

SPORT AND PUBLIC POLICY

**Social, Political,
and Economic
Perspectives**



Charles A. Santo • Gerard C.S. Mildner
Editors

SPORT AND PUBLIC POLICY

*Social, Political,
and Economic Perspectives*

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Human Kinetics

Library of Congress Cataloging-in-Publication Data

Sport and public policy : social, political, and economic perspectives / Charles A. Santo, Gerard C.S. Mildner, editors.

p. cm.

Includes bibliographical references and index.

ISBN-13: 978-0-7360-5871-1 (hard cover)

ISBN-10: 0-7360-5871-0 (hard cover)

I. Sports--Economic aspects. 2. Sports--Social aspects. I. Santo, Charles Andrew II. Mildner, Gerard C. S.

GV716.S584 2010

338.4'779604--dc22

2009039156

ISBN-10: 0-7360-5871-0 (print)

ISBN-13: 978-0-7360-5871-1 (print)

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The Web addresses cited in this text were current as of July 2009, unless otherwise noted.

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Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

The paper in this book is certified under a sustainable forestry program.

Human Kinetics

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Preface

In the summer of 2005 Americans found themselves wrapped up in an unlikely passion. An international bicycling road race was drawing 1.6 million viewers a day to the otherwise unknown Outdoor Living Network and receiving coverage in media outlets ranging from *Time* magazine to the *Daily Show With Jon Stewart*. Rapt attention to sport contests is not unusual in the United States, but cycling is far from a national pastime. But there were good reasons for the buzz. Texan Lance Armstrong was vying for his seventh straight victory in cycling's premier event, the Tour de France. Sport fans, whether cycling enthusiasts or not, were captivated by the drama of the moment: a single man attempting to overcome 188 competitors over a period of 23 days and more than 2,000 miles (3,200 km) for the seventh time in a row. But at the time Lance Armstrong was more than an athlete, and the realm of interest in his story spread far beyond sport fans.

Armstrong was an inspirational figure of mythic proportions and a human interest story, having overcome a grueling battle with cancer in 1996 just a few years before his first Tour win in 1999. He was also a charity giant. The Lance Armstrong Foundation had raised millions of dollars to support people affected by cancer, most notably through the sale of yellow silicone bracelets embossed with the word *LIVESTRONG*, which had become ubiquitous from high school hallways to the halls of the highest chambers of government.

The feel-good story of Lance Armstrong was tinged, however, by controversy and ethical conflict, fueled by doping allegations levied against the American rider. Alongside athletes from more prominent sports, like all-time home run leader Barry Bonds, Armstrong had become a lead character in a growing and troubling public discourse on performance-enhancing drugs in professional sports. The source of the main accusations against Armstrong, French journalists, led some to discredit the reports as deceit motivated by jealousy, and discussion ensued about the role of the media in framing the issue. The controversy also came to symbolize an undercurrent of tension between French and American culture that was, in part, wrapped up in conflicting national policies toward military action in Iraq.

Back in the States, a separate (and much smaller) controversy brewed over the United States Postal Service's sponsorship of Armstrong's racing team. The federal agency incurred over \$40 million in expenses to serve as the team's primary sponsor from 1996 through 2004. During the same period the price of a first-class stamp increased four times, from \$0.32 to \$0.37.

Whether hero or villain, cheater or testament to hard work (or maybe freak of nature), in 2005 Lance Armstrong was a lightning rod—a sport figure who drew attention from a disparate and diverse audience for a wide variety of reasons. His story is an example of the vast and varied ways in which sport organizations, events, and figures become intertwined with our lives.

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These connections between sport and life are sometimes obvious, especially for athletes or sport fans, but are often subtle or unexpected. Beyond the drama of Armstrong's athletic quest—indeed, contributing to the theater of the event—were story lines that connected sport to culture and social causes. They involved legal challenges, anchored public debate about ethics and drug use, called into question the use of taxpayer money, and underscored tension in international relations.

As the chapters of this book will illustrate, these less obvious effects of sport often relate to public policy decisions or have important social, economic, or political implications. Let us explore where some of these policy linkages and implications occur.

■ **Congress and the courts.** Such relationships are perhaps most apparent when sport issues appear on the agenda of our nation's highest courts or legislative bodies. Recent examples include the congressional probe into steroid use in Major League Baseball and former Ohio State running back Maurice Clarett's challenge of National Football League draft rules as illegal restraint of trade.

■ **Local public finance.** In recent decades, high-level sports have also had clear public finance implications as cities have competed with one another to host sport teams or events, offering sport facility subsidies as bargaining chips. Stadiums and arenas have also become common elements of downtown revitalization efforts.

