



Book Review

The Economics of Sport: An International Perspective

Robert Sandy, Peter J Sloane and Mark S Rosentraub

Palgrave Macmillan: New York, NY, USA, 2004. xvi + 347pp.

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Why study the economics of sports? Sports revenues are not a substantial share of gross national product, but sports have been a high-profile feature of societies for more than 4000 years. Lately, the economics of sports has become a specialised branch of economics with over a thousand articles, a journal, and many courses on college campuses. Public policy issues involving sports facilities are of burgeoning interest and appear in both the sports and business pages of our newspapers. I also agree with Sandy, Sloane and Rosentraub when they say ‘From a pedagogical perspective, the economics of sports is a wonderful subject...with compelling topics’ (p. xii).

As compared with at least three other recent textbooks on this subject, the authors say their book is more comprehensive, more rigorous (building on introductory and intermediate microeconomics with exercises, optional sections and some calculus), and – most distinctively and important to the readers of this journal – truly comparative in approach. ‘Professional sports are undergoing a rapid transformation toward globalization... a textbook with an international perspective, focusing primarily on the USA, Canada, Europe and Australia, is the only way to explain these changes in [a] coherent manner and show the common issues across countries’ (p. xiv).

The authors have succeeded, giving us a very readable textbook that should appeal to many students and teachers of economics. Its 12 chapters include a wide range of topics, a glossary, and a 31-page bibliography that includes some 20 entries by one or more of the authors. While rigorous in offering equations, graphs, statistics, and a bit of calculus applied to sports issues, the text mixes in an incredible amount of sports information, some history, and many examples to connect with readers’ interests. After a topic is explained, empirical research is introduced to show how economists have studied this topic and what their results show. Often, what scholars have found, especially about the public benefits of teams, facilities or special events is at variance with general perceptions.

The introduction opens with some surprising history and theory. Sport is unlike any other business in that it requires a competitor! Chapter 2 on club



and league objectives explains how profit *versus* utility maximisation would lead to different predictions. Ownership types, club mobility, and principal-agent problems come into play, demonstrating how and why things are different on the two sides of the Atlantic.

Chapter 3 deals with the determinants of demand for sporting events and the pricing of seats for single event and for season tickets that are implicit contracts for complex commodities. Strategies for maximising profits are analysed as are discounting and scalping. 'The reason for the near universal antipathy to scalping is that the public blames the messenger (scalpers) for the message that tickets are scarce' (p. 51). In a chapter on the labour market for professional athletes, collective bargaining, restrictions in sports labour markets, and Scully's salary determination model are investigated. Revenue sharing, and salary caps are both mechanisms for achieving uncertainty of outcome that is so vital in attracting fans to sport events. This chapter also analyses the reserve clause and free agency in American baseball and its European soccer and rugby equivalents, the retain and transfer system. Along the way, such microeconomic concepts as the Coase Theorem, Yankee Paradox, winner's curse, lemons model, rank order tournaments, and gate-sharing are slipped into the discussion.

Chapter 5 covers discrimination in professional sports, how it may be measured, evidence of its existence, and public responses such as Title IX legislation on sex discrimination in US collegiate athletics. The authors point out that there are better measures of individual performance in sports than in any other industry. They report that most recent evidence suggests that salary discrimination has largely been eliminated in professional sports, but customer discrimination (by the fans) may remain.

In the chapter on the economic implications of sports broadcasting, very interesting comparisons among the USA, the UK, and other European countries are presented. Britain funds broadcasting on public television with a low-cost license, enforced with some vigour. 'Special trucks roam the streets in the UK ready to detect any television that has been turned on. They pounce on homes watching television without the required license' (p. 129).

The remaining six chapters cover cartel behaviour in sports, sports and economics development, financing of facilities, non-team sports such as golf and tennis, college sports, and the NCAA in the USA, and finally, government policy. Having spent most of my life on college campuses, I especially enjoyed the one on college sports. The authors do not hold back their opinions on the role of the NCAA!

All chapters include goals, introduction, appropriate graphs, mathematics, and examples, conclusions, notes, and useful exercises – an excellent



and absorbing textbook with ample material for an attractive week or two in courses on comparative economic systems.

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