

Book Review

Wladimir Andreff & Stefan Szymanski (eds) *Handbook on the Economics of Sports* Cheltenham: Edward Elgar Publishing (2006)

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An old story about five blind men attempting to describe an elephant and who end up calling it a carpet (ear), a tree (leg), a snake (tail) and so on, comes to mind when an economist is to define 'sports'. The task is rendered difficult by the heterogeneous nature of activities subsumed under the generic name of *sports* and possibly also by economists' *blindness* to other models of human behaviour than perfect rationality.

The hefty volume assembled by two of the most prominent players in the field does a very good job in broadening the conventional scope of analysis in 'sport economics'. The book covers the most important areas of research of an emerging economic sub-discipline spanning the past half a century. It serves admirably the purpose of an introduction into the rich and growing area of reflection for all concerned. It is organised into seven parts. Part 1, 'Sport in the economy' is a sketch of macroeconomic significance of economic activities associated with the 'business of sport': production of sport competitions, sports goods industry, gambling, sponsorship, international trade in sports goods and it sets the stage by delineating some general aspects of the supply side including an appeal for more assiduous work on 'sectoral' accounting and statistics. The gist moves to the demand side in Part 2 where demand for own sport and observed sport are given first theoretical thrusts in terms of attendance and broadcasting, in particular. Part 3 contains a spectrum of very useful papers united by the attempt to measure the contribution of sport activities to social welfare and evaluating some of the investment projects and policy initiatives in terms of conventional cost-benefit analysis. Given the growing volume of resources channelled into this *filière*, efficiency of public spending needs careful consideration. However, many examples show that technical analysis is unfortunately an insufficient instrument of control in the complex political environment of contemporary sport. Part 4, 'Sporting Governance and the State', provides a spate of topics for investigation: governance (differently understood by participants) of international sports organisations (including the Olympic committees) or central and local government, systemic determinants of sport's place in society – contrasting American and European models, military sport, changes in the post-soviet sport and difficulties of developing countries, international (labour) migration and possible comparative advantage of nations. This appears to be the most interdisciplinary section of the *Handbook* and sport sociologists, political scientists or management scholars should find here the gate way to the other compartments. Parts 5 and 6 are devoted to what many may consider the 'hard core' of sport economics: theorizations on individualistic and team sports respectively. Part 5 contains eleven chapters on tournaments, production of world records, organisation (or not!) of contests among the best, structures in tennis, golf, or cycling, institutionalisation of collegiate athletics give one ample comparative material for analysis and possible application in some other disciplines. Part 6, spanning over more than 300 pages, provides a wealth of theoretical discussions on major problems of sport markets and organisations. Economics of the league are analysed in the contexts of both American 'major' leagues (baseball, football, basketball, and hockey) and European ones (soccer, rugby, basketball, and cricket). In section A one finds interesting mini-monographs on the state of soccer in the main European countries / markets as institutional background for more abstract modelling in section B which contains 21 chapters covering basically all major

theoretical results of the past 50 years. This provides excellent summaries, some extensions, and ample food for thought on their relevance and critique. Finally, Part 7 addresses the thorny issue of discriminatory and unethical behaviour including, of course, doping and corruption.

Altogether 86 chapters of an average length of 9 pages each provide almost everything that is needed for an introductory compendium on an increasingly popular subject in both research and teaching. One can find elementary tools for analysis of almost any topic in the area which makes it an ideal companion for the teachers and students of the subject not only in economics but also in political economy and sociology of sport.

The main advantages of the *Handbook* are, apart from the broad coverage signalled above: restoration of the 'competitive balance' between the foci on American and European institutional set-ups, emphasis on the empirical base and testing of research hypotheses, a healthy mixture of empirical and theoretical investigations, a somewhat modest but nevertheless visible widening of economic penetration beyond the neoclassical mainstream, and richly illustrated thoughts on the involvement of national States and international organisations. The reader will not only find all the important theoretical results of the field presented in an accessible manner, as well as some (informal) extensions, but above all a critical reappraisal of several 'truths' that supposedly have overcome their hypothetical status. For competitive balance and 'uncertainty of outcome hypothesis', 'invariance proposition', salary caps, revenue sharing and other collective practices somehow meriting (so far) exemptions from antimonopoly legislation on both sides of the Atlantic, mutual interdependence of actors on the sports arena – theorised usually in terms of externalities, 'star system', promotion and relegations system versus closed leagues, and numerous other, one finds admirable clarifications and useful hints at further research.

