most striking change is the emergence and growth of what I would call “do it yourself
sport” – i.e. a self-organised, self-managed and self-financed sport practice without resorting to associative sport or to the commercial sport sector. Is this “autonomous” sport practice an

Table 4 - Socially determined topics in the European sports economics

<table>
<thead>
<tr>
<th>Areas</th>
<th>Topics</th>
</tr>
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<tr>
<td>Sport participation</td>
<td>Economic determinants, household consumption of goods &amp; services, trade-off between associative/commercial/self-organised sports</td>
</tr>
<tr>
<td>Voluntary work</td>
<td>Economic significance, tax exemption, volunteers' remuneration, vocational training</td>
</tr>
<tr>
<td>Sporting goods</td>
<td>Life cycle, innovation, trade globalisation, production relocation and foreign direct investment</td>
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<tr>
<td>Experimental economics</td>
<td>Sport participation as a determinant for job search, sport and (un)employment</td>
</tr>
<tr>
<td>Sport events</td>
<td>Bidding for global sport events, cost under- and benefit over-estimation, economic lobbying, ambush marketing</td>
</tr>
<tr>
<td>Medias</td>
<td>Impact on sport broadcasting of mergers and concentration in the media industry, internet, web TV and mobile phone access, market for the sporting press &amp; edition</td>
</tr>
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<td>Doping</td>
<td>Economics of the World Anti-doping Agency</td>
</tr>
<tr>
<td>Sport globalisation</td>
<td>Economics of the IOC &amp; international federations, international transfers, labour migration, naturalisation &amp; citizenship in representative sport, a global public good, sports economy in developing &amp; transition countries</td>
</tr>
<tr>
<td>Theory</td>
<td>Network theory applied to sport</td>
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<td></td>
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<td>Governance</td>
<td>Principal-agent model applied to league-team relations, a European auditing body in professional football</td>
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<td>Nations vs. Clubs</td>
<td>Releasing star players without compensation, club vs. representative international competitions, Super League</td>
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<td>European market for players</td>
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<td>Competition</td>
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<td>Medias</td>
<td>Individual club ownership of broadcasting rights vs. rights pooling by the league and competitive balance</td>
</tr>
</tbody>
</table>
Finance and competitive balance | Financial innovations: stock market listing, strategic media investment, player lease-back arrangements, stadium naming, club financial concentration, UEFA competition revenues & national league competitive balance
---|---
Dark side of sport | Match fixing, embezzlements, money laundering, naked racial discrimination by spectators in European stadiums

Economic substitute or an addition to associative and commercial sport, and is it growing faster than them?

*Voluntary work*, which is crucial for non-professional sport (and even for professional sports), has sometimes been told to be in crisis. Commercialisation of sport activities has led to the marginalisation of the voluntary sector. Compelled to compete with the commercial sector and facing more complex tasks and more demanding sports consumers, the job responsibility and accountability of volunteers increase and complicate so that a growing number of sports organisations prefer to employ professionals. Moreover, the administration of not-for-profit sport organisations is increasingly facing the demands of government funding agencies, sponsors and the legal system. Some volunteers may find it difficult to cope with. There is a tendency for volunteers to be pushed from the core to the periphery of decision making in sport organisations. On the other hand, sport participants often realise that their fees would increase if paid labour were substituted for volunteer labour for all tasks in sports clubs. From this derives a pressure on players and ex-players to volunteer (Cuskelly, 2004).

Although the productivity of volunteers is lower compared with that of employed professionals, since the wage rate of voluntary work is zero, the profitability of the voluntary sport sector may well be based on the latter opportunity. As a consequence, in the past recent years, the *remuneration* of voluntary work has emerged as a hot, debatable and debated issue. One can consider that social recognition of the skills acquired by volunteers during their voluntary work as a proxy for vocational training is hopeful. Such recognized skills could be
monetized afterwards on the labour market. Another idea is to compensate unpaid work hours. In 1998, the Thüringen Land passed a law allowing each sport volunteer to receive from 30 to 50 D-marks for eight work hours per month, the excuse being his/her personal expenses for telephone calls, insurance, vocational training, etc. Moreover, all volunteers over 16 can get 12 additional vacation days over two years to complete their vocational training, each day paid by the Land (70 D-marks) to their employers (Andreff, 2006c).

