Chapter Three

Conceptual Framework of Economics of Sports: The Supply and Demand Mechanism

3.1 Introduction:

“Sport is an industry in the national economy and, as a result, it is shaped by external economic influences. As a major national industry, it also contributes to the shaping of the national economy” (Gerstner 2007)\(^1\).

The concept of sport economics can be defined as the application of economic analysis to the sport industry. Until last century it was not generally recognized that ‘sport is an industry’ accounting for a significant share of Gross Domestic Product, consumer expenditure and employment. A comprehensible detail on the acceptable definitions of sport industry has been provided in chapter one of the thesis. However, there have been few regular studies of this industry by economists; here we are trying to make an understandable explanation of the concept of economics of sport with the help of available literature and by means of accessible resources.

This world has abundance of resources (human and non-human) subject to natural exhaustible limits. These natural limits define the imbalance between human wants and available resources and this imbalance is expressed as scarcity in economics. Existence of this scarcity compels the world to choose freely and prioritize the wants so as to be satisfied with the available means. Therefore, economics has a significant impact on every moment of our life because, at its heart, it is a study of choices and why and how we make demands. One answer to the situation is a market system (Investopedia 2011)\(^2\).

Lindblom (2001) cited by Cooper, Richard, N. (2001)\(^3\) “sees a market system as a fundamental coordinating mechanism that adjusts the desires of households, firms and governments”. A market system in economics has been generally defined as a system in which decisions regarding investment, production, distribution and consumption are governed by demand and supply forces, though length of government interventions considered as optimal for efficient economic operations is a matter of significant debate across the world (Investopedia)\(^4\). Referring to the above arguments the economic analysis of sport can also be better understood by elaborating...
the concept of sport market through the demand for and supply of sporting goods and services and the role that government can play in it.

“Many articles have been written about money in sport, and when the phrase ‘economics of sport’ is used, mostly it has been thought as the analysis of the ‘sport business’ or the elitesector of the sport market that attracts massive amounts of money through sponsorship payments for broadