

Playing Catch —or Catch-Up

Some Sports, Statistics, and Economics in our Pandemic World



As we're all painfully aware, covid-19 has disrupted individual sectors as well as our entire economy in the last year and a half. Restaurants, leisure industries, personal services in general, K-12 and higher education are but a few that have had to scramble to find customers and workers, and just to remain solvent. The sporting world has hardly been immune, from youth sports and college athletics, to our professional leagues and associations, and international competitions. Civil unrest and racial injustices have also added to the turmoil in sports.

BY ALLEN R. SANDERSON

Political v Economic Science

Changes in voting laws in Georgia led Major League Baseball (MLB) to yank its 2021 All-Star game from Atlanta and award it to Denver. Then, in acts of solidarity, some Hollywood productions scheduled for filming in Georgia decamped as well. This led to stories about the economic losses to that state as a result of these decisions.

Not to worry (much). The economic literature on the impact of hosting a big-ticket sporting event, building a new stadium, or luring a movie studio to film in one's state is consistent. In spite of government offices that exist to promote and tout such activities, the evidence is quite clear: concessions and subventions surrounding these activities—toss efforts to lure a corporate headquarters into the mix—turn them into net economic losers.

The same is the case for the NCAA's 2021 "March Madness" men's basketball tournament in Indianapolis or the April 29 National Football League (NFL) draft held in Cleveland. A reality check: Take the estimate of the impact given by the NCAA, NFL, or Chamber of Commerce; move the decimal point one place to the left and you'll be pretty close.

Why? Leaving aside the green-eye-shade accounting shenanigans purported to show riches galore, ask yourself this question: If the NFL draft were actually worth \$100 million to a city, or its Super Bowl \$500 million, would the NFL, not organized as a 501(c)(3) charity but essentially a monopoly producer of professional football activities, not be able to capture most (or all) of that largesse in the form of concessions, subventions, and other benefits it could—and does—demand from the local officials? Once one metro area has to bid against other cities—to be the event's host or the location for a firm's new auto plant—through its market power the NFL should be able to repatriate it all.

Finally, the 2020 (2021)—Summer Games in Tokyo. Host cities for the Olympics take a financial bath in general, but owing to circumstances beyond its control and borders will bestow upon Japan the Gold Medal for the largest economic soaking ever.

Statistics in the sporting world

Most of us watch sporting events or read about them for pure pleasure. But embedded in the action and story lines are implicit assumptions or tales—and math. For example: the favored horse is actually unlikely to win the Kentucky Derby. In 2021, Essential Quality, the overwhelming favorite, started from the 14th post position and finished fourth. Winning in thoroughbred racing, as in other competitions and in life itself, is a combination of natural ability or talent, effort, and chance. In that race, the first four horses finished within one length of each other; not hard to assign the blame or credit for the finish.

(Attendance at Churchill Downs on May 1 was over 50,000, the largest crowd at a U.S. sporting event since the pandemic began, but still a small fraction of the typical Louisville May picnic gathering.)

The LA Dodgers won the 2020 World Series, but no MLB team has repeated as the World Series champion in the 21st century. We think of "New England Patriots" and "Super Bowl Champions" as belonging in the same sentence, yet the Pats have only hoisted the Lombardi trophy in consecutive years once.

In a 2016 *Wall Street Journal* piece, the columnist focused on the possible benefits for the National League in adopting the Designated Hitter like the American League. His last paragraph: "NL purists will bemoan the demise of 'true baseball,' but maybe the extra bat will help in the long run: AL teams have gone 14-10 in the last 24 World Series." Yawn about here. Why? Assume the DH accounted for all the difference in World Series outcomes. Take a coin; flip it 24 times. If it turns up Heads (or Tails) 14 times could you conclude that the coin is unfair or biased? Not at all; it's not anywhere close to being statistically significant.

Behavioral Economics

One tenet of behavioral economics, a melding of economics and psychology, is "loss aversion". Thus avoiding a loss is a more powerful motivator than an opportunity for a gain. Those who believe that would smile at a recent comment by Baker Mayfield, Cleveland Browns quarterback, "I hate losing more than I love winning." Time to bench him?

Without leaving the Couch

How did something akin to a bunch of cottage industries turn into global financial behemoths? In *Players*, Matthew Futterman explains how sports became a business thanks to Mark McCormack and his IMG firm; shoes, Stan Smith, Phil Knight and Nike; ESPN and cable networks; and the singular contributions of Arnold Palmer, Catfish Hunter, Edwin Moses, and Nick Bollettieri. Fascinating reading during commercials and halftimes. □