Since sporting goods – the use of which is practically unavoidable for any sport practice today - remain an unheeded research topic in sports economics, researches about their life cycle, innovation in the sports goods industry, their (increasingly international) trade and production, foreign direct investment and the strategies of transnational corporations not only are promising topics, but need to be studied in order to clarify one important economic determinant of sport participation (the cost of sporting goods and equipment), in particular in less developed countries.

A new area is emerging today which is the application of experimental economics to sport. It is a brand new exercise. However, one can already mention a study by Eber (2005), using experimental tools, which has exhibited that, within a population of graduate students, those involved into sport practice are more likely to get a job than the non participants. There is a potential for many other experimental studies on the relationships between sport participation, voluntary work and (un)employment.

The economic cost-benefit analysis of sport events is well established now and, sometimes, like for the World Cup 2006 in Germany, it is completed by (macro-econometric) modelling (Rahmann & Kurscheidt, 2002) or, like for London 2012, by a computable general economic model. The research prospects here are more linked to decision making and policy implications. Bidding for hosting global sport events is now open to a harsh competition between some major countries (soccer World Cup) or between the biggest cities in the world.
for Olympics (Baade & Matheson, 2002). The bidding process, as it is now, triggers a tendency to underestimate costs and overestimate benefits. How deflate excessive optimism and overbidding? Moreover, after corruption, for instance for the Salt Lake City Winter Games (Maennig, 2002), strong economic lobbying still seems to be involved in the competition among bidders. Since there exists an economic theory of lobbying and interest groups (among others: Shleifer & Vishny, 1994), sports economists can take advantage of it in order to prolong the analysis of global sport events allocation. Last not least, each global sport event is an opportunity for ambush marketing by some transnational corporations. Such a pervading trend might jeopardize, in the long run, the usual sponsorship finance of the Olympics, world cups and so on, so that some sort of tighter regulation is to be envisaged (Seguin, 2003).

One of the countervailing forces to the monopoly position of sports leagues (supply side) on the market for TV broadcasts is the concentration of the demand side – i.e. alliances between different channels in the bargaining process of TV rights (as with Canal+ and TPS in France) or mergers and takeovers. Although a merger between two TV channels is not achieved simply in view of balancing the bargaining power with monopolistic sports leagues, the result is often to create a monopsony or a tight oligopsony on the demand side of the market. A new perspective would be to analyse the economic impact on this market, as well as on the household consumption market, of the recent development of sport images on Internet, web television and mobile phone access (Sobry, 2002). The market for sporting press and edition has remained unheeded by sport economists in many countries, but a few exceptions (Bourg, 1996), and some European football leagues have already attempted (un成功fully in France) to negotiate some rights from radio-diffusers of championship matches. Both are to be put on the new research agenda.
Since the economic analyses of doping in sport have already developed in the last decade (Berentsen, Bourg, Breivik, Eber, Maennig, Tangen, Thépot), more attention is to be given to the economic dimension of the World Anti-doping Agency (Eber, 2002) in the near future.

The economics of sport globalisation was in the rocket pad since the late 1980s (Andreff, 1989a), but the topic has stimulated new researches in the past recent years. The number of international sport events has grown up to nearly 1,000 per year in 2005. The number of representative teams at the Olympics has reached 202 in Athens 2004, as against 69 in Helsinki 1952 (Bourg & Gouguet, 2004; Preuss, 2004). Of course, the economic significance of the Olympic event has increased accordingly, it has transformed the Olympics into a sort of global public good (Bourg & Gouguet, 2006) and has raised crucial governance issues. As a consequence, the Olympics revenues are an important share in the IOC overall budget (Chappelet, 2006). The same trend prevails in organizing a number of world cups and championships, with a corresponding problem of governance by international sport federations, namely the FIFA as regards to the football World Cup (Bourg & Gouguet, 2005).

When it comes to looking at the sports economy in a global perspective, it immediately appears that two topics have been largely neglected so far. One is about all the issues of the sports economy underdevelopment in developing and least developed countries (Andreff, 2001; Bouchet & Kaach, 2004; Bourg, 1993). The other one is that, despite a great number of economic publications devoted to post-communist transitional economies, only very few were dealing with the economics of sports (among others: Andreff, 1996; Novotny, 1998; Poupaux, 2006). Both are areas for urgently needed further researches. In particular, the so-called ‘muscle drain’ of teenage players and athletes is not really tackled so far, even with the new 2001 FIFA-UEFA regulation which simply forbids any international transfer below the age of 18, leaving room for a widespread black market for teenage (even child) players. Although
the idea of a ‘Coubertobin tax’ (Andreff, 2004b) is increasingly publicised, the devil is in the
details of its implementation without a strong international political commitment.

Another very urgent issue pertains to the change of citizenship (naturalisation) of an athlete
or a player willing to change his/her sporting nationality in order to be selected in a
representative team at the Olympics (or the World Cup) when he/she has practically no
chance of being called in the team of his/her former nationality (Andreff, 2005). The most
worrying example so far is Qatar, a country which is attracting (through easy Qatari
citizenship and substantial amounts of money) potential medal winners from African
countries and building up an internationally competitive soccer team with high income
foreign players. However, it is an overall tendency: at the Athens Olympics, there were 29
naturalized (or double citizenship) athletes in the French team, 28 for Greece, 16 for Israel, 13
for Australia and the U.S., 12 for Germany and 9 for Canada and Italy. Most of them are
migrant athletes from developing or transition countries.

With respect to theoretical issues, one suggestion made by Heinemann (1998) has not yet
been explored, to my knowledge. The idea is to apply the economic theory of networks to
sport. No doubt, a number of relationships between sport institutions are neither contractual
nor administratively planned. In between, there is a room for a network analysis of formal and
informal links between federations, leagues, clubs, enterprises and municipalities. Or,
possibly, within sport organisations as well: for example, is a club an oriented network of
participants targeted toward win maximising?

3.2. Current economic concerns in European professional team sports

No area seems to be unheeded in the economics of professional team sports. Thus, we
would list here those hottest topics that should fill up the research agenda with some new
perspectives. An alternative to the above-suggested network links is to consider that various relationships are typically hierarchical in sport organisations. It is the case of the relationships between top managers (or the CEO) and the players, and between the coach and the players as well, in a professional team. However, Szymanski (2003) has suggested that when a league is headed by a commissioner or a governing committee, the latter is in the position of a principal and the teams are the agents. In France (Europe), the big boss of the league is its president, possibly assisted by an auditing body (the DNCG in France), but information remains asymmetric and, again, a principal-agent relation can be modelled. An improved governance structure is also required in some European football leagues, namely the Italian and Spanish leagues, since their top clubs mobilise big budgets to hire foreign players but end up each season increasingly in the red. A French proposal is to extend the financially successful experience of the DNCG auditing body to all professional leagues in Europe, as suggested by a French Senate report (Colin, 2004). Sport economists will be concerned sooner or later.

Even if the issue of athlete naturalisation were to find a way out, the ‘nation versus club’ nexus should be widely open to further analysis. The biggest or most famous European clubs are not likely to go on releasing their star players to represent their countries in international competition without compensation, in football and possibly in rugby and basketball. The G14 lobby puts forward a number of economically sound arguments (the players are waged by the clubs, if injured in a representative competition the cost falls down on the club budget, etc.) while, on the other hand, not releasing the players can definitely jeopardize representative competitions and pave the way for a comeback (like in the Tour de France for some years) to only trademark teams in international competitions. On the other hand, more lessons must be drawn from the basketball experience with a European Super League as well as from the causes of the failed attempt to create a European football Super League. What would be its optimal size? What would be the access: a promotion-relegation system, a franchise location
rule, or a mix? Or should economists imagine a ‘tenure’ system for the most prestigious clubs and a vertical mobility in and from the Super League for other clubs?

As regards to the labour market issues, much has been published since the Bosman case. However, some extension is still needed after the Malaja, Kolpak and Simutenkov cases which have enlarged the post-Bosman deregulation to all sports, all transition countries and all the 77 ACP6 developing countries that have signed the Cotonou agreements (23 June 2003). Regulating the player agents business is extremely worrying these days and must be thought of in depth. A revolving topic is to know whether professional clubs should be allowed to account the value of (the human capital of) their players as an asset in their balance sheet. The question is which value? Is this capital to be estimated at a market value, a specific accounting value, a replacement value or the capitalised wage at a given capitalisation coefficient? Except the last one, the other devices are not easy to be computed or approximated. Since the high level athletes and players are increasingly used to sign a contract with an insurance company to cover the risk on their own human capital (Brown, 1996), the insured capital value is probably an acceptable proxy.

