



## Book Review

*The Economics of Football*, Stephen Dobson and John Goddard. New York, NY: Cambridge University Press, 2001, 458 pages including bibliography and index, \$65.

Stephen Dobson and John Goddard (henceforth, DG), two of the leading authors in the European sports economics literature, use a combination of economic reasoning and econometric analysis to enlighten us about European football. The analysis in the book primarily concerns English club football and the authors do their best to extend their findings to European football. Comparisons with the North American (NA) outcomes appear throughout.

The book stands in important contrast to, say, *Winners and Losers: The Business Strategy of Football*, by Stefan Szymanski and Tim Kuypers (London: Penguin Books, 1999, henceforth SK). While there is substantial overlap between the two (especially on competitive balance issues, revenues, the player compensation market, and NA comparisons), DG provide technical analysis of their topics where SK aimed at the broadest possible audience. In addition, clear differences are the DG topics on managerial contributions, team performance with managerial change, and information efficiency in the share price and betting markets. As a final note of comparison, I would be comfortable using SK in an undergraduate setting but DG would be too difficult for the typical undergraduate. On the other hand, while SK would provide interesting background in a graduate level class, DG would be required reading at that level. DG is solid scholarship, providing extensive documentation, a wonderful reference list and is profusely illustrated with graphs and charts.

Moving on to coverage, I always strive to learn more about the following sports topics: Demand and revenue (especially TV revenue); production, costs and profits; market outcomes; input markets (and history); labor-management relations; and the relationship between government and the sports business. Here's how the book shapes up along these lines.

In their first two chapters, DG pay homage to their favorite predecessors, cover the structure of Europe's "big five" leagues, and the historical development of revenue, wages, and competitive balance. There also is a brief international comparison including the rest of Europe and Japan. The style is lively and informative, setting the stage nicely for the rest of the book. I particularly enjoyed the inter-

national comparisons although it remains a mystery to me why the NA model was saved for Chapter 3 rather than being included along with the rest of the international comparisons in Chapter 2.

The material covered in Chapters 3, 4, and 7 offers little that is new to students of European leagues. But these chapters are essential for full coverage. The authors stress the importance of competitive balance and the uncertainty of outcome hypothesis (Chapter 3) and provide results. It is important to have the implications of the open labor market well in hand when analyzing competitive balance in European leagues. They also stress one of their favorite ways of looking at competitive balance, namely, match win probabilities and the empirical approach that uses this way of measuring balance.

The player compensation market (Chapter 4) receives expert treatment with careful modeling of the European transfer system. NA analysts will find this interesting from a historical perspective since the transfer system is the same as compensation requirements in earlier forms of NA free agency that restricted player movement, such as the "Rozelle Rule" in the NFL. In addition, two culprits are identified for the dramatic increase in player pay: The move toward free agency, with increased player migration between countries, and pay TV.

Demand analysis (Chapter 7) is presented expertly, as we would expect from their previous work. It is especially nice to see the uncertainty of outcome hypothesis included in both of its incarnations, within-season winning and chances for post-season play. Harkening back to Chapter 3, models and forecasts of match winning probabilities are used to analyze how demand is determined as well as how demand has changed over time. The clear answer is that larger market teams are drawing relative to smaller market teams.

I found Chapters 5 and 6 to present relatively novel findings from the European perspective. Managerial contributions to team performance (Chapter 5) are familiar to NA analysts since the works of Gerald Scully and Philip Porter, but this is the first comprehensive presentation in the analysis of European football that I have seen and dramatically extends DG's work on the topic with their coauthor, Peter Dawson. DG use the now popular stochastic production frontier to pin down the managerial contribution and find, as in the NA literature, that some managers are better than others by (1) winning more with the talent they have and (2) increasing the ability of the team they inherit. The tracking of managerial movement (Chapter 6), both by manager and by the abilities they represent, is meticulous. Hazard functions (duration models) are employed with the following conclusions. Inefficient managers move on at higher rates and within-season termination usually ends up as short-term pain for long-term gain. Comparisons to NA findings on the topic round out this admirable presentation.

Share prices and fixed odds betting (Chapter 8) are offered under the heading of information transmission and efficiency. While not important to those of us interested primarily in sports markets as the object of analysis, the chapter is interesting as a test of efficient market theory. In the usual way, modeled as event studies,

DG find that share prices respond as expected to changes in information and that share prices for big-market clubs are most sensitive to such changes. This outcome does have some comparative interest, since nobody really expects NA stock issues to behave as true equity instruments. They simply aren't issued in large enough quantities to generate meaningful information about the value of NA teams. On the betting market front, DG finds the usual violation of weak-form efficiency, but not substantial enough to overcome market making charges by bookies.

At the end, DG present policy issues and prospects (Chapter 9). The main topic is competitive balance. The culprits behind decreasing balance are the growing fascination of fans with large market teams and technological advances in TV broadcasting. Interestingly, the presentation is descriptive and no ameliorative devices are discussed. Moving on to the future of pro football, DG touch on the organizational structure of European football noting UEFA's reorganization in response to the threat of a Super League as well as to a pending "second-tier" league attack on post-season TV sharing. Unfortunately, in their final policy topic, spiraling labor costs, DG resort to an "arms Race" model that isn't in their earlier chapters. And the discussion devolves from there into speculation about outcomes when investment in talent is wisely or unwisely accomplished. This is the only real let down in an otherwise solid book, and the authors start talking like sports writers rather than sports economists.

In conclusion, using my roadmap, I would have hoped for more on labor-management relations, especially a presentation of organized player associations and their prospects in Europe, compared to NA. And there is nearly nothing in DG about the formal structure of the relationships between European governments and the sports business. The reader only gets a minimal feel for this relationship in the final policy chapter. But all in all, the book is a successful effort and provides satisfying coverage of most of the important sports economics topics. I highly recommend it to those sports economists studying the European scene, or for those looking for a technically proficient jump-off for their own analysis of NA or European team sports data.

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