■ **Urban development and public health.** The implications of local policy decisions extend beyond the world of spectator sports. Public health issues reflect our ability to be active where we live and are linked to development policies and public investment decisions that hinder or encourage healthy lifestyles. Public officials make decisions that determine whether neighborhoods will be walkable, whether road networks will accommodate cyclists, and whether community residents will have access to parks and recreation facilities. Community sport programs can provide a vehicle for hands-on attempts at social change, such as the First-Tee program, which focuses on teaching life skills and values while exposing disadvantaged kids to the sport of golf.

■ **Political and social messages.** Sport often hosts transformative social or political messages. Consider the statement made by Jesse Owens' symbolic Olympic triumph amidst the hostile propaganda of Hitler's Berlin in 1936, Tommie Smith's black power salute at the 1968 Games, or Billie Jean King's victory over former Wimbledon champ Bobby Riggs in the "Battle of the Sexes" tennis match in 1973. Reflect on the subtle war protest of a handful of Major League Baseball players who sit in the dugout while others stand during the singing of "Star-Spangled Banner" to the perceived role of baseball in the nation's recovery from September 11, 2001.

■ **Globalization and international diplomacy.** Sport can also reflect the state of international diplomacy, beyond the Pollyanna symbolism of the Olympic Games, and represent the changing impacts of globalization. Advances in communications technology have made it easy to find international sporting events on American television. Meanwhile, American sport leagues have developed a clear and explicit business agenda of global expansion by staging exhibitions, broadcasting events, and scouting for talent across the world. The factors behind this agenda are similar to those that have driven the global expansion of many

other American industries: maturing or stagnating demand in home markets, the related desire to create overseas markets for consumption, and the allure of less expensive labor.

The purpose of this book, then, is to share and explore some of the vast, varied, and sometimes unexpected ways in which sport affects our society and to illustrate the social, political, and economic implications of sport and the relationship of sport to public policy.

Such a task could not be completed without considering a diversity of viewpoints, so exposure to a variety of disciplinary perspectives on sport and public policy is a second objective of this book. As the Lance Armstrong story illustrates, anyone from any background can care about sport for any number of reasons. Indeed, researchers from a broad spectrum of disciplines have found sport a subject worthy of attention. The chapters to follow bring together perspectives from disciplinary backgrounds as diverse as economics, history, urban planning, nonprofit administration, public health, communications, political science, and philosophy.

Just as sport affects our lives in unexpected ways, we too affect sport. Our final objective is to help the readers of this book consider their role as participants in sports, whether as active participants in a recreational sense, as employees in an industry, as parents of Little Leaguers, as members of a nonprofit organization that uses sport to improve lives, or as actors who influence markets and policy through decisions and behaviors. Even in the chapters that describe the economic structure of professional sports, the approach of this book is to stress the relationship between individual choices, public policy decisions, and the status quo. For example, how do individual preferences and behaviors contribute to players' salaries? How does public policy allow leagues to operate as cartels, and what are the implications? What are the political and economic factors that influence public investment decisions regarding sport stadiums?

This book is organized into four parts, each of which provides a useful base of understanding regarding a specific range of topics. Together, the four parts allow the reader opportunities to access insights from multiple disciplines and to develop new perspectives, while building a broader understanding of the relationship between sport and public policy. The four parts are as follows:

- Part I Structure of Professional Sports
- Part II Professional Sports, Cities, and Public Finance
- Part III Amateur Athletics, Participation, and Public Health
- Part IV Sport and Globalization

To understand the social, political, and economic implications of sport and see the relationship of sport to public policy, we need to look beyond the simple conception of sport as entertainment and recreation. Part I lays a foundation by exploring the unique nature of the professional sport industry. For example, sport teams are at once competitors and partners in a business venture. The level of cooperation that exists between team owners goes beyond what would be allowed by competing companies in other industries, leading to collusive behavior that affects players, fans, and cities. The chapters in part I explain the public policy

decisions and precedents that permit this behavior, prepare the reader to understand the implications, and compare the organization of American sport leagues to alternative international structures.

Part II builds on this foundation to explore how some of these implications, combined with our appetite for sports, affect cities, whose residents are affected not necessarily as fans but as taxpayers and voters. The chapters focus on policy decisions regarding public investment in sport facilities and events, exploring related economic impacts and examining the mix of economic circumstances, political influence, and private power that influence such decisions.

