The Global Economics of Sport

Chris Gratton, Dongfeng Liu, Girish Ramchandani and Darryl Wilson

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THE GLOBAL ECONOMICS OF SPORT

Sport has become a global business. There is no corner of the Earth that isn't reached by coverage of global sporting mega-events such as the Olympics or the World Cup, events managed by international governing bodies such as the IOC and FIFA that operate like major international businesses. Companies such as Nike now design, produce, distribute and market their products across every continent, while an increasingly important part of every country's sport market is now international in terms of its influences and opportunities.

This book is the first to examine the economics of contemporary sport using the global market as the primary unit of analysis. Starting with a survey of the changing nature of the sport market over the last hundred years, the book explores the difficulties of measuring the true scale and impact of the global sports economy, employing a wealth of empirical data to define and analyse the sports market and all its sub-sectors. In doing so, the book draws on case studies from the UK, Europe, North America and beyond. This book is essential reading for any student or professional with an interest in the economics of sport.

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THE HISTORICAL AND ECONOMIC DEVELOPMENT OF THE SPORT MARKET

Introduction

This book aims to look at how economics can help us to understand and analyse the increasing globalisation of the sport market. This chapter sets the scene for the book by looking at the historical and economic development of the sport market. It will describe how sport prior to the 1960s was predominantly a local activity. Broadcasting rights income, government funding of elite sport, and sponsorship income were negligible. During this period, the sport market was dominated by mass participation sport with the voluntary sector the main supplier. Elite sport was mainly amateur with the exception of some professional team sports where rewards were modest. In the 1960s and 1970s, international sporting competitions became increasingly important, creating the need for national policies and strategies for elite sport. Also the *Sport for all* movement recognised the health and social benefits of sports, creating a need for a national policy for mass participation sport. National agencies for sport were set up in many countries, signalling the increasing importance of government in sport. Since the early 1980s, the sport market has become increasingly global, driven by increasing commercial sector interest in sport and this globalisation of the sport market is the focus of this book. However, let us start by looking back at the history of the development of the sport market prior to these modern developments.

It is generally agreed that England is the birth place of modern sport. Viewed by some as the 'cradle of modern sport', England is the nation that was most influential in developing and moulding games and sport into their current forms (Toohey and Veal 2007). Maguire *et al.* (2002) stated: 'Although there is evidence of cultic or play activities, folk games and recreations in the ancient worlds and civilisations of Europe,

Asia and South America, modern sport, like the steam engine, emerged first in England.' Mandell (1984) goes further:

> We know that almost all the field events of a track meet were invented by English university students. They invented the running broad jump, the triple jump, the hurdles, and steeplechase races. They also established the standard track distances. Englishmen set the distances for swimmers, for rowing competitions, and for horse races of all kinds. By selective breeding Englishmen established the modern race horse and most recognised varieties of sporting dogs. They built the first sporting yachts, racing sculls, and row boats for trained crews. They also devised the first football goal posts, boxing gloves, stopwatches, and most other sporting equipment for which they set the earliest standard dimensions, weights, materials, and so on. Englishmen 'invented' (that is they first wrote down the fixed rules for games which had been variously played earlier) almost all the team games now played from football (both rugby and soccer) to polo. So rapid, and more particularly thorough, have been the advances of these standardised sports and games that it is easy to forget that most of the events, games, and equipment of modern sports are not much more than a hundred years old. Some other field events are of Scottish origins. Until 50 or 60 years ago it was widely assumed that only English-speaking people could enjoy and achieve distinction in sports which are now played and observed everywhere.
>
> (Mandell 1984)

Norbert Elias referred to a 'civilising process' in England in the course of which the rules of sports came more and more to be written down, nationally (subsequently internationally) standardised, more explicit, more precise, more comprehensive, orientated around an ethos of 'fair play' and providing equal chances for all participants to win, and with reducing and/or more strictly controlling opportunities for violent physical contact (Elias and Dunning 1986).

According to Elias and Dunning (1986), modern sports emerged in England in two main phases. The first phase of the seventeenth and eighteenth centuries witnessed the transformation of a variety of pastimes, including cricket, fox hunting, horse racing and boxing, into recognisably modern sports. In the second phase, the early and mid-nineteenth century, soccer, rugby, tennis and track and field began to take on modern forms. During the late nineteenth and early twentieth centuries, many of the international and later global sport organisations (GSOs) began to emerge and also saw the beginning of the modern Olympic Games. This overlapped with a fourth phase that lasted from the 1920s through to the 1960s. It entailed the differential diffusion of English sport forms to continental Europe and to both the formal and informal British Empire (Maguire *et al.* 2002). More recently, beginning in the 1980s, a fifth phase began to unfold. The fourth phase witnessed the continuing growth of international sports competitions but it is the fifth phase that saw the emergence of the global sport market. We look at each of these phases below starting with the emergence of sport in pre-industrial England.

