GLOBALIZATION OF THE SPORTS ECONOMY

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Introduction

The relationship between sports and the economy dates back to the first antique Olympic Games when athletes were compensated in either goods or species. In the 19th century, gambling on sporting outcomes and the development of first professional sports paved the way for a sports economy. The attractiveness of sporting events to the press emerged in the early 20th century, when sport events have began to be broadcast on radio. It was however, not until after the Second World War that the genuine globalization of the sporting economy took off. The said globalization was triggered by three key trends. The first of these trends was the extension of annually paid holidays for individuals. This led to the engagement by the society in many leisure activities in all developed market economies, and sports was now consumed in many forms, such as: sport practice, sporting press and sport shows.

The second major trend was the television broadcasting of big sporting events which brought with it a completely new industry which provided access to TV viewers at any significant international competition convened anywhere around the world. The last but not least evolution was the current emergence of new

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information and communication technologies – NICTs (from Internet to mobile phone and so on) through which images of sporting events can be instantly transmitted at any moment to any place, throughout the globe.

The result of all this has seen an increasing economic significance of sport measured by its economic weight compared to GDP. In France for example, a macroeconomic aggregate, defined as the gross domestic sport expenditure, is published. It sums up the amounts spent by residents and households in sporting goods and services with state government sport budget, sport expenditures by local authorities, sport sponsorship expenses, and TV broadcasting rights raised by sport event organizers. According to these data, the said aggregate has risen from 0.5% of GDP in 1971 to 1.77% in 2005, which means Euro 30.4 billion (the same ratio is between 1 and 2% in most developed countries). However, the relevant market for many firms involved in the sports economy is no longer a domestic market. It is definitely a global-wide market. Unfortunately, there is no accounting of the sports economy at a global level and national accounting of the sports economy is really developed only in a few developed market economies. Most of the economic data related to sports which are circulated by mass media are simply rough estimates. Therefore, the first concern for those economists interested in the sports economy should be to find ways through which data collection and data creation on all aspects of globalization in the sporting industry can be improved.

Taking into account the aforesaid limitations on data collection, and despite these limits, a number of rough estimates on the global market for all sporting goods and services taken in 2004 was assessed being in the range of Euro 550-600 billion. Global market for football is valued at Euro 250 billion. The market for all sporting goods is valued about Euro 150 billion. The value of broadcasting rights related to sport events is estimated at Euro 60 billion while the global market for sports sponsorship is nearly Euro 18 billion.

In 2006, the global market for doping was assessed at Euro 6 billion. These figures must however be taken with a pinch of salt as it is crystal clear from the example hereunder. The widely known estimation of overall international trade (export) in sporting goods and equipment in the world is Dollari 2.5 billion in the year 2004. A recent study covering 41 countries involved in this trade and making up for 96% of the overall sporting goods and equipment exported in the world has revealed that the real value could actually have been Dollari 28 billion in 2004, i.e. ten times more. This latter figure is neither an estimate nor a rough figure. It is the result of a computation achieved with data available from the UN Comtrade data base. Two lessons must be derived from this example: first, even if media often tend to exaggerate their estimation of the global sports economy, their estimations are not always true. Second, the study of global trade in sports goods is still in its infancy and must be elaborated on in the future. Regarding the significance of foreign direct investment (henceforth FDI) by multinational companies (henceforth

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MNCs) in the sports goods industry – a basic determinant of sport economic globalization –, its estimation is only in the making so far.²

1. **Major features of a globalized sports economy**

The most globalized features of the sports economy today are represented by: (1) sports shows and (2) sports mega-events. Since the beginning of XX century there has been a rapid growth in the number of world or big international sport events per year: there were 20 sports events in the year 1912, 315 events in 1977, 660 in 1987 and 1,000 in 2005.³ Almost an average of three events per day average! The audience of such events is increasing on a global scale thanks to TV broadcasting. In the near future the question shall be to know whether or not an exponential growth in the supply of global sport events would exceed the demand of 6 billion potential TV viewers. The first signs of stagnation in the ratio of sporting audience⁴ have already emerged in the US.

Globalization of sport events reaches its highest point with genuine global sport events such as the Olympic Games and football (soccer) World Cups. Nowadays, their economic significance is more precisely delineated.⁵ To the contrary, the economic spill-over of global sporting events in the host countries too often remains the fallacy of sensational and publicized over-evaluation taking its roots in methodological tricks or even crude mistakes. One example is the *ex-ante* announcement that the rugby World Cup 2007 would have led to a Euro 4 billion economic spill-over to the French economy. An *ex post* evaluation, underpinned by more sound methodological elaborations places this value at Euro 1.4 billion. It is common knowledge that, since London was awarded the rights to host the 2012 summer Olympics, its actual cost keeps on rising by the day and is currently greater than any expected benefits there from.

