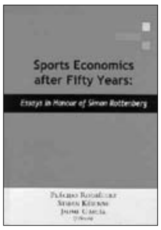
# Book review

## Sports Economics after Fifty Years: Essays in Honour of Simon Rottenberg




Edited by Placido Rodriguez, Stefan Kesenne and Jaume Garcia
University of Oviedo Press, Spain
2006, 227pp

**Reviewed by Jon Guest**

In April 2006 a conference was held in Spain to celebrate the 50th anniversary of Rottenberg's famous paper 'The Baseball Players Labor Market'. This paper, published in the Journal of Political Economy, was the first to apply economic analysis to sport and it included two key arguments. First, for sports leagues to be successful, there must be limited variations in quality between the teams. Second, labour market restrictions, such as the reserve clause, would have no impact on the final distribution of players among teams. The book is a collection of essays that followed on from the conference presentations.

According to the editors, the two key aims of the conference (and, I assume, the book) were to introduce the economic issues involved and consider some advances in academic work in this area.

The book comprises 10 essays, the first being Noll's examination of the earliest journal articles published on the economics of sport. The key points from six academic papers published between 1956 (Rottenberg's paper) and 1971 are neatly summarised. The end point of 1971 was chosen because that was when the Brookings Institution sponsored the first conference on the subject. After the conference, academic literature began to grow more rapidly and Noll's essay provides a good summary of such early work.

The editors state that the next eight papers can be grouped into three core themes, starting with the role of public policy towards sport. Both papers in this section are accessible to readers with only a limited knowledge of economic theory. A paper by Baade considers the rapid expansion in sports stadium construction that took place in the USA in the past 20 years. The economic case for using public money to build these stadiums is analysed and questioned. Kesenne's paper focuses on the rationale for, and the most efficient way of, using public money to encourage participation in recreational sports. Both papers are particularly enjoyable because the academic literature in economics has tended to focus on professional team sports. It is interesting to see economic theory applied to different aspects of the sports industry.

The next four papers are grouped under a more traditional theme: the economic analysis of professional sports.

The essay by Fort compares and contrasts theories developed to analyse talent markets in North American and European sports leagues. The three key areas examined are: owner objectives, cooperative versus non-cooperative owner behaviour, and optimal levels of competitive balance. Kahane's paper focuses on the National Hockey League in the US and the events leading up to the cancellation of the 2004-05 season.

Frick's paper is an empirical piece of work on the labour market for footballers in Germany. Data on players from the Bundesliga are used to estimate the determinants of individual player salaries, the relationship between team wage bill and team performance and the relationship between variable pay and team performance. One interesting finding is that foreign players earn no less, and often more, than similar German players. The opposite has often been found in the US literature.

Another empirical piece of work, by Garcia, examines demand for Spanish first-division football matches. Interestingly, the paper focuses on television audiences rather than live attendance. A probit model is used to estimate the factors that determine the size of a television audience for a particular match, and the broadcaster's choice of game to screen.

The essays in the second section are much more varied. The paper by Fort is more technical than the other articles and less accessible to people without a background in the subject. The empirical papers by Garcia and Frick include the results from econometric analysis but are written in such a way that the key points can be understood without in-depth knowledge of the statistical methods used. The paper by Kahane is descriptive and requires no prior knowledge of economic theory.

Two essays were grouped under a third theme of European football. The paper by Gerrard analyses the relationship between sporting performance (as measured by the points ratio) and payroll costs in the FA premier league. Gerrard argues that this so-called 'win-wage relationship' is more complicated than is often argued. An interesting comparison of the relative performance of Arsenal and Manchester United is made to illustrate the point. The paper by Szymanski outlines some of the key changes in European football over the past 50 years. In particular, trends in attendance, revenue and competitive balance are analysed. Prospects for the future are discussed, including the creation of a closed European league with no relegation and promotion.

I found the splitting of the six papers into these two areas arbitrary. The four papers placed under the second theme (economic analysis) include two essays that focus on aspects of the European football market. The two papers grouped under the third theme (European football) include some discussion of factors that are part of the standard analysis of professional team sports – i.e. uncertainty of outcome. Both Frick and Gerrard's essays analyse the 'win-wage relationship' in soccer but are categorised under different themes. All six essays could have been placed under a heading 'The economics of professional team sports'.

The final paper by Sloane is an evaluation of Rottenberg's article and the development of sports economics over the past 50 years. This essay provides an excellent and very accessible summary of some of the key debates that have developed. Topics such as the invariance principle, the uncertainty of outcome and owner objectives are discussed.

A final minor criticism is that the introduction to the book provides a brief outline of the presentations given at the conference rather than the essays in the book. In one case, the published essay appears to be somewhat different from the topic of the conference presentation. However, such criticisms are fairly minor. The papers published here provide an excellent introduction and offers an overview of sports economics that includes some of the leading scholars in the field. Some papers are written in a very accessible style and provide an ideal starting place for people with no background in sports economics.

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