Pre-industrial sport and recreation (pre-1800)

If we go back to the early 1600s, in England we find a picture of the ordinary worker faced with a relatively rich and diverse set of leisure activities. Drinking (alcohol) was virtually a universal activity; holidays were more numerous than they were in early industrial Britain, and some sports – football, cricket, horse racing, boxing, cock-fighting, bull-baiting and dog-fighting – both participant and spectator, were highly popular. Many of these leisure pursuits were complementary: holidays such as Shrove Tuesday, Christmas, or May Day were the occasions for long drinking sessions where sports were organised for entertainment. The ale-house, or tavern, was the centre for many of these activities: one survey of South Lancashire villages in 1647 indicated that there was an average of one ale-house for every 12 households (or approximately one per 57 inhabitants) (Malcolmson 1973).

However, people in the seventeenth century would not have identified leisure as we do today. Leisure in modern industrial Britain is something that derives its definition from work: a leisure activity is something we do in non-work time. In seventeenth-century, rural, agricultural Britain, there was no clear distinction between work and leisure. Agricultural production itself followed the rhythm of the seasons with times of hard, intense work (e.g. during harvest) followed by quiet periods. During these less active times, leisure and work would be occasionally indistinguishable. It was certainly common for agricultural workers to drink while they were working. Documents from the time record complaints that workers were observing 'Saint Monday', that is taking Monday off for extra leisure time (often because they had worked the whole of Saturday). It seemed that workers often 'voted with their feet' for a five-day week (Reid 1967). Many sporting activities would take place in these periods of 'stolen' leisure time. Equally, many people were engaged in sports during the working day out in the fields.

Despite the fact that both spectator and participant sport were regular activities, they were unrecognisable from the same activities today. Football as practised then had no designated pitch or goals and the teams could consist of hundreds of people. No sport market existed. Nobody paid any money to participate in sport or to spectate. There was expenditure on gambling related to sport and on alcohol consumed either watching or playing it.

Early industrial Britain (1800–1850)

The movement from agriculture to manufacturing industry, involving the movement of the population from a rural to an urban environment, completely altered leisure in Britain. The most significant change was in the availability of leisure time. Factory work typically involved a six-day week, with working days of at least 12 hours for men, women and children alike. There was no seasonal rhythm to this work – every week was the same. Holidays also decreased: in 1750 the Bank of England closed on 47 holidays; by 1830 this had decreased to 18, and by 1834 it closed on only four – Good Friday, Christmas Day, and the first days of May and November. During the same period, many of the popular recreations of pre-industrial Britain had virtually disappeared.

The rise of factory working not only reduced the availability of leisure time for the average worker; income was also a major constraint. In the towns and cities, leisure activities increasingly had to be paid for, and the early industrial workers hardly received a subsistence income. The recreations of the working class in this period were largely restricted to the pleasures of the tavern, alcohol and prostitution. These activities were predominantly male-orientated; leisure activities for women were even more restricted.

Time and money were not the only constraints facing the new industrialised working classes. Space was also a major constraint. Many sports, football in particular, could not flourish in the new industrial towns because of the lack of space. These activities still survived in rural areas, but by 1851 the majority of the English population lived in towns and cities.

Coalter, Long, and Duffield (1986) argue that industrialisation created a new force towards greater control of leisure activities: 'New forms of work organisation required a new sense of time and work discipline which were in opposition to many popular pastimes (Thompson 1967). The systematic organisation of work into specified times and places required reciprocal forms of "rational" non-work activities.'

As indicated earlier, work and leisure time were never completely separated in an agricultural economy. Manufacturing industry, however, required a complete separation of work and leisure. Coalter *et al.* (1986) indicate that whereas drinking while working in the fields was commonplace, drinking while working with the machinery in the new factories was both disruptive and dangerous. Industrialisation involved heavy capitalisation and working with this capital not only required a sober workforce but also it required that workforce to work long hours so that the capital equipment was kept fully employed.

The role of government in the early nineteenth century was to support the new manufacturing industries in providing an effective labour workforce. This involved 'criminalising and suppressing popular recreations' and 'regulating and rationally organising the temporal parameters of leisure' (Coalter *et al.* 1986). As far as suppressing popular recreations was concerned, some blood sports (e.g. cock-fighting, bull-baiting and dog-fighting) were made illegal. Leisure time was regulated and 'rationally organised' by the passing of various factory acts which established clear divisions between work time and leisure time. In this early period of industrialisation therefore, the role of government was one of suppressing popular working-class sports and recreations.