In the worst case, studies on the economic impact of sport events simply do not rely on any scientific methodology or any analytical approach of investment decision making. In the best case, they resort to Keynesian multipliers. Unfortunately they often reflect an insufficient check of double counting, omitted opportunity costs (*i.e.* the return of an investment project alternative to hosting the Olympics), substitution effects (a number of consumers would have paid for another show in the city had the Olympics not been hosted), and crowding out effects (normally, tourists avoid Olympic sites due to traffic jams, pollution, etc.) while the local

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⁴ Such ratio is the percentage of TV viewers watching a sport broadcast in overall TV audience.

population’s willingness to pay is not carefully assessed.

From one global sport event to another, the economic impact of global sport events is repeatedly affected by the same methodological biases. Why? A candidate city waits for a study exhibiting an economic gain from hosting a global sport event in order to win the bid against other candidate cities. And this applies to all candidates. Consequently, all consulting companies are eager to provide the expected results, *i.e.* never a loss, always an *ex ante* significant economic gain derived from the event. Ex post, it nearly always appears that the event’s final account is in the red. This is an exemplification of the ‘*winners curse*’ in sports economics.

The methodology suggested by sports economists is a cost-benefit analysis of global sporting events. This is more complex and sophisticated compared to a simple impact study. It delivers a more accurate and rigorous evaluation of the spill-over effects and of the net economic value (gain) of a sports event. Such analysis has been implemented in the above mentioned more realistic evaluation of the rugby World Cup 2007 in France. This type of methodological approach should globalize itself and prevail as the unique standard, for all researchers in sports economics at a world level.

The market for TV broadcasting of sporting events is definitely global: big events are broadcast in 170 to 220 countries each (see Table 1). TV broadcasting generates or reinforces differentiation, or even discrimination, across the various sport disciplines: for instance, football always retains the largest coverage. By the same token, a number of less popular disciplines are simply outmuscled from the TV screens. Do you remember the last polo or water polo match was aired live on TV? In fact, television exacerbates all other factors of uneven economic development across different sports due to its media and financial interests in a few privileged sports.

The greater the audience of a sporting event, the higher the price for an advertising spot to be broadcast immediately before or during the event or at half time break. No econometric study has established a clear cut correlation between TV audiences and number of participants dragged by a given sport discipline so far, at either a domestic or global level. An intuition is that such a relationship does exist but it still has to be empirically verified (or falsified). Another feature of the

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6 To our knowledge, the only impact study that has ever exhibited weak economic spill-over and even a financial deficit for the organiser is one of those achieved regarding Albertville winter Olympics, see W. Andreff, (ed.), *Les effets d’entraînement des Jeux Olympiques d’Albertville: Retombées socio-économiques et innovations dans le domaine du sport en région Rhône Alpes*, CNRS et Région Rhône-Alpes, Lyon-Grenoble. 1991. Ex post, the actual deficit was of 150 billion French francs.


global market for sport broadcasting is that it operates under imperfect competition. All depends on whether the market is in short supply (excess demand) or short demand (excess supply). The short side of the market usually imposes its transaction conditions to those competing together on the long side of the market. The different forms of the sport broadcasting market are: 9 (a) a monopoly when only one organizer supplies his/her exclusive sports event to competing TV channels (consider the IOC offering Olympic Games, the FIFA with the football World Cup). In a monopoly market, price is relatively high, broadcasting rights are expensive and revenues accruing to the organizer are big; (b) an oligopsonistic monopoly when only one event organizer is facing very few potential buyers – TV channels (UEFA Champions League, French football championship). Broadcasting rights are still high though lower than in the monopoly case due to fewer competitors on the demand side; (c) a bilateral monopoly which was often the current situation when a single public TV channel monopolizes the demand side10 of a domestic market or when a European cartel of public channels (ERU) merged all demands for a sport event to be broadcast on a European scale. In the case of bilateral monopoly, economic theory teaches that the transaction price is determined by the relative bargaining power (not necessarily economic or financial) of the monopoly and the monopsony. Usually the price is lower than the price emerging in the presence of a pure or oligopsonistic monopoly; (d) a monopsony when professional clubs are competing for the sale of their individual broadcasting rights to a single TV channel (French football championship in the 1970s) instead of the league pooling the rights for all clubs. Then, in such a case, the lowest price is reached, as well as the lowest revenues for sport organizers as well, since they are competing on the long side of the market in the face of a single buyer.

Another outcome of globalization of sport shows and events through TV broadcasting is a globalization of sport sponsorship. Sponsors of global sport events are famous MNCs such as Coca Cola, Pepsi, Visa, Mastercard, McDonald’s, Mars, Kodak, Time-Life, Fuji, Philips, Canon, Panasonic, Xerox… and of course MNCs involved in the sports goods industry such as Nike, Adidas, Puma, Asics, Mizuno and so on. Economic analysis of sports sponsorship is now well established.11 A new trend of ‘naming’ has emerged. In such a case the sponsor’s name or label is associated with a stadium or a sport arena instead of being attached to an athlete, a team or a sports contest. A big issue with sports sponsorship emerged when it started to be linked to global TV broadcasting, which is ambush marketing. For example, when Linford Christie was interviewed by a number of TV channels before the 100 meters Olympic final in Atlanta 1996 he was wearing lenses with a population’s willingness to pay is not carefully assessed.

