Introduction

Plácido Rodríguez, Stefan Késenne and Ruud Koning

The essence of any sports contest is competition. The very unpredictability of the outcome of a contest distinguishes it from, say, an opera performance. An opera aficionado will know how Götterdämmerung ends; a sports fan is unable to tell the exact outcome of a contest until after the contest has finished. Of course, sports contests are organized in a broader context of competition: not only do the participants produce competition, they also compete for scarce resources. In the end, the amount of top talent is limited, and teams and organizers compete for this scarce talent.

This volume presents a state-of-the-art overview of the economics of competitive sport. It does so along two main lines: the first five chapters discuss the organization of sports and competition. How do leagues operate? The last six chapters deal with competition, rewards and outcome of the actual contests that are being organized. In the remainder of this introduction we provide a short overview of the chapters.

The first chapter by Che and Humphreys concerns competition between rival sports leagues; competition between competition. History has shown that successful incumbent leagues may attract rivals. This is one of the first contributions to study the strategic interaction between incumbent and rival leagues. In the context of sports markets, different outcomes are shown to be equilibrium outcomes: the incumbent deters a rival league; the incumbent eventually merges with the rival league, and the incumbent competes with that league.

In the second chapter, Tenreiro focuses on a very specific European phenomenon: the pyramid model of sport federations. How do federations fit in such a sports pyramid, and more importantly, what is their economic function? Tenreiro argues that private regulation of sport production by federation maximizes production and internalizes external benefits. The model of voluntary association of sports is efficient after all.

Anyone who has visited a soccer game in the 1970s and 1980s in England must have wondered about safety. Hooliganism is a major threat to any professional sport, and soccer has had its share of this type of problem. Green and Simmons show, in Chapter 3, how arrest rates around Premier
League matches have declined over time. However, football hooliganism has not been entirely eradicated. Moreover, the authors present some evidence that it has been displaced towards the lower divisions of professional soccer in England.

One prevalent finding in sports economics is home advantage. For example, in soccer, home teams tend to win slightly less than half of their games, and away teams only a quarter. Considering the importance of home advantage, the order of games during the knockout phase of the Champions League could matter: the team that plays the second leg at home will enjoy home advantage longer if the match goes into overtime. For that reason, the Union of European Football Associations (UEFA) lets the best qualified team play at home in the second leg, so potentially longer home advantage can be earned by performing well in the group stage. Varela-Quintana, del Corral and Prieto-Rodríguez analyse this effect in Chapter 4. Where should one play first in a best of two (matches) contest, home or away?

In Chapter 5, Szymanski studies a very important issue: insolvency of English soccer teams. Despite the loyalty of fans and other stakeholders (usually local governments), some teams do face insolvency. In the end, fans tend to care more about success on the field, than financial stability of their team. Between 1982 and 2010, there were 67 insolvency events involving teams who participated in one of the four professional leagues in England. Clearly, insolvencies are not frequent, but they do occur. Szymanski discusses the pattern of insolvencies since 1945, and examines some of the causes for insolvencies. Clearly, this chapter is particularly relevant in the context of the UEFA’s Financial Fair Play initiative, which aims to prevent insolvencies.

These first five chapters concern the organization of sport and competition. The remaining six chapters concern competition as usually analysed by sports economists: they study competitive balance, demand, rewards and the determinants of outcomes of sporting contests.

What is the optimal competitive balance in a sports league? Késenne answers this question in Chapter 6, taking both preferences of supporters and spectators into account. He argues that it is very hard to justify a very unbalanced competition. In particular, the growing importance of more neutral television viewers warrants a more balanced competition.

Live soccer demand (that is, demand by supporters actually visiting the game in the stadium) is examined in Chapter 7. Koning and Achterhof look at the two professional leagues in the Netherlands, and examine whether the same covariates determine attendance at both levels. They conclude that team fixed effects (local drawing potential) are important, and so are form of the home and away team. Weather conditions do matter
for attendance of games in the lower league, but not for the attendance of games in the highest league.

García-del-Barrio and Pujol take on a controversial topic in Chapter 8: they analyze the effects of identical money prizes for male and female tennis players. They argue that female players contribute less to the spectacle than men, and that economic efficiency and rationality are not the reasons for equality of payments to male and female tennis players.

Athletes tend to invest in their sport-specific human capital for a long time. This makes the question of career duration especially relevant. That is the topic of Chapter 9, where Frick, Humphreys and Scheel analyze determinants of career duration in three different sports: ski jumping, golf and auto racing. All these sports can be considered to be capital-intensive sports as they require specialized equipment, and facilities (jumping slopes, golf courses and race tracks) that are expensive to maintain. They conclude that these extensive, specialized capital requirements may reduce career lengths.

The last two chapters concern the determinants of success at international, major tournaments. Forrest, McHale, Sanz and Tena look at the determinants of medal totals at the summer Olympic Games. A unique feature of their discussion is their focus on the sport-by-sport table rather than the aggregate medals table. In earlier literature, medals success has been shown to depend on gross domestic product (GDP) and population size, here it is shown that the magnitude of these effects differ by sport.

In the final chapter, Andreff and Andreff come back to the unpredictability of sporting outcomes. They examine predictions of sport performances from the 2008 summer Olympic Games to the 2010 Fédération Internationale de Football Association (FIFA) World Cup, and show that economic predictions of sporting performances should be taken with a pinch of salt.

The editors express their thanks to the sponsors and stakeholders who made this book possible: Fundación del Fútbol Profesional, CajAstur, Universidad de Oviedo, Consejo Superior de Deportes, Ayuntamiento de Gijón (Sociedad Mixta de Turismo), PCTI Asturias, Fundación Observatorio Económico del Deporte (FOED), Facultad de Comercio, Turismo y Ciencias Sociales Jovellanos and Departamento de Economía de la Universidad de Oviedo.