

Sport and The Economy

Eitzen & Sage Chapter 10

KIN 101

Sport in America

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Sport IS Big Business!

- Must differentiate *corporate* sport from *informal* and *organized* sport
 - Corporate sport refers to sporting activity “dominated by factors...extrinsic to sport itself” (p. 210)
- \$\$ is the foundation and profit margins guide decisions about sport (even “amateur” sport)

Facts for 2000

- Generated \$212.53 billion (2X the auto industry!)
- Team operating expenses for the big 4 sports=\$19.23 billion
- Sport advertising amounted to \$28.25 billion
- Broadcast rights=\$10.57 billion
- Facility construction=\$2.49 billion
- Gate receipts=\$22.56 billion Fans spent \$ 44.47 billion
- Medical costs for athletes=\$4.1 billion

Who Benefits Economically from Sports?

- Small percentage benefit directly
- Only 3,100 pro athletes in the “Big 4” sports!
- So all those billions from the last page are generated by a very small number of people
- Pros can make big \$ but often careers are short (3.4 years for a pro football player average)
- BUT not all pros make a living...

Who Benefits Economically from Sports?

- Coaches, agents, umpires, refs, and medical specialists all make livings off of professional sport
- MANY auxiliary businesses: Hotels, taxis, food service, etc.
- Not surprising that cities can be generous to sports teams considering the substantial economic benefit
- However, *corporations* are the biggest beneficiaries of "corporate sport"
- Sport is seen as a way to directly target consumers in order to sell products and services

Who Benefits Economically from Sports?

- How many ballparks and stadiums have corporate names? How many can you think of?
- How about NCAA bowl games?
- Why do they spend billions for naming rights?
- How about the Olympics? Some argued that the Los Angeles Olympics in 1984 ushered in the era of blatant corporatization of the games



"THIS IS PEPSI McDONALD ANNOUNCING LIVE FROM L.A.'S WINOUS 2004 STADIUM, WHERE THE MICROSOFT RAIDERS ARE SET TO MEET THE BOEING SEAHAWKS... TEAM CAPTAINS NIKE JONES AND BUDWEISER WILLIAMS PREPARE FOR THE FRAMLIN MINT COIN TOSS... RIGHT AFTER THESE WORDS FROM OUR SPONSER..."

Pro Sports are a Monopoly

- Self regulating "cartels"
- Teams make agreements based on *mutual* interests (think OPEC)
- Advantages:
 - No competition (geographically)
 - No price cutting by competitors
 - Keep number of teams limited in order to maximize profits
 - Can negotiate TV rights for all as a group (NFL = 75 million per team through 2005!)

Pro Sports are a Monopoly

- Players bargaining power is severely limited by the monopoly
- Public subsidization of Pro Teams
- Two subsidies:
 - 1) Tax breaks
 - 2) Arenas at very low cost
- Tax Breaks-
 - Even paper or operating losses are offset by significant tax advantages
 - Player salaries can be depreciated!
 - Player ARE property in a sense

Pro Sports are a Monopoly

- Wealthy individuals use teams to offset mega personal income
- Sports facilities at low cost
 - Good for the city –right?
 - Yes...but 1) drains gov't resources for building costs 2) deflects money away from other things 3) not all benefit equally from the revenue generated but rather only a small % of mostly wealthy people.
 - Taxpayers end up paying the costs in most cases

Pro Sports are a Monopoly

- Public subsidy of sports (cont)
- \$ While the team's presence may enhance its image, there *are* reasons to doubt the contention that it will bring substantial economic growth
- \$ drain of government resources, including contractors and loss of rent, etc.
- \$ low-pay, temporary jobs
- \$ contractors often not local

Pro Sports are a Monopoly

- \$ sports attract franchises (rather than local businesses)!
- \$ limited incomes means sport may benefit, but not everyone
- \$ services to already disenfranchised go to...the franchise!
- \$ costs are underestimated and profits overestimated

Capitalist interests and the state:

- Corporate interests have always been infused in political decisions
 - Standard Oil, Firestone, and other corporations opposed mass transportation in Bay Area
- Role of state, in part, is to secure and protect markets that support American capitalistic interests
 - BUT: state must at times incorporate other interests as well to maintain hegemonic power (e.g. environmental laws, etc.)

Capitalist interests and the state:

- You scratch my back, I'll scratch yours
 - The state routinely creates conditions that favor corporate interests
 - Think about current cuts in federal PROGRAMS for people in need
 - Corporate infiltration of high-level politics
 - Interests in weapons-building, overseas interests, aircraft, and electronics
 - Halliburton?
 - As always, exceptions and counterhegemonic practices and policies
 - Medicare and other social services

Capitalist interests and sport:

- In short, similar process.
 - Capitalist class buys into institution, and thus has most say in what sport is, does, and to some extent means
 - As federal government does, local govts. Also facilitate sport corporate accumulation
 - Stadiums

Corporate sport: The 6 essentials

- \$ Market economy, where material rewards are valued
- \$ Metropolitan areas, both for actual support and media market
- \$ Leisure time and resources (e.g transportation, expendable \$, etc.)
- \$ Capital investments with expectations of return!

Corporate sport: The 6 essentials

- \$ Consumer cultures
 - \$ "Branding sports" So, corporate sponsors attach name brand to what is essentially another brand or logo!
 - \$ Some counterhegemonic movements (i.e. Candlestick's legacy)
 - \$ Seeing \$ everywhere reminds us that it IS a business!
- \$ Celebrity/status centered (From iPod to Air Jordan's)
 - \$ We identify celebrity with corporate identity

Corporate identification exercise

- Take a few minutes to list all stadium/arena related corporate names, OR athlete related logo names...

So...Corporatization is Normalized

- \$ Sport places have been branded
- \$ Sport events have been branded
- \$ Athletes have been branded

Branding has come to be accepted by many as necessary and non-political
Nike for example

With commercialization...

- \$ Control shifts away from athletes, and decisions are less likely to reflect their interests
- \$ Control shifts toward owners, corporate sponsors, advertisers, media personnel, marketing and publicity staff, professional management staff, accountants and agents
 - \$ Athletes tend to defer to decisions of these people, because their financial interests are at stake

Critical Issues & Questions

- Government involvement in sports often fosters the interests of some people more than others
- When government support occurs, priority often goes to elite sports
 - more likely to be organized and to have resources that can be dedicated to political lobbying