If this was the picture of leisure for the new urbanised working class, the rich had a wider choice of leisure pursuits. They were the leisured classes with time and money to do as they wished. Although concern for animals led to legislation to ban cock-fighting and bull-baiting, other activities such as fox hunting, shooting and fishing were considered respectable for gentlemen.

It was not only the very rich, however, who enjoyed a wider choice of leisure activities. The Industrial Revolution had created a new affluent class, the industrialists, who, though having less leisure time than the aristocracy, did have the money to adopt the leisure pursuits of the very rich. It is noticeable that their choice was to copy the leisure habits of the aristocracy – a process of 'filtering-down' of leisure activities that is identifiable throughout the history of leisure.

The new rich also followed the aristocracy in another way: they sent their male sons to the elite public schools. It was these schools that played a crucial role in the development of sport in England. Holt (1989) describes how the top public schools initially 'saw the potential of sport as a source of discipline and morality', but eventually 'sport ceased to be a means to a disciplinary end and became an end in itself. The culture of athleticism steadily came to dominate the whole system of elite education.' The top public schools had sports every day. Individual schools codified the rules and these eventually became standardised across the schools as they started to play each other in these sports. Pupils from these schools went to on to Oxford and Cambridge and these institutions also became much more serious about sport. The first Oxford and Cambridge cricket match took place in 1827 and the first boat race between the two universities in 1829 (Holt 1989).

For these more affluent classes, there was a significant lack of government suppression of their sport and recreation activities. The more affluent were also starting to spend significant sums on their sporting activities contributing to the beginning of the sport market.

The re-emergence of mass leisure (1850–1914)

As the nineteenth century progressed, the twin constraints of time and money were gradually eased for the mass of the English population and leisure activities began to expand. By the 1850s, fewer people worked on Saturday afternoons and, because of the strong influence of the sabbatarian lobby keeping Sunday a rest day, it became the regular sport and recreation afternoon. Initially, it was the better paid skilled working class who led the move to a more varied leisured lifestyle. A new influence, technology, emerged to shape the leisure demands of the masses with increased time and money. The same technology that led to the Industrial Revolution and the restrictions of factory working, then started to widen the opportunities for enjoyment. The largest single change was the coming of the railways. The day out to the seaside became a mass leisure pursuit, made possible by this new, relatively fast cheap form of transport.

But it was not only technology that was changing. Real wages increased by about 40 per cent between 1860 and 1875 and by a further 33 per cent between 1875 and 1900. The idea that time should be set aside for leisure interests was encapsulated in the Bank Holiday Act of 1870 which established a day's holiday in August. Although originally only intended for bank workers, it was quickly adopted as a general holiday. It was this day in particular that became the day of the mass trip to the seaside. Nobody foresaw that the Bank Holiday Act would lead to the surge of demand for holiday trips that followed. It is interesting to note that the first thing the working classes wanted to do, when faced with more time and more money, was to copy the leisure pursuits of 'their betters'. Brighton, Scarborough, Southend and other resorts were established initially to cater for the leisure demands of the landed and the wealthy. They were taken over gradually by the new emerging, but fairly rich, middle classes. By the end of the nineteenth century, it was working people that flooded into the resorts on Bank Holidays.

Government policy developed a new attitude to leisure in the mid-nineteenth century. Again quoting Coalter *et al.* (1986):

> There was also an increasing concern with the location of leisure activities and their cultural content. Here we can see the emergence of a number of themes which have, in varying degrees, remained central to public leisure policy – the physical health and moral condition of the working class, the socially integrative properties of leisure, the contribution of recreation provision to the solution of urban problems and the proper relationships between public provision and voluntary effort.
>
> (Coalter *et al.* 1986)

Local councils encouraged many leisure activities, particularly sport, by providing parks, open spaces and swimming pools. One of the problems with the move from country to town was that there was no longer any space in the new urban areas for the conventional pre-industrial popular recreations. As the nineteenth century progressed, local councils accepted the responsibility for the provision of both space and facilities for leisure in the towns and cities. In 1847, legislation was passed enabling local authorities to provide public parks. The Bank Holiday Act showed that national government would intervene to provide people with leisure time; local government set about the task of providing areas where this free time could be used 'productively'. The need for these open spaces was brought home by the 1911 census figures which showed that 80 per cent of the nation's population lived in towns and cities.

These initiatives were the first signs of government adopting a more positive role in leisure. In the past, the role of government had been to restrict leisure activities that were socially undesirable: cock-fighting, bull-baiting, dog-fighting, prostitution, gambling and drinking. In this latter half of the nineteenth century, the emphasis of government policy in leisure shifted from control and prevention (through legislation and policing) of unsocial leisure pursuits, to encouragement and support (through provision of facilities and subsidisation) of desirable recreations. A whole series of Acts appeared in the mid-nineteenth century which enabled local councils to improve the leisure opportunities for their populations: the Museums Act of 1845, the Baths and Wash-Houses Act of 1846 (leading to the provision of swimming pools) and the Public Libraries Act of 1855. It is interesting that these government initiatives were not in response to public demand; rather they were the first sign of the paternalistic role of government in encouraging leisure activities that were socially desirable. The Local Government Act of 1894 and the Open Spaces Act of 1906 allowed local councils to provide both indoor and outdoor facilities for sport and recreation. It should be emphasised though that the above-mentioned Acts were permissive rather than mandatory: local councils were not obliged to provide such leisure facilities. The Baths and Wash-Houses Act of 1846 was more concerned with public health and sanitation than with health and fitness through sport.

There is one area of sports facility provision, swimming pools, for which there is statistical evidence dating back to this period (Sports Council 1983). Although several

pools and plunge baths were built in the seventeenth and eighteenth centuries (the oldest still in existence in 1977 was built in 1688), public swimming pool provision did not start to develop until after the Baths and Washhouses Act of 1846. By 1870, nearly 100 pools were in existence mostly in and around the industrial cities of Manchester, Newcastle and London. However, the real boom period in construction was between 1870 and 1900, when over 200 swimming pools were established, again mostly in and around London and Manchester but also in and around other cities in the Midlands and Yorkshire. This expansion continued into the twentieth century so that by 1914 over 500 swimming baths were open to the public in England. Thus the first major investment boom in public sector indoor sports facilities occurred between 1870 and 1914. Of these pre-1914 pools, 201 were still open in 1977.

Sports became more commercial during this period. Football had been tamed by the public schools to become an organised, respectable sport with a rigid set of rules. In 1863 the Football Association was established and the first FA Cup competition took place in 1872. The game started to attract large numbers of spectators, and football stadiums were constructed to house them. By the 1880s, professionalism in soccer was well-established. In 1895, professionalism also entered rugby when some northern clubs split away from the Rugby Union to form the new Rugby League because they wanted to remunerate players (Mason 1980).

The nineteenth century signalled the beginning of a new, more positive attitude in government policy towards sport. As Coalter *et al.* (1986) point out, there was an emphasis on improving the public provision of sport and recreation facilities as a means of improving the quality of life in urban areas. Sport and exercise were also encouraged because of concerns about the physical health of the population (and hence about its ability to fight wars).

It was during this period, the late nineteenth century, that national governing bodies (NGBs) were increasingly established in England to regulate sports and competitions nationally. It was also during this period that we saw the emergence of the first international governing bodies of sport (see Chapter 3).

It is generally acknowledged that the emergence and diffusion of modern sports on a global scale is closely connected to broader globalisation processes which took place from the 1870s to the 1920s. This period marked a decisive transformation in the spread of the old, the invention of the new and the institutionalisation of most sports on a national and even international stage.

Many of the basic ingredients of today's global sport market were therefore in place around one hundred years ago. National and international governing bodies had been set up. International sporting events had begun with four Olympiads being held before the First World War. Some ingredients were missing though, in particular broadcasting, global sports corporations and sponsorship. The whole of the period from 1914 to the present saw the increasing commercialisation of sport and the rise in economic significance of the sport market both nationally for developed countries and internationally. Broadcasting was developed relatively early in this period but the significance of global sports corporations and sponsorship are much more recent developments. The next chapter will chronicle the move to the global sport market of today.

2

THE GLOBAL SPORT MARKET

This chapter analyses the increasing economic importance of sport and the emergence of what is now recognised as a global sports industry. It begins by analysing the development of the global sport market throughout the twentieth and early twenty-first centuries. It then goes on to look at how the economics of sport developed simultaneously alongside the increasing economic importance of sport and how economics can be used to understand the global sport market.

The development of the global sport market

We have seen that even before the First World War some of the basic ingredients of the global sport market were already in place. Three elements, however, were missing: sports broadcasting, sponsorship and transnational corporations in sport. The whole of the period from 1914 to the present saw the increasing commercialisation of sport and the rise in economic significance of the sport market both nationally for developed countries and internationally. Broadcasting was developed relatively early in this period but the significance of global sports corporations and sponsorship are much more recent developments.

It is recognised that the commercialisation of sport has been apparent since the birth of modern sport, as 'the early modern sports promoters of boxing and horseracing, and later ones of baseball, football, and soccer learned readily that people would pay to see a performance' (McComb 2004). The modern Olympics were, from their inception, vulnerable to the influence of commercial forces, and some cite the inclusion of advertisements in the official programme for the first modern Games in Athens as the first sign of commercial sponsorship in sports. Tomlinson (2005) argued that 'the modern Olympics, generally, have always been commodified, in that entrance fees were set and products were put on display'. But these were modest levels of commercialisation, based upon non-profit-making and 'break-even' budgets'.