Puma label while the official sponsor of the Games was Reebok (for a

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10 A demand side monopoly is coined a monopsony in economic theory.
Dollari 30 billion entrance fee). An open question is how to find a regulation which would avoid such distortion of the market or parasitic interference strategy adopted by those big MNCs involved in sports business.

### TABLE 1: AUDIENCE OF MAJOR GLOBAL SPORT EVENTS

<table>
<thead>
<tr>
<th>Sport events</th>
<th>Cumulative overall audience *</th>
<th>Number of Broadcasting Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Prix Formula 1, 2000</td>
<td>53,3</td>
<td>206</td>
</tr>
<tr>
<td>Football World Cup, 2002</td>
<td>30</td>
<td>220</td>
</tr>
<tr>
<td>Football European Championship, 2000</td>
<td>10,7</td>
<td>170</td>
</tr>
<tr>
<td>Motor racing World Championship, 2003</td>
<td>5,1</td>
<td>208</td>
</tr>
<tr>
<td>Track &amp; fields World Championship, 2003</td>
<td>4,5</td>
<td>200</td>
</tr>
<tr>
<td>Summer Olympics, 2004</td>
<td>3,9</td>
<td>220</td>
</tr>
<tr>
<td>Rugby World Cup, 2003</td>
<td>3,5</td>
<td>180</td>
</tr>
<tr>
<td>Roland-Garros International, 2004</td>
<td>2,7</td>
<td>194</td>
</tr>
<tr>
<td>Cycling Tour de France, 2004</td>
<td>1,2</td>
<td>170</td>
</tr>
</tbody>
</table>

* In bn TV viewers.


2. **International economic flows in a global sports economy**

Trade in sports goods is partly globalized. Chain stores in sports such as Decathlon and others have spread throughout a large number of countries. Besides, foreign markets are supplied with exports from home countries where aforementioned distribution networks and sports goods producers have based their headquarters. Economic research on international trade in sports goods remained unheeded for a long time. A pioneering paper\(^\text{12}\) had shown that France benefited from an excess trade balance in sports goods. This was explained by the French net imports of ‘trite’ sports goods – goods which one can use in different sport practices such as sportswear, sport suit, some sport footwear – being more than compensated for by France’s net exports of ‘equipment-intensive’ sports goods, which are goods quite specific to a single sport practice like Alpine skis, cross country skis, windsurfs, boats, etc. There was no follow up on this study. A first research on international trade in sports goods led at a global level has recently been published.\(^\text{13}\) It provides


\(^{13}\) J. Harvey, M. Saint-Germain, *Sporting goods trade, international division of labor, and the*
to this report, the major partners of EU countries in sports goods trade were other EU countries in 1994; major partners of NAFTA countries were other NAFTA countries while the ten most exporting Asian countries imported 50% of their overall sports goods imports from the same sample of Asian countries. The latter were nearly all net exporters of sports goods (except Japan) whereas the three NAFTA countries were net importers. Most of the European countries were net importers but a few were net exporters (such as Finland, France, Ireland, and Italy). However, the paper by Harvey and Saint-Germain does not tackle the issue of international specialization among trade partners participating in global trade in sports goods. International specialization of major trading countries is addressed in a recent work.\textsuperscript{14} Table 2, clearly demonstrates that NAFTA countries, in particular the US, are net importers of sports goods. To a lesser extent EU countries are also net importers whereas Asia’s’ emerging countries, especially China, are net exporters in 2004.

\begin{table}
\centering
\begin{tabular}{lcccc}
\hline
\textbf{Area} & \textbf{1994} & \textbf{1999} & \textbf{2004} \\
\hline
NAFTA & Export & Import & Export & Import & Export & Import \\
& 13,6 & 36,6 & 15,3 & 34,6 & 10,6 & 32,1 \\
European Union * & 34,8 & 37,9 & 34,7 & 40,8 & 33,1 & 44,8 \\
Transition countries & 2,8 & 0,6 & 3,7 & 1,3 & 3,5 & 2,6 \\
Asia & 44,9 & 24,2 & 42,4 & 22,4 & 49,1 & 19,7 \\
other emerging countries & 3,8 & 0,7 & 3,8 & 0,9 & 3,8 & 0,8 \\
\hline
Countries & Export & Import & Export & Import & Export & Import \\
United States & 9,9 & 32,0 & 10,2 & 29,4 & 7,0 & 27,2 \\
Germany & 5,0 & 12,5 & 5,0 & 9,9 & 4,8 & 8,5 \\
Italy & 7,5 & 3,1 & 7,0 & 3,9 & 5,8 & 5,2 \\
Czech Republic & 0,6 & 0,2 & 0,6 & 0,5 & 0,9 & 0,7 \\
China & 16,7 & 0,4 & 21,6 & 0,5 & 33,6 & 0,7 \\
Tunisia & 2,0 & 0,2 & 2,3 & 0,3 & 2,7 & 0,2 \\
\hline
\end{tabular}
\caption{Global trade in sports goods by area and some significant countries (in % of total)}
\end{table}