If one might have any qualms with the book, these are the problems of the field itself rather than of the particular set of authors or their papers assembled here. First is the heterogeneity of the subject matter. We would all benefit perhaps from a more clear separation of what appears to be currently the main area of study, that is, economics of *mass sport entertainment* from the adjacent territories of economics of *professional sport* (a major input into the former) or cultural economics of *health* which may bear much weaker relationship (a daily jog versus daily beer-and-chips in front of a pay-per-view sport TV) than is usually claimed. Not to mention the (supposedly) *sport goods* (in Poland, *dresiarze*, i.e. people wearing 'general purpose sport garments' is a socially significant category of young men projecting an intentionally *false image* of healthy persons being in fact members of criminal gangs or less organized groups of local hooligans practicing visibly unhealthy lifestyle). *Fitness industry* is a separate business from *spectator sport industry* even though 'value migration' in the *sport cluster of industries* is facilitated by ubiquitous externalities.

Secondly, someone testing a hypothesis that "at the beginning there were markets" – a famous phrase from Oliver Williamson's important *Economic Institutions of Capitalism* (1985) – is likely to be practicing a form of an extreme sport when the territory it attempts to conquer is sport itself. While the usual and 'correct' interpretation of the proposition is methodological and not historical, if any currently used label seems adequate, it is the 'mixed economy' with its varying components of the 'voluntary sector', 'state production' and 'the market'. One could also venture another view that '*Homo Sapiens*' rather than '*Homo Oeconomicus*', organisations rather than markets, and institutions rather than 'general equilibrium' have been the more theoretically adequate characteristics of the emergence and development of production and distribution patterns in sport. The *Handbook* does move in this direction but more is perhaps going to come. For instance, a lot is made of Coase theorem; while this has been a fruitful line of research, one should not forget the warning of Coase himself that empirical study of "the world of positive transaction costs" is needed. While a number of other topics deserve deeper study, the editors and authors of the *Handbook* have done a commendable job of accumulating sophisticated material for many economists, managers, politicians and self-conscious fans, who are sure to find excellent training ground for the whole heptathlon.

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The Handbook on the Economics of Sport (2006) weighs in at approximately 800 pages. Divided into seven themes, it examines 'sport in the economy', 'demand for sport', 'cost-benefit analysis of sport', 'sporting governance and the state', 'individualistic sports', 'team sports', and 'dysfunctions in sport'. Its authors include 65 of an estimated 100 economists working in the field including its co-editors Wladimir Andreff and Stefan Szymanski. Their introduction also offers a detailed historical account of research within the discipline of sports economics. Chapters written by the editors account for twenty per cent of the text. These chapters provide additional consistency in the work and often highlight key normative issues that are further examined by other contributors.

The work serves well as a handbook. With 86 separate chapters that are often detailed and generally well referenced, it is possible for a reader with little prior knowledge to easily find and access a detailed account of a particular issue. Some chapters are descriptive and provide data; others offer more general overviews of key theoretical questions that arise. The contributions highlight in some respects a paucity of comparable data or an absence of a workable framework. For example, Andreff's contribution on international trade highlights that there is no detailed database on transnational corporations (key actors in the sporting goods trade). Likewise, in Chapter 1 he observes that global comparisons for sports economics are limited by deficiencies in national accounting systems for sports economies.

A holistic approach to specific issues is typical of many of the linked chapter contributions, exemplified by the treatment of competitive balance and demand for sport. Gouget observes in Chapter 7 that demand for 'sport' is difficult to measure because the notion encompasses a number of divergent economic activities. In the section entitled 'demand for sport' which follows, the contributors consider overall consumer demand for spectator sports in the form of attendance, demand for broadcast programming, and other media coverage. Some surprising findings in the context of the legal arguments for regulatory autonomy are found here, including evidence that competitive equality may in fact lower aggregate league attendance. The literature on televised sport has not directly dealt with the correlation between competitive balance and its effect on demand in sport – a concern mooted in the subsequent contributions.