Part III expands our scope beyond the realm of professional and spectator sports to consider amateur athletics, participation, and public health issues. The chapters in part III examine how development decisions and policy priorities can hinder or encourage active lifestyles, and create or remove barrier to participation in organized sports. In addition, these chapters explore the link between policy and ethics as related to amateur athletics and performance-enhancing drugs.

Finally, part IV expands the scope once more to look beyond local and national borders and consider perspectives on sport and globalization. If the world is flat (as Thomas Friedman proclaims in his best-selling 2005 book), so too is the playing field. The chapters in part IV focus on how sport affects and is affected by international relations and the phenomenon of globalization.

The chapters to follow cover a wide range of concepts as they apply to sport and public policy: from marginal revenue product to semiotic analysis, from new urbanism to urban regime theory. Enjoyment of the book, however, does not require prior knowledge of any such concepts or a background in any particular field. The book has been prepared to appeal to a broad audience; we hope that the discussions included will be useful to inform policy decisions of public officials and sport organizers, but we also hope to accomplish a simpler goal of contributing to a critical awareness among sport consumers and others affected by the many connections between sport and society. And by using the lens of sport as a filter, we hope to generate new interest in and awareness of public policy issues.

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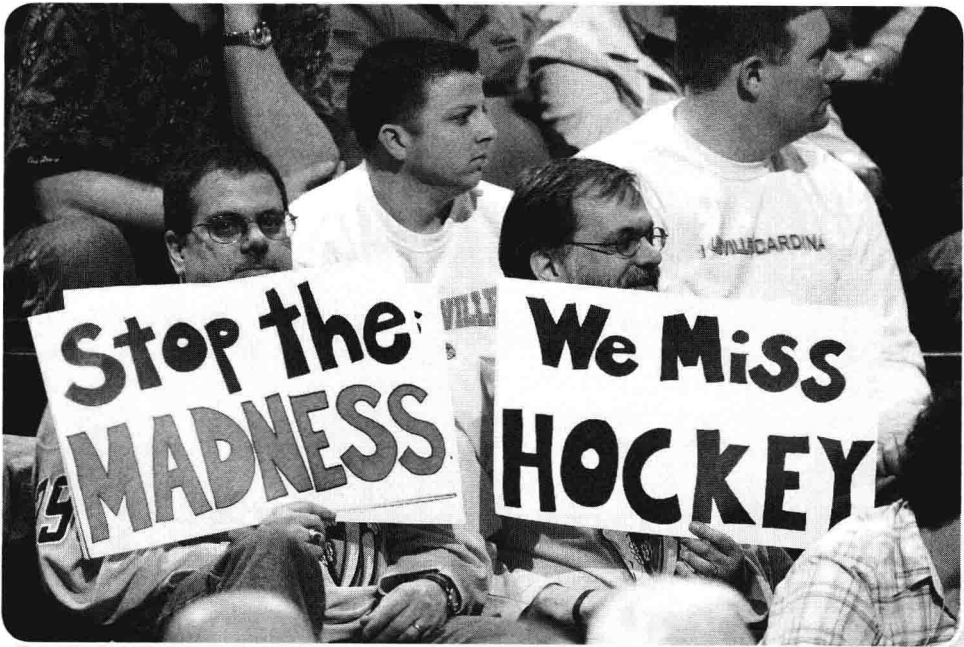
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PART I

Structure of Professional Sports



Brian Bahr/Getty Images Sport

Although most people think of sport as entertainment—as a recreational pastime—the evidence of sport as business, with wider implications, is all around us. On a daily basis, the sports section of any major newspaper is likely to include several stories that are unrelated to the outcome of the previous night's games.

- Will the players and owners reach an agreement in time to avoid a strike?
- Should the city commit public funds to build a new stadium?
- Can a professional league exclude players younger than 19 years of age from its draft?
- How big is the star quarterback's new contract?

The first three chapters of this volume provide an important foundation for understanding the social, political, and economic implications of sport by helping the reader to look beyond the simple conception of sport as entertainment and to explore the organizational structure of the sport industry.

In chapter 1, Nat Sampson and Gerard Mildner explore the unique nature of American sport leagues, focusing on the unusual degree of cooperation that exists among team owners, who run otherwise competing business interests. Although this cooperation helps to ensure a compelling product, it also enables the kind of collusive behavior that is expressly prohibited in other industries and would typically be considered a violation of antitrust law. Mildner and Sampson examine the history of judicial interpretations, congressional actions, and public policy precedents that have permitted this behavior among sport leagues.

Chapter 2 builds on this foundation by looking beyond the major American sports to provide a comparative perspective. Gerard Mildner offers lessons from alternative approaches to organizing sport leagues and events, using examples from international team sports. The chapter discusses the organization of several sports that tend to be more popular outside the United States than inside: soccer, cricket, and rugby.