* Plus Switzerland


\textsuperscript{14} Unequal hierarchy of nations, Sociol. of Sport J., 18, 2001, 231-46.
A more detailed analysis exhibits that developed market economies have only few comparative advantages which concentrate on global trade of ‘equipment-intensive’ goods, primarily skis, ski equipment, boats, windsurfs, golf equipment and table tennis. Emerging countries have a quite significant comparative advantage in sportswear and footwear, anoraks, balls, rackets, skates and gymnastic equipment, i.e. on average in ‘trite’ sports goods with a lower value added in production. A next step would be the analysis of the determinants of these international specialization patterns, the role of demand and unit production costs, namely the relationship between labour-intensive sports goods (trite goods) and capital-intensive and research-intensive sports goods (equipment-intensive goods).

The production of sports goods has globalized although we still lack detailed knowledge in relation to this and the underlying international economic flows which triggers this, i.e. the phenomenon of FDI. The breakdown of available data regarding FDI is not detailed enough to precisely detect foreign investments undertaken in the sports goods industry. If one wants to assess the role of FDI and MNCs in globalization of the sports economy, there are two ways which can be followed.

The first way is by observing the rates at which trite sports goods are re-exported back to their home base developed market economies, as well as the re-exports from developing and emerging countries where foreign subsidiaries and production had been relocated by MNCs. The second means consists of writing monographs about MNCs involved in sports goods. For instance, Salomon (then merged into Adidas) or Rossignol (now merged into Quicksilver) had invested abroad, in North American and European countries in order to supply fast growing and wealthy domestic markets – the tool here was a so-called horizontal FDI geared towards consumer demand. On the other hand, firms like Adidas, Puma, Lafuma and others invested abroad (primarily in Eastern Europe, Maghreb and Asia) in order to lower their production costs by means of a vertical FDI (diminishing input costs, for example unit labour costs). Pursuing the same goal, Nike, Reebok, and Mizuno have adopted a different strategy of production relocation in low-cost countries without any FDI; they signed international subcontracting arrangements with Asian producers and, consequently, developed outward processing trade from emerging countries, in particular in trite sports goods trade. Nike went furthest in this strategy and became a hollow corporation having no longer any sports goods production in the US where the firm concentrates on conception, design, marketing, distribution and financial activities. All Nike sports goods are manufactured by Asian subcontractors (mainly Indonesian, Pakistani and Chinese) and labeled ‘Nike’ afterwards. More research is needed to go deeper into the analysis of various MNCs strategies in a globalized sports goods industry.

The market for high-level sporting talents has also globalized. It is a labour market in which professional players and other highly talented athletes are

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internationally transferred – from a club in one country to a club located abroad. International transfers of football players skyrocketed in this global labour market since it was entirely de-regulated by the Bosman case in 1995. The latter was followed up with Malaja, Kolpak and Simutenkov cases, as well as the Cotonou agreement signed between the EU and 77 Asian-Caribbean-Pacific countries, which extended the globalization of labour market to other sports than football and to various areas of the world economy. Football has of late recently become the most investigated global market in the sports economy, given rising concerns over the transfer of teenagers players below the age of 18; which brought about new research in the 2000s.

The transfers of teenage players is illegal and is undertaken under outrageous and infamous conditions offered to young players.\(^ \text{16} \) The increasing turnover in the labour force and the growing international mobility of athletes continues to be felt and annually destabilizes the manpower of many sport teams, with the exception of the richest. Such consequences of free movement in a global market call for the re-introduction of certain regulations.\(^ \text{17} \) The ultimate consequence in some countries could see domestic sports losing its control as a result of the transfer balance (the difference between players transferred abroad and those transferred from abroad) as happened in French professional football in the early 2000s.

Another outcome is the emergence of an underground (black) market for teenage players after the introduction of new FIFA regulations released in 2001. These regulations prohibit the transfer of players below the age of 18. An alternative regulation, suggested to be spread to all sports, not only football, has been designed following the model of a Tobin tax on short term international capital movements (which are typical of financial globalization).