Finally, tax (and social security allowance) competition has been assessed as somewhat detrimental to French (possibly other) football clubs in creating a sort of diversion effect for the best French players moving to other professional leagues in Europe (Mislin, 2002). Since tax competition has even been warmed up within the EU after its enlargement to Central Eastern European countries – and a tax dumping may burst out -, it is a promising topic for the European sports economics in the coming years. A more or less connected issue, fuelled by a long lasting debate, is to know whether professional team sports could be judged as an exception to the EU usual competition rules enforced in all other businesses and industries. There is still some food for thought.

6 African-Caribbean-Pacific countries.
In European football, we witness two differentiated models for selling broadcasting rights to competing TV channels. One is based on the individual club ownership or sale of these rights (Greek, Italian, Portuguese and Spanish leagues), the other one is a ‘rights pooling by the league’ model in which the league is in a monopoly position to bargain TV rights with the channels and, then, redistributes the revenues among the clubs (other soccer leagues in Europe). After a first breakthrough into the comparison between these two models (Andreff & Bourg, 2006), a more exhaustive economic analysis of the two models performances is required. From this study, it also appears that financial concentration on a few clubs in the league is in a negative relationship with the competitive balance of the national championship. Moreover, the latter is negatively related with the capacity of a few clubs to earn significant additional revenues from UEFA competitions (Champions League, UEFA Cup), then recruit the best players, qualify for the European competitions again, earn more money, and so on and so forth. The virtuous circle for these few clubs has its counterpart in the vicious circle of a deteriorating national competitive balance, in particular in Italy and Spain – i.e. in the individual club ownership model. Since these results may be interpreted in a controversial way, it is obvious that other studies are urgently needed.

A number of innovations have recently emerged in the finance of European professional team sports such as stock market listing, strategic media investments, securitisation and player sale-and-leaseback arrangements (Gerrard, 2006). Stadium naming – a new finance fashion in Europe - must be added to the list. All deserve more research. The initial fancy for clubs’ stock flotation must be cooled down. A recent statistical study (based on events analysis) on those English football clubs that are listed at the stock market (Allouche & Soulez, 2005) exhibits that the outcome on the pitch positively influence the share price when they are good, and negatively when they are bad (low ranking, knock out, relegation). The uncertainty of outcome is transformed into a flotation risk. The quality of management, investment
decisions, sponsorship contracts and the balance sheet (when it is in the black) positively affect the share price, negatively when the balance sheet is in the re. Diversified financial sources (Manchester United) have a good impact on flotation. In last resort, the players’ human capital may be too risky when it is not completed by a stadium ownership in the club’s assets. On the other hand, when a quoted club’s share is too much successful at the stock exchange, the threat happens to be that the club will be acquired or taken over by a foreign tycoon (Manchester United by Mr. Glaeser, Chelsea by Mr. Abramovich). Or a less successful (and unlisted) club may even be acquired by some pension funds or investment funds in view of a profitable resale some years later (this seems to be the background strategy of the American investment fund Colony Capital and the French investment fund Butler Capital Partners in buying together the Paris-Saint-Germain football club on April 12, 2006).

On the dark side of professional sports, embezzlements, match fixing and money laundering have hardly been on the research agenda and when they were touched upon (Andreff, 2000), it was basically because their clash with the sporting ethic was coming to the fore. Such phenomena that pervade today’s professional sports in Europe (and elsewhere) call for a sound economic analysis. It should be a new chapter of the European sports economics. Racial discrimination in sports – so much focused on in North America, so few in Europe - must join the European research agenda as well. Not merely to check whether wages are more or less related to productivity depending on the skin colour, but because black football players are currently victims of a naked racial discrimination on the spectator (some organised fans) side in different European stadiums.

Conclusion
Thus, our guesswork as regards to the new perspectives of European sports economics leads us to suggest that:

. The European sports economics will keep its deeply rooted specific approach in the years to come, and it will still remain markedly differentiated from the American economics of sports.

. However, the increasing number of comparative analyses between European and American sports will trigger more convergence and cross-fertilization, although a single unified approach cannot be forecast for the foreseeable future. Anyway, a converging trend will enrich sports economics on both sides of the Atlantic and facilitate dialogue and mutual understanding.

. The evolution of European sports economics will be markedly determined by ‘social demand’, i.e. by the hottest economic issues in sports at the moment. In the short term, some of them will favour the convergence with the American approach, but most of them are diverging from the latter because they are enshrined in a still very different sports economy, once we extend it beyond the case of professional sports business.

. The detailed research agenda of unresolved issues in European sports economics – though not exhaustively covered above – is wide enough to pave the way for decades of research work, just like in North America, I assume.

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