In chapter 3, Zenon Zygmunt asks why professional athletes are paid so much money, especially in comparison with salaries received in professions like nursing and education. Zygmunt introduces economic concepts that are essential in understanding the link between individual preferences, market behavior, and player salaries. These concepts equip the reader to consider the ways in which athletes' salaries reflect our social values. The chapter also examines the sources of conflict between team owners and players that lead to strikes and lockouts. These sources of conflict are artifacts of the unique structure of the professional sport industry, enabled by the policy precedents described in chapter 1.

Cooperation Amidst Competition

The Nature of Sport Leagues

Nathaniel Sampson and Gerard C.S. Mildner

Although many consider professional sports to be mere entertainment, the business aspects of the industry—including escalating salaries, frequent labor conflicts and strikes, and public investment in stadiums and arenas—can captivate and infuriate fans and nonfans alike. To understand these business matters, one must first recognize the distinctive nature of sport leagues and the public policy decisions that have enabled their behavior.

Sport leagues are unique entities by which the owners of teams that compete on the field cooperate with one another off the field as business partners. This apparent contradiction of cooperation amidst competition serves to maximize the collective benefit of those involved. Team owners cooperate to ensure an attractive product by establishing rules and governance structures and developing systems to ensure balanced competition. Although these elements of cooperation are benign and beneficial, the league structure also allows owners to collude with one another to control the terms of trade between teams and players, squeeze out competition from rival entities, and control supply to increase the price paid by both fans and cities that compete to host a limited number of teams. Through this collusion leagues essentially act as cartels, exhibiting the kind of monopolistic behavior that would typically be considered in violation of antitrust law.

Marginal in their legality and embodying an inherent contradiction between the necessity and the potential problems of cooperation among league members, sport cartels raise various public policy concerns. Since the early 20th century, policy makers have weighed the need and appropriateness of government intervention in professional sports against a *laissez faire* inclination to leave it to owners and players to define the powers and policies of sport leagues. Starting with baseball,

this chapter examines the evolution of American professional sport leagues and the effect of their behavior on competition, athletes, fans, and cities. The chapter explores how the monopoly power of professional sport leagues has been both challenged and institutionalized by policy decisions of the courts and Congress, and by private agreements between players and team owners.

Why League Cooperation Is Necessary

From the beginning, competitors in organized sports have cooperated with one another to ensure order and provide a marketable product. A natural outgrowth of associations between individual franchises, leagues have enhanced the viability and stability of their professional sports by providing structure and ensuring an even field for competition.

Setting Rules and Schedules

The early years of British soccer and American college football were often played under "house rules" determined by the host team, which sometimes led to chaotic disputes and violent outcomes. Concerned by some of the extreme events, college presidents unified the rules of college football and instituted a number of measures to ensure the safety of players. The colleges hired impartial third-party referees to allow each team to participate under conditions of fair play.

As professional sports developed, league organizations established common rules of play so that fans could understand the game and teams could prepare for the next game without worrying that the rules would be tailored to help the home team.

A second reason for sport leagues to organize is the need to arrange a schedule among participating teams. Unlike other fields of commerce, each sport team needs to meet its rivals, so some coordinating authority must arrange a schedule of games. Moreover, fans find interest in the determination of the best team in that sport through a league table or league championship. For such a champion to be determined in a fair way, each participating team should play the other teams in their league in an equal or near equal number of circumstances.

Competitive Balance

Sport fans draw interest from seeing sporting events in which the outcome is uncertain and the strength of each team is more or less balanced. In practice, the intervention required for a league to ensure that the teams within the league have a competitive balance is extensive. For most of the 20th century, however, sport leagues did not make a great effort to ensure competitive balance. Dynasties thus emerged, such as the New York Yankees in baseball (winners of 6 American League titles between 1921 and 1928 and 8 World Series titles between 1947 and 1958) and the Boston Celtics in basketball (winners of 10 NBA championships between 1959 and 1969).

One can argue that competitive balance within a league is not necessary to draw fan interest to a sport, as evidenced by the attendance figures in baseball and basketball during the era of the Yankees' and Celtics' dominance. Dynas-

ties create familiar players and story lines for fans to follow. More recently, the emergence of fantasy sport leagues has allowed fans to follow a game focused on the statistical performance of players whom they “own” rather than the outcome of the game itself.

Nevertheless, a number of innovations to improve league competitive balance have been created in recent decades. For example, consider the following:

- **Order of the draft.** One of the first innovations was the creation of the reverse-order-of-finish player draft, which allows the previous year’s worst team to have the first choice among new players entering the league. To some extent, this system promotes equality of teams over time.