Coined as the “Coubertobin” tax,\(^ \text{18} \) this proposed new regulation is conceived in such a way as to curb on international player mobility as a function of age when international transfers are effected (namely, the younger the age of the player transferred the higher the tax rate due from the transfer). Tax revenues would accrue an international fund for sport development in developing countries where teenage players have been discovered, trained and educated. Introducing such a tax is not envisaged so far, but it would be meaningless to adopt the tax without a tighter supervision of the activities of player’s agents. Most player’s agents involved in international transfers are not even registered at the FIFA or


\(^{17}\) The most publicised call is the one by Mr. Sepp Blatter (a former UEFA top manager) in favour of a so-called 6 + 5 rule, meaning that any football team must field a squad with six native of the domestic country and no more than five foreign players. However, such regulation contradicts the Bosman jurisprudence and has no chance to be implemented against the law (the Treaty of Rome article which guarantees international labour mobility to all EU citizens). Something more sophisticated is to be thought of.

their domestic football federation, and therefore are in some sense ‘outlaw’ agents. What is urgently needed is to build up an exhaustive data collection process about all international transfers (in all sports) and incurred financial amounts; the latter is absolutely unknown and is only known to the public through estimates and speculation by journalists or through acquaintances with some players.

Finally, globalization of the sports economy is exploited by all those who are involved into the worst financial misdoings, embezzlements, money launderings, etc., in which global sports are drifting. Here researchers, and of course citizens, face a genuine terra incognita. We tried to put up an economic analysis of globalized financial misbehaviors, although this has yet to be well elaborated. One basic limitation is that juridical expertise must go hand in hand with the economist competences in order to tackle such issues as match fixing and referee corruption; both of which are growing at the same pace as illicit international betting and gambling on sport events which have accelerated by resorting to NICTs. For example, Asian punters can bet on incredible or aberrant (thus entirely unpredictable) match outcomes in a European Champions League contest and, at the same time, can invest in bribing one goalkeeper, other players or the referee participating to this contest; this is of course to facilitate the reach of an absolutely unpredictable (but extremely profitable to these punters) match outcome. A real economic research on this area is yet to start since it is not really feasible as a result of hidden information about illicit behaviors. It is however a concern which should at least stimulate more empirical investigation.

International money laundering is also exploiting sport-related flow as one of its channels. Some official bodies are in charge of chasing money launderers such as the Group of Financial Action – GFIA – against money laundering (at OECD level) or, in France, Tracfin (a specialized department of the Ministry for Finance) and other departments in central government. International capital transfers move dirty money to be invested in sport abroad and utilizes globalization of financial transactions as a way of cleaning funds whose origins are suspicious, if not stolen or illegally acquired (one of the first ‘laundry’ for Russian dirty money has been the Italian cycling team Roslotto by 1992-94). International transfers enable capital owners to acquire, clean and polish a worldwide notoriety, which was one of the motives behind Abramovich’s purchase of Chelsea FC as well as other Russian ‘oligarchs’ buying clubs in European football. This is only the tip of the iceberg and more information needs to be collected to check how much sport serves the aims of a global financial black market.

Last but not least, economic analysis of doping has already been theoretically deepened. Anti-doping control is in progress and it goes along with

increased data collection and athlete testing at a global level (namely the role of the World Anti-Doping Agency). Doping substances are often traded across national borders. Economists should pay attention to this dark side of global trade connected to sport.

3. **Globalization as geographical spread of the sports economy**

Economic globalization of specific sporting practices and services offered to sport participants is less advanced. A limited though increasing number of sport disciplines fits with development outside their country of origin: skiing, mountain climbing, sailing, canyoning, trekking, rally raid and so on. The result is a consumption of sport services (sport equipment rental, instructors, coaches, guides) abroad, *i.e.* an international spread of sport consumption. At this point, economic globalization of the sports economy overlaps with globalization of tourism.

The sports economy geographically spreads also to new countries when a new sport discipline settles down in a country being imported from a different country. European football (soccer) entered the US market in the 1980s. The other way round, baseball and American football penetration is more recent in European markets. Other examples trace us back to the history of sports: football and rugby were exported from England to France and continental Europe in the late 19th century, English cricket was transferred to India, table tennis, judo and other martial arts moved from Asia to the rest of the world, frisbee moved abroad from the US, and so on. All economic activities associated with these sports had geographically spread as well.

A last channel for globalization is simply when the sports economy itself extends to new countries where it has not been played before (former colonies, developing countries). A variant is expansion of a market-based sports economy towards former communist countries in which sports activities and associated economic flows were state-run and state-owned. National pride, international competition in sport, and other non economic factors tend to attract talents, human capital, money and finance into the sport sector in all countries. But here we can talk about an ‘uneven globalization’ of the sports economy or an uneven development of sport globalization since the sports economy grows (or decreases) nearly at the same pace as GDP in most countries in the world.

