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Dedication

To Cath, Sarah-Louise and Joe who know that I am marginally less irritable playing sport than writing about it, but without whom none of this would have been possible (PD).

To the friends whose affection sustained me during the writing of this book, and especially to the memberships of the January the Second Society, and of the Last of the Summer Walking Club (AD).
To Ann, Arno and Ferre who have seen their father a lot of hours working at his computer and the dogs Zeus and Dreyfus who accompanied me in the walks between the working hours (TD).

Series Editor

Dr. Russell Hoye is an Associate Professor in the School of Sport, Tourism and Hospitality Management, La Trobe University, Victoria, Australia. Russell has been involved in sport management education since 1993, working in Australia at La Trobe University, Griffith University, and Victoria University and in China with The University of Hong Kong and Tsinghua University. He is a board member of the Sport Management Association of Australia and New Zealand (SMAANZ). He was the Guest Editor for the inaugural special issue of *Sport Management Review* on professional sport in Australia and New Zealand published in 2005.

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About the authors

Dr Paul Downward is Director of the Institute of Sport and Leisure Policy, University of Loughborough. Along with Alistair Dawson he is the author of the textbook *The Economics of Professional Team Sports* (Routledge, 2000). He is the editor of a book for the Office for National Statistics on the use of official data in understanding sports, leisure and tourism markets, and the author of numerous articles on the economics of sport. He has recently undertaken consultancy work for Sport England on participation, volunteering in sports clubs, and performance management, and for UK Sport on volunteering at the Manchester Commonwealth Games. He is a member of the International Association of Sports Economics, a founding member of the editorial board of the *Journal of Sports Economics*, and member of the British Philosophy of Sport Association. Outside of these areas Dr Downward has also published on the philosophy of economics, and pricing theory. As well as refereed papers he also has a book in each of these areas. He currently teaches a final year undergraduate module in Sports Economics, and contributes sports economics teaching to modules in Sports and the Leisure Industries, Managing Sports Organizations and Olympic Studies, at Loughborough University. Paul is currently playing veteran's rugby (and can be spotted on the cover) and coaches a junior side at his local club.

Alistair Dawson retired from Staffordshire University in 2000, but maintains an active research interest, particularly in the theoretical problems surrounding the measurement of uncertainty of outcome. Apart from *The Economics of Professional Team Sports*, with Paul Downward, Alistair has published articles in sports economics. Other fields in which Alistair has published include the econometrics of wage inflation, and the application of computer business and macroeconomic simulations to undergraduate learning and assessment. Alistair hopes to devote his remaining years to hill walking, photography, real ale and socializing with friends and family.

Dr Trudo Dejonghe is docent (professor) at the Lessius Business University Antwerpen and guest lecturer in VUB Brussels, Hogeschool Brugge and Copenhagen Business School. He is the author of *Sport en economie: een noodzaak tot symbiose* (sport and economics: a symbiotic necessity) (Arko Sports Media, 2004), *Sport en economie: een aftrap* (sport and economics: a kick off) (Arko Sports Media, 2007) and *Sport in de wereld: ontstaan, evolutie en verspreiding* (sport in the global space: evolution and diffusion) (Academia Press, 2001; 2004; 2007). He has researched the location-allocation problems of football clubs in Belgium (2001) and the Netherlands (2005).

Sport Management Series Preface

Many millions of people around the globe are employed in sport organizations in areas as diverse as event management, broadcasting, venue management, marketing, professional sport, and coaching as well as in allied industries such as sporting equipment manufacturing, sporting footwear and apparel, and retail. At the elite level, sport has moved from being an amateur pastime to a significant industry. The growth and professionalization of sport has driven changes in the consumption and production of sport and in the management of sporting organizations at all levels of sport. Managing sport organizations at the start of the twenty-first century involves the application of techniques and strategies evident in the majority of modern business, government and nonprofit organizations.

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The **Sport Management Series** is the first of its kind, and as such is recognised as being of consistent high quality and will quickly become the series of first choice for academics, students and managers.

Preface to Sports Economics

With the help of Trudo Dejonghe, this book radically extends and revises *The Economics of Professional Team Sports* by Paul Downward and Alistair Dawson. Not only has the coverage of professional team sports been radically updated, but the book also encompasses mass participation sport as well as aspects of sports events.

This has provided challenges. On the one hand mass participation sport has received relatively little research and textbook treatment in economics, although some notable contributions, cited within, stand out. In this respect, it is hoped that the book provides some innovative discussion. In contrast, professional sport and the economics of major events comprise burgeoning literatures, which provide challenges in summarizing its content. In this respect it is hoped that the book provides a good introduction to the main issues discussed in the literature.

A central reason for the combined treatment and coverage is that the different contexts of sport are now often integrated as economic activities in public policy discussion. As no previous economic literature exists that examines all of these contexts and their connections, we hope that the major contribution of the book is to show how this is possible, and that economics can contribute greatly to our understanding of sport.

In order to achieve this goal, core principles of economic theory coupled with specific conceptual innovations from economics in the context of sport are employed throughout the book, whilst recognizing that each aspect of sport has some distinctive characteristics. Relevant descriptive and inferential empirical evidence is cited, as well as the implications of the theoretical and empirical insights for policy. It should be emphasized that at no point are specific policy recommendations offered. Rather, the aim is to use theory and evidence to explore the underpinnings of alternative policy positions. Broadly speaking these include a choice of either allowing market forces to allocate resources in sport, or for policy makers to intervene in resource allocation to provide sport. The economic logic and trade-offs of each position is essentially compared.

A distinctive feature of the book is that its pedagogy aims to make sports economics accessible to those for whom economics is a relatively new area of study, or is not necessarily a major component of their studies, for example, for sports management students. In this respect, rather than using sports to exemplify a traditional economics curriculum, this book makes the contexts of sport the focus of analysis, and uses economics as and when it is needed to illuminate these areas.

Moreover, because the pedagogy of economics can be technical, drawing on mathematical and statistical analysis, most of each chapter, where possible, explores the issues at stake in verbal terms, providing historical and contextual commentary. Economic principles are presented in graphical format with the statement of, and commentary on, key equations. Derivations are kept to a minimum and developed most in appendices, for the more technically-minded reader. Reflection questions and boxes are also used in chapters to prompt the reader to think about specific points, as well as to provide the context for specific theoretical or empirical contributions that have been used to analyze sport.

The aim of the book was to be international in scope. However, partly as a result of language and partly as a result of the emphasis of the literature, it focuses primarily on comparisons between the US, the UK and mainland Europe. In this respect it is hoped that the book prompts research into sports economics in other contexts.

Chapters 1 and 2 provide overviews of key economic principles and methodology, and the definition and economic and political context of sport, respectively. Chapters 3 and 4 examine the demand for mass participation sport, introducing key theoretical features of consumption behaviour, as well as how economists analyze evidence. Evidence on participation is reviewed. Chapters 5 and 6 then examine the supply of mass participation sport, focusing on the policy rationale for public or private sector supply. The role of clubs and volunteers in sport are also discussed, as well as the growth of the private and informal sectors. In these chapters, the consumer–producer nature of the economic agent, and the activity of agents within “club goods” is emphasized.

Chapter 7 draws on this discussion to explain the origin and nature of professional sports competitions, as an evolution of club goods in which consumers and producers become specialized. Key aspects of the economics of competition – as detailed in contest theory – are discussed in connection with sport in general and then professional team sports. Themes in the economics of professional team sports are reviewed connected with the nature and objectives of the firm and the market structure of leagues. It is argued that sports leagues are cartels whose members’ mutual interdependence needs to be managed.

Chapter 8 provides a detailed digression on the nature and measurement of “Uncertainty of Outcome” as a characteristic of this interdependence, as highlighted in contest theory. This is because uncertainty of outcome has assumed a central place in the literature examining the management and evolution of sports leagues. Chapter 9 then reviews the efficacy of policies that have been used by sports leagues with the purported intention of managing uncertainty of outcome. It is shown that, broadly speaking, the impact of policies will either be ineffective, or possible but difficult to implement, depending on the assumptions made.

Chapters 10 and 11 then examine the key sources of revenues and costs for professional sports; attendance and broadcast demand, and the labour market. In Chapter 10 it is identified that uncertainty of outcome is more likely to be important for broadcast audiences, and that market sizes and team qualities and possibly loyalty are key drivers of attendance demand, which is price inelastic. Chapter 11 argues that economic liberalization has produced rising player costs for teams, but the specific nature of the market structure is unclear. In this respect it is implied that league management policies have traditionally exploited players rather than affected uncertainty of outcome. The role of player-agents and the coach-manager are also discussed.

The book closes with a discussion of the economics of sports events and investment in infrastructure in Chapter 12. Here a number of themes corresponding to participation in, and provision of, sports events as distinct economic entities to sports leagues are discussed, drawing on contest theory. The chapter also examines in detail the economic case for investment in sports infrastructure that could apply to events or professional team sports. It is argued that the claim that benefits to society can be leveraged from public sector investment in professional team sports or sports events lacks a strong evidence base. Consequently, while a case can be made for such investment, considerable caution and planning is required to harness any spillover effects from the investments.

In concluding, it should be noted that sports economics is a growing area of study and a number of individuals and contributions have added to a vibrant development of ideas and research interests. It should become apparent on reading the book where the driving force of these ideas originates. This said it is clear that a book cannot do justice to all of the contributions that have been made. It is also clear that much remains to be done in research terms, and it is hoped that this book helps to stimulate some of this work. Readers should note that there is now an International Association of Sports Economists that hosts an annual conference dedicated to sports economics (see <http://www.iasecon.net/>), and also a dedicated journal, *The Journal of Sports Economics*, edited by Leo Kahane (see <http://jse.sagepub.com/>), that provide key forums for current work.

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