- **Unequal schedules.** The National Football League (NFL) has implemented a policy of unequal schedules (challenging one of the foundations for league organization described earlier) to create greater uncertainty in league outcomes. Schedules are drawn so that the division-winning teams of the previous year play other division winners more often, and last-place teams play each other more often as well. This policy enhances the likelihood that weaker teams will have better win–loss records and helps the league schedule a greater number of compelling matchups than would be generated by a random schedule.

- **Revenue sharing.** Dominance and dynasties emerge in part because teams in larger cities have access to more revenue than do teams in smaller cities; they can sell more tickets at higher prices and charge higher prices to television networks that want to broadcast their games. To mitigate this potential imbalance, some leagues have established procedures to redistribute revenue from rich teams to poor teams or to provide equal shares of revenue that is generated at a leaguwide level. For example, current league agreements in Major League Baseball require that each team contribute 31 percent of its local revenue (which includes revenue from broadcast contracts and ticket sales) to a common pool that is then redistributed evenly to all teams in the league. The largest source of revenue for NFL teams is television broadcast rights. In the NFL, contracts for broadcast rights are negotiated directly between the league as whole and national networks, rather than between individual teams and their local networks. This policy allows the league to distribute the revenue evenly to all teams regardless of their market size.

- **Salary caps.** Several leagues also implement salary caps, which limit the amount of money that each team can spend on player payroll, to ensure that teams in larger markets (or with wealthier owners) cannot simply buy up all the best talent by outspending smaller-market teams. Luxury taxes, which are levied as a financial penalty on teams with payrolls above a certain threshold, are designed to serve a similar purpose.

Many critics of professional sport leagues view their obsession with competitive balance in recent years as more of an attempt to increase firm profitability by gaining an economic advantage over players in labor negotiations or by gaining advantage over broadcasting companies in the market for broadcasting rights. In addition, revenue-sharing agreements can often create perverse incentives for teams to lose. A team owner with a low payroll often stands to gain more in profit from revenue-sharing redistribution than he or she might by making the kind of payroll increases necessary to field a winning team.

Downside of Cooperation

At some level, leagues play a benign and beneficial role as a convener of events and guarantor of fair play. Although we accept that the home team has the advantage of its partisan crowd and its familiarity with the home stadium, no one would accept today having the home team hire the referees, pick which ball should be used, or establish the penalties for fouls. But sport leagues also present a troubling set of contradictions. Although leagues allow owners to work together to promote fair play and balanced competition between member teams, they simultaneously allow competing business people to collude with one another to gain control over individual players, squash any competition that might emerge from rival leagues, and exert influence over fans and city finances through market power. Such collusion among entities who are otherwise competitors is a hallmark characteristic of a cartel. Therefore, sport leagues also represent a contradiction in American public policy because their monopolistic operations are aberrations in the face of antitrust law. This contradiction has been enabled by a series of judicial and congressional precedents, which are summarized in table 1.1 and are discussed in detail throughout the remainder of this chapter.

TABLE 1.1
Major Public Policy Precedents Regarding Professional Sports

Court case or congressional action	Year	Issues involved	Impetus	Outcome or effect
<i>Federal Baseball Club of Baltimore v. National League of Professional Baseball Clubs</i>	1922	Alleged antitrust activities of Organized Baseball	The Baltimore franchise of the Federal League sued the American and National Leagues when the Federal League failed, leaving Baltimore without a professional team.	The Supreme Court ruled that Organized Baseball did not qualify as an illegal monopoly, declaring that baseball was inherently neither interstate nor commerce. Baseball seemed to have been given an exemption from antitrust law.
Congressional Subcommittee on the Study of Monopoly Power Hearings	1951	Alleged antitrust activities of Major League Baseball	Congress considered granting a blanket exemption to Major League Baseball to protect it from pending antitrust lawsuits.	Not willing to support the “baseball monopoly,” Congress refused to take any action, leaving it to the courts to decide the legality of baseball’s actions. Congress’ inaction, however, was seen as an endorsement of baseball’s antitrust exemption.
<i>Toolson v. New York Yankees</i>	1953	Baseball’s reserve clause and antitrust activities	A player in the New York Yankees franchise opposed a demotion and sued the team and the league, charging that their monopolistic practices were an illegal restraint of trade.	The Supreme Court reaffirmed baseball’s antitrust exemption, citing the exemption given the sport in the <i>Federal</i> case and Congress’ inaction in 1951.