The sports economy has obviously extended into the developing countries but its growth is hindered there by underdevelopment of physical and sport activities. The underdevelopment is tightly correlated to economic underdevelopment. The rate of participation in sports (*i.e.* the percentage of sport participants in the overall

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population) is low in developing countries, between 0.1% and 10% whereas it is over 25% in any developed market economy whatever the measurement methodology used. Such a gap in less developed countries is mainly due to low physical education at school (even though it is scheduled in class hours and educative programs). Eventually, the lack of sport teachers and facilities leads to a shortened and less intense physical education which sometimes reduces to zero.\textsuperscript{23} Given the shortage of coaches and sports health care, only a few developing African countries are able to secure a continuous domestic championship in most sports, with the exception of football. The Central government and local authorities’ sport financing is quite limited by very hard budget constraints in countries where more urgent priorities (malnutrition, health, basic education) need more financial attention. Sports facilities and infrastructures are so few that most developing countries cannot afford to host global sporting events.\textsuperscript{24} Coupling this are the large income gaps which propel the best athletes from developing countries to expatriate into wealthy leagues in developed countries (or oil-endowed countries) and, increasingly, to request their naturalization – the citizenship of their host country.\textsuperscript{25} For example, Qatar is building up an Olympic team based on naturalized athletes and players, because it appears possible for any person to obtain Qatari citizenship within a fortnight. Wilson Kipketer, a former Kenyan citizen, participated at the Beijing Olympics representing the Danish team. Economic globalization of sport jeopardizes the very notion and, possibly, the future of national squads.

Economic underdevelopment of sport in a context of globalization comes out with uneven probability of winning global (international) sport contests, the number of wins depending on the level of economic development in athletes’ home countries. A dozen of econometric tests have already verified such statement of which the last one\textsuperscript{26} confirms that the number of medals won is basically determined by a nation’s GDP per capita and population, and by the fact that a country hosted the Olympic Games. Some additional variables improve the explanation of medals won, such as the political regime, regional differences in sport culture (habits) in a nation, and athletes’ specialization in some Olympic disciplines, different from one country to the other.

In the 1990s, UNESCO launched a research program focused on sport in Africa’s least developed countries which aimed at identifying the main obstacles to sport development and was envisaging increased co-operation between developed


and least developed countries. Since then very few researches have emerged in this area of uneven sport globalization, in particular to test a significant relationship between a low level of sport and economic development on the one hand and, on the other hand, the quality of sport performances at global level.

In post-communist transition countries, the major issue is not international sport performance. When these countries were ruled by a communist regime, they were gaining a number of Olympic medals quite higher than the one predicted from their GDP per capita and population (they were outliers in all econometric regressions). Such specificity was explained by their capacity to mobilize (sometimes in a nearly military way) very significant human and financial resources in favour of preparing and training athletes in the framework of a state centralized sport organization, leaving no room to market mechanisms.\(^\text{27}\)

Transition to a market economy, coupled with an economic crisis in its early years, led to a lower international sport performance in the whole former Soviet area. However, such a decrease did not affect the relative weight of those countries with respect to the rest of the world. In fact, the hypothesis of a (formal and informal) institutional inertia in the functioning of East-European sports systems, while economic institutions were transformed in depth into a market economy, has been empirically confirmed.\(^\text{28}\) The accession of ten Central Eastern European countries to the European Union in 2004 and 2007 has increasingly brought into line their sport organization and financing systems with those of Western Europe.\(^\text{29}\)

Economic globalization of sport probably would not have grown so fast without the relaxed attitude of sports governing bodies towards the big influx of money into sport at global level. The IOC’s U-turn in the 1980s is to be stressed here. As from 1981, the IOC no longer required an athlete participating in the Olympic Games to have an amateur status. It thereafter legalized the exploitation of its brand (\textit{i.e.} Olympic symbols) in commercial business in 1986.

International sport federations have adopted money-attracting strategies geared towards sponsors and the media in order to increase the number of their affiliated national federations and their individual members, so that their international championships or cups and the latter’s audience become really global. In 2001, the volleyball international federation accounted for 218 affiliated national federations,


\(^{29}\) This is one conclusion of a (not yet published) report on public and private financing of sport in the 27 EU member countries. The report was sponsored by the French Ministry for Sports and will be published by the end of 2008, AMNYOS CONSULTING, W. ANDREFF, \textit{Public and Private Financing of Sport in Europe}, preliminary report to be submitted to the meeting of EU sports ministers, Biarritz, 27 November, 2008.
211 in basketball, 210 in track and fields, 204 in football (soccer), 190 in tennis and amateur boxing, 186 in table tennis, 179 in judo, 176 in swimming, 169 in cycling.\textsuperscript{30} The number of national Olympic Committees has increased from 7 in 1900 to 46 in 1936, 130 in 1972, and 202 in 2004. They benefit from growing IOC revenues and expenses.\textsuperscript{31}

