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Book Review

PLAYBOOKS AND CHECKBOOKS: AN INTRODUCTION TO THE ECONOMICS OF MODERN SPORTS, S. Szymanski, Princeton University Press, Princeton, 2009, 225 pages. ISBN 978-0-691-12750-7

Simon Rottenberg is credited with starting the literature on sports economics in 1956 with his analysis of major league baseball's labour market. Over fifty years later, sports economics has evolved from the study of sports labour markets to the sophisticated use of sports datasets to test previously unexplored hypotheses in the growing fields of sportometrics and forensic econometrics (see McCormick and Tollison 1984 and Duggan and Levitt 2002). Stefan Szymanski's *Playbooks and Checkbooks* gives an engaging overview of how economics can help explain the phenomenon that is modern-day professional sports which is coupled with relevant historical anecdotes.

Sports as we know them today have only been around in the last 250 years. In that time, they have evolved from a gentleman's pastime to a billion-dollar leviathan business empire. The amount of interest generated by sports is astounding. Evidence is found in ESPN, an American cable network dedicated to sports, which in 2007 was estimated by UBS to be worth US$28 billion (about A$31 billion in today's money). It appears that the consumer's appetite for sports in insatiable; but as Szymanski is quick to point out, no matter how much we may bemoan the exorbitant salaries that sports stars are paid, it is only because of the value that we, as consumers, place on them.

This introductory text combines with economic analysis of sports markets with Szymanski's extensive knowledge of sports history and evolution. Partly drawn from the authors own research, the reader is guided through the evolution of professional sports from their origin as amateur associations; the design of sporting contests; the market for players; the public funding of sports and major events (i.e. Olympic games, World Cup football); and the persistent problem sporting federations and leagues in dealing with anti-trust legislation. It also contains an appendix entitled *A Beginner's Guide to the Sports Economics Literature* for the interested economist.

To the uninitiated, there is much to learn. Szymanski shows us how economics can be applied to sports to explain interesting questions like: Why are tennis tournaments designed as knockout contests whereas NRL tournaments designed in league (or round-robin) format? Why are sports players paid such lavish salaries? What's the difference between a sports league and a cartel? These questions are answered with clear (and accessible) economic intuition. It provides sports-follower an economist's dissection of sports markets. The ability to provide a historical and cultural context is without doubt one of the book's most engaging attributes. Unsurprisingly, this comes mostly in the form of American sports, although Szymanski's defence, these sports do appear to provide the most interesting examples.

What we see today as modern sports is largely as the result of consumers being increasingly willing and able to pay for sports content. Early sports entrepreneurs, recognising the potential of sports, started by considering how to organise their competitions to attract spectators and make their contests exciting. The classic approach is to offer a prize to the winner only in what is known as a winner-take-all contest. Given homogenously talented athletes and full-information about other contest participants, an athlete will maximise her expected return to competing minus her cost to investing in effort. This, however, will not be the optimal reward/contest structure for all competitions not least because athletes are not homogenously talented. In fact, most sports involve multiple contestants (players/teams) competing in pairs over several rounds. The knockout structure (observed in tennis and golf) tends to raise the effort of the participant as there is more at stake. A league format on the other hand (observed in most team sports) guarantees a minimum number of games for weaker contestants and insulates stronger teams against upsets. Spectator preferences are also a factor; whereas a tennis fan may be interested the playing of the game itself, a football fan will be more interested in the seeing their favourite team compete. Other questions also surround what the optimal number of contestants and rounds should be. Another factor, is the so-called "uncertainty-of-outcome hypothesis" which states that spectators prefer to watch games where the outcome is uncertain. In other words, a game with two evenly matched competitors will be more valued than a game where one team is much stronger and thus very likely to win. Curiously, however, what appears to be an intuitive proposition actually has very little empirical support.

Another interesting aspect to modern sports are athletes monetary incentives. The share of team revenue going to player's salaries has increased rapidly since the opening up sports labour markets in the 1960s. In major league baseball, for instance, the players share has increased from 20 to 60 percent of team revenue; which came about largely from the increased emphasis on workers rights of sportspersons. Another cause was the growing impact of broadcast television. The ability to televise games, at low-cost to consumers, increased the market for sports dramatically as teams were no longer constrained to gate revenue. This increase in athlete remuneration has motivated more individuals to pursue athletics and increased the pool of scarce athletic talent. This has meant that the rewards to placing first are much, much greater than lower places. With large rewards on the line, athletes have been willing go extreme lengths to win. A case in point is the use of performance-enhancing drugs. With the development of synthetic drugs, such as steroids, sports with significant endurance or strength elements have been quick to take advantage of the edge they provide. The interesting problem with doping, however, is that despite the establishment of WADA, the World Anti-Doping Agency, doping by all indications is still a major concern. This indicates, as Becker (1968) showed, that for athletes the competitive advantage from their use outweighs the probability of being caught. It would appear that despite efforts to eliminate doping (through official sanctions and drug-test developments) that the economic fundamentals prevail; effort invested by athletes will always increase when the return to doing so increases.

Playbooks and Checkbooks provides a good overview of the growing field of sports economics for the (uninitiated) economist or noneconomist. As an introductory text it does what it sets out to do. My only reservation would be regarding litigation details surrounding various events which, at times, may be tedious to the reader with only a mild interest in sports. It contains enough economic theory to keep the economist interested (as well as enough sports history and trivia to keep the sports enthusiast captive) yet is accessible enough to a wider audience. I see potential in this book as an excellent way to teach undergraduate students basic economic concepts in manner that is both entertaining and relatable.

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