

PLAY, PRAY AND PREY BALL

LOCAL ASPECTS OF SPORTS ECONOMICS

As the baseball season gets underway, one can hope that sports in the future will be better than in its immediate past. Over the last couple of years sports news spilled into the business sections and gossip columns; several college coaches and players behaved very badly; the sad, drawn-out saga of cyclist Lance Armstrong finally concluded; three high-profile players from the steroids era—Clemens, Bonds, and Sosa—appeared on the Hall of Fame ballot for the first time and whiffed; the New Orleans Saints were apparently anything but, and currently violence and injuries threaten the NFL's seemingly unbridled popularity.

In basketball and ice hockey the leagues locked out their players; the NFL doubled-down and locked out its officials as well. (In these labor disputes there is nothing in economic theory that says the players or the owners deserve the money; the same holds for the Chicago Teachers Union v. the Board of Education. Whenever the number of pigs exceeds the number of troughs, it comes down to which entity is more effective in the exercise of its monopoly power.)

Will the Cubs rise from the ashes and make Chicago proud? Not anytime soon, other than for the laws of probability, which this franchise seems hell-bent on repealing. In Oakland, the A's Billy Beane of Moneyball fame was—allegedly—able to win by exploiting some disequilibria in personnel decisions and on-field strategies. But in sports and other economic walks of life in the 21st century, information is simply more readily available to everyone, and thus those opportunities are harder to find.

The baseball market is already very efficient; if it becomes perfectly efficient, then Theo Epstein and his vision are toast, albeit very expensive toast. In the regular season team payroll—because presumably that team will have acquired the best players—and luck, including injuries, will determine who finishes first. (In the playoffs, the structure of the competition changes, chance looms larger, and thus the best team is less likely to prevail.)

Speaking of efficient markets, consider Wrigleyville. In the past, rooftop owners on Waveland and Sheffield exploited disequilibrium. Then the Cubs, providers of this free-riding, came to an agreement with these local landlords: fork over some fraction of your largesse or we put up an opaque screen. "Rooftops, the Sequel" is now showing.

But an accommodation is harder to effectuate with the city and other Cubs-Wrigleyville intersections. First, it's not clear who the free-riders are—the commercial establishments on Clark, whose cash registers runneth over when the Cubs are at home? Mayor Emanuel's kitty? Or the Cubs, who benefit substantially from the vibrant neighborhood that draws locals and tourists to the ballpark (unlike the White Sox and Bridgeport, where there are no synergistic spoils to fight over)?



There is no easy, financially painless fix, though there are possible mechanisms to return to the Ricketts family some portion of these

Cubs-generated revenues. Anchor stores in suburban malls pay lower rent than specialty stores because they—Nordstrom's, Sears, Macy's—provide benefits to Williams-Sonoma, Brookstone, and Old Navy. Perhaps the Cubs could cut a similar deal with the sports bars and City Hall.

Furthermore, the Cubs do produce a significant economic impact because of the sizable number of out-of-area wallets they attract. Thus there is a legitimate justification for some public subventions, as well as relaxing the stranglehold local pols have on the owners and ballpark.

By contrast, the Bears, Blackhawks, Bulls, and White Sox play in front of overwhelmingly local fans; as a result they simply recycle spending within Chicago. (With a strike or lockout, the aggregate economic impact is approximately zero: diehard fans and some contiguous specialty businesses lose, but malls, restaurants, movie theaters, and therapists benefit.)

The Chicago marathon is the only other local athletic activity with a measurable impact, though quite modest because it is limited to one weekend a year. Being the host city for a Super Bowl or other big-ticket sporting event could also inject some new revenues into the economy, but the shortsighted, ill-advised renovation of Soldier Field by the Bears and the Daley administration effectively doomed—as opposed to domed—that possibility.

Finally, why does bottled water cost so much at games? The obvious answer is because of monopoly power. Yet I suspect it's to nudge fans toward more expensive beer and sodas. If water were, say, \$2, a price still far above its cost, fans might opt for that thirst quencher. Here or in Kansas, games are not just confined to the field or floor anymore. □

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