4. \textit{Globalization of professional sports}

The economic globalization of professional sports obviously underlies globalization of sport shows and events. Its pace is accelerating more in European sports than in typical North American sports. Unlike European football, Baseball and American football had not yet conquered 204 countries in the world, despite some marketing and media strategies by the Major League Baseball and National Football League oriented towards European markets. An assumption to be further confirmed with empirical evidence is that globalization of professional sports is differentiated between the two shores of the Atlantic due to their different organization and regulation. In North America, we witness a closed league system contrasting with a European open league system.\textsuperscript{32}

A closed league is a cartel of all clubs participating into a championship. No team is either promoted to a higher league (or division) at the end of season; at the same time, no one is relegated to a lower league either. The league maximizes collective revenues of all clubs through pooling the sale of broadcasting rights, thus monopolizing supply in the broadcasting market.

Under the Sports Broadcasting Act (1961), American professional sports are exempted from enforcement of anti-trust law in this market; at this date, they already were exempted in the labour market for talents, in which leagues had a monopsony situation restricting players’ inter-club mobility. The league provides its own economic regulation. The first fundamental measure is entry barrier into the league: a team owner who applies to an expansion franchise in one major league must convince all incumbent league members (owners) that his/her entrance will substantially increase overall league revenues and profits. If accepted in the league, the new member has to pay a very high franchise; moreover, the league (Commissioner) will have the last word about the team’s geographical location. Fort contends that a closed league system generates a quantitative rationing process.\textsuperscript{33} The number of teams in an American league is usually lower than the one requested by fans and spectators, namely a demand level which would be satisfied in a league open to economic competition. Three signs of a shortage or

rationing organized by a closed league are: (1) some rival leagues had emerged, at least for some time, in all American professional sports; (2) each time a league opens a new expansion franchise, a great number of potential candidates are queuing to enter; (3) leagues and clubs are capable of price discrimination among spectators without losing attendance. The regulation of the league is not countervailed by competitive threat of a takeover via financial markets, as in other American industries, since American teams are not listed in the stock exchange. They are not exposed to hostile (or even friendly) acquisitions, mergers or raiders.

The closed league monopoly power in its product market is augmented with a monopsony power in its major input (labour) market. In the 1970s, veteran players obtained, after a number of strikes, the status of free agents. Coupled with a high rate of player unionization, this evolution tended to fuel wage inflation. In order to curb wage inflation, a salary cap was introduced in National Basketball Association and National Football League. A maximum payroll is fixed through collective bargaining between owners and player trade unions as a given percentage of overall league revenues that accrues to players. Dividing the league payroll across teams, the maximum payroll is fixed for each team. Thus, all teams must adjust by either handling payrolls or adapting the number of players (namely superstars) downwards. Such a rule is supposed to prevent the richer teams from “grabbing” all the best players and deteriorating too much the league’s competitive balance.

Another regulation, the rookie draft, is entirely devoted to maintaining a balanced competition. The rules of the draft system prohibit the entrance in major league of new young players (rookies) and players from college teams, minor leagues or from abroad. Players are ranked by experts on a draft according to their past sporting performances (an assessment of their talents). It is a reverse-order-of-finish draft.34 The team which has been the last ranked at end of the past championship has a priority choice for players to be hired (thus this team is supposed to choose the best player) while the past season’s champion is the last team to choose and hire a player ranked down the draft (supposedly one of the weakest player). Obviously, this rule has been designed to maintain competitive balance but it also spreads the league monopsony power to all players who have not even signed a first time with a professional team before. Finally, an American sport league is regulated through revenue sharing which reduces the gap between big rich and poor small teams in terms of gate receipts and broadcasting rights. In a nutshell, a closed league is an exception to the liberal and competitive credo within American capitalism.

However, a closed league does not forbid and does not really hinder international mobility of players. On the other hand, it is not open to international team mobility. North American teams which had won the major league baseball championship never confronted afterwards non-American teams in an international

contest. There is no vertical mobility of teams up to a global level. The only team mobility which occurs in a closed league is horizontal and geographical. A team can move from an American city to another one within a same major league. On the contrary, European football is open upwards for clubs to qualify for an international contest with the UEFA Champions League and the UEFA Cup which are broadcast at global level.

In an open league system, the club content of a championship changes from season to season. A hierarchical organization is maintained by means of a promotion-relegation system. As to the principle, a club can move upwards from the lowest local amateur contest to a nation-wide professional championship and eventually qualify for European Champions League. Or a club can fall down the ladder. Its route in the hierarchy only depends on its sporting performance. Club mobility is vertical from league 1 to league 2 to league 3, etc. (or the other way round); usually, there is no geographical mobility. The utility function of a club in an open league is win-maximization in order to be promoted (or avoid relegation) under a budget constraint which consists in being in the black. In fact, all clubs invest in player talents before the beginning of season in view of winning the championship; but all clubs cannot be champions or well ranked at the end of season and, therefore, gate receipts and TV revenues will not cover ex post payroll costs in loosing clubs. Sporting competition prevails over economic competition in an open league. The latter also calls for some regulation to sustain fan interest, but much less than in a closed league for two reasons. Firstly, relegation keeps the weakest clubs out of the league at end of each season by ‘sending’ them down in a lower league, and promotion adds the best clubs from a lower league to the upper league. Thus, the promotion-relegation system operates as a self-regulation mechanism which restores competitive balance season after season. Secondly, the fan interest in a championship is maintained up to the end (contrary to a closed league) by the race to be promoted or relegated. The only games without too much interest are matches between middle ranked clubs by the end of season because they are no longer threatened with relegation and no longer have the chance to be promoted.

The ultimate objective of major European (for instance football) clubs is to qualify as regularly as possible for international (European) contests and this has transformed them into real multinational businesses or companies. Such statement may seem paradoxical since it is not possible to markedly globalize a club’s basic product which is a match offered in a stadium (moreover it is a joint

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product created with the contesting club). An Italian football stadium may attract some foreign spectators, namely some European (non Italian) fans when a Champions League match is offered, but on average they are few compared to the Italian fans. On the other hand, a club’s indirect product is the sport show that can be broadcast and, by the same token, can meet instant globalization of its TV viewers. Champions League matches are broadcast far beyond European borders. Globalization of derived products such as merchandising, club touring for demonstration matches in Asia and so on, is also easy to achieve for spreading the number of club’s fans all around the world, as for instance Manchester United is used to do. However, it is globalization of its major factors of production and finance which transforms a European football club playing in the Champions League into a MNC. Such clubs are used to fielding squads with players of different nationalities (once Chelsea FC played a match in which they fielded players from eleven different countries) and to hire foreign coaches and managers. Their labour force is multinational. In relation to finance, a significant evolution occurred when a so-called SSSL model of financing from the 1980s and before vanished – in which the major sources of finance were the spectators (gate receipts), subsidies and sponsors of local or domestic origin.\footnote{W. ANDREEF, P. STAUDOHAR, The Evolving European Model of Professional Sports Finance, J. of Sp. Econ., vol. 1, n. 3, 2000, 257-76.} Today, all big European professional clubs have adopted a MCMMG model of finance: the most significant source of finance definitely is TV revenues; new incomes are drawn from corporations (entrepreneurs, oligarchs, etc.) acting as patrons, merchandising and markets – both labour market on which talents are sold for some revenues and capital market, \textit{i.e.} the stock exchange where some clubs are listed.\footnote{M. AGLIETTA, W. ANDREEF, B. DRUT, Bourse et football, Revue d’Economie Politique, vol. 118, n. 2, 2008, 255-296.} All these new sources of finance are potentially or really global. Gate receipts and subsidies are no longer prevailing modes of finance. With MCMMG model, there is no reason why players, coaches, managers, sponsors, patrons, fans and owners would have a same nationality. The contrary is everyday more obvious. Even club ownership is globalizing: Chelsea FC is owned by a Russian citizen, Manchester United by an American investment fund, Grenoble Football Club by a Japanese company (Index) and so on. A logical consequence of professional clubs’ globalization could be the emergence of a European (world?) league gathering all the best clubs. In 1998, Media Partners supported by other patrons involved in the media business like Berlusconi, Murdoch and Léo Kirch, made a proposal to create a European football Super league comprising 36 of the richest European football clubs. The Super league was supposed to generate revenues twenty times bigger than that generated by the UEFA Champions League. Though European, this project was of a global vintage. Media Partners’ attempt failed because UEFA instantaneously reformed the Champions League, invested bigger gains to the participating clubs, and accepted some decision sharing with them. In basketball however, a European super league
actually emerged.

The question is to know whether or not, becoming MNCs, professional clubs are already organized and managed as such. Financial crisis that European football is muddling through\textsuperscript{38} raises some doubt about whether better governance and better financial management are now required in the industry of professional sports as in any other globalised industry.\textsuperscript{39} The legacy from amateur sport managed by voluntary workers and financed by benevolent patrons has faded away in European high level sport leagues and clubs.

\textit{Conclusion}

All the dimensions involved in globalization of the sports economy, in particular the fragment of professional sports, shows how promising this area is for a research on sports economics. Even if the latter is now covered by the Handbook of Sport Economics\textsuperscript{40} gathering 86 chapters and 63 authors, and by an increasing number of articles in economic journals, the issue of economic globalization in the sport sector remains somewhat unheeded and calls for further publications.

\textsuperscript{38} See, the special issue of \textit{Journal of Sports Economics}, vol. 7, n. 1, 2006, dedicated to financial crisis of European football.


\textsuperscript{40} W. Andreff, S. Szymanski, (eds.), \textit{Handbook on the Economics of Sports}, cit.
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