The work highlights another problem with data on sports economics, namely the differences between particular sports, national, and regional systems. Most of the general interest, data-intensive, contributions both expressly cover this caveat and mitigate overemphasis on a given sport or system by providing data sets including team and individual sports; professional, semi-professional and amateur sports; and North American, European and other regional systems with distinct features. For the uninitiated reader, these surveys make clear distinctions and highlight problems with the data in the many circumstances where all other things are not equal.

Cost-benefit analysis, the third section, offers another example of data issues in the science of sports economics – in this case its wider uses. The opening chapter of this section deals with the economic impact analysis and provides key insights into the analysis of data which is often provided in public debates, and advises to view with caution any economic impact analyses provided by sports leagues or franchises. The subsequent chapters on externalities, as well as the holistic chapters on some large-scale events, provide outline accounts of issues which can often be either misrepresented or under-represented in public debates. Of particular interest for UK readers, Chapter 17 demonstrates the risks of wanting the Olympic Games at any cost whilst Chapters 16 and 19 consider key problems associated with large-scale events and demonstrates that the positive impacts of substantial infrastructure investments are often overstated.

'Sporting Governance and the State' is a natural selection for the fourth topic and read together with the preceding section provides an overview of key ideas relevant at the

intersection of sports policy, law, and economics. A reader interested in that general overview would be well served with tackling first Chapters 28 and 29 on the European and American models of sport, respectively. Many of the themes outlined therein recur in the more specific chapters and while they work well as a conclusion, they would perhaps serve with equal distinction as introductory chapters.

Parts five and six, on individual and team sports respectively, occupy more than half of the main body of the work. The content and format of these chapters varies. Some contributions such as Chapter 34 on the theory of tournaments and Chapter 46 on organisational models of professional team sports offer strong evidence suggesting that from an economic point of view, many of the arguments advanced in support of special legal treatment for sport should be re-examined rather than accepted *a priori* as givens. Other chapters, such as those on golf and horseracing offer brief outlines of current issues in particular sports, whilst yet others offer detailed data and analysis related to broader issues such as the amateur status or otherwise of collegiate athletics. Major individual and team sports are all represented in some capacity, although data is invariably more comprehensive and chapter contributions larger where significant financial interests are involved. Within these two parts, the economic issues in amateur sports receive less emphasis despite recognition that it is precisely there that the paucity of data is not representative of a lack of issues, but rather that the issues have not received a great deal of attention in the literature. A general chapter identifying such areas would provide a welcome addition to the coverage provided in Chapters 15 and 19 on sporting externalities and voluntary work. Section 6B provides case-by-case coverage of principal economic issues which also coincide with many of the principal legal issues arising in sport. Competitive balance, transfer restrictions, salary caps and players agents are also recurring themes in the legal frameworks of sport. These segue seamlessly into the slim final part on 'dysfunctions in sport', concentrating chiefly on the economic analysis of those dysfunctions.

The handbook has some clear emphases. Firstly, some sports are more represented than others, notably European football. This corresponds roughly to the relative commercial value of European football and possibly also to the emphasis in literature. Professional sports beyond the western hemisphere and amateur sports receive less attention. The balance of coverage might benefit from greater examination of those other facets of sport. As the editors observe in the introduction, the handbook 'captures the diversity of views present in the literature' without imposing a strict editorial line but does not always offer uniform approaches to these. This can be unhelpful to a reader seeking to use the handbook as an introduction to those issues, particularly in relation to those few normative contributions that do not expressly examine the evidence base for their assumptions in detail. A preliminary summation of such questions in the context of a dedicated chapter would add much to the value of the handbook to those for whom it is primarily intended. By its nature the handbook requires that chapters are sometimes less than uniform in style and in content. Some chapters, such as that on the theory of tournaments, are deeply rooted in calculus and offer advanced detail for the mathematically literate; others are less so inclined and require little prior knowledge. This is a strength, rather than a weakness. Both approaches are used and highly technical contributions are often also successful in providing a basic understanding for the uninitiated. This book will be invaluable for advanced students investigating professional sport. From the point of view of lawyers, particularly those engaged with the relationship between law and sports governance, the handbook offers invaluable analysis of the economic issues that are alluded to in those debates but rarely examined in detail. It anchors legal arguments in solid empirical research, and questions many of the assumptions that underlie current frameworks of governance. These insights will also prove useful for policy analysts and sports administrators for whom many sections should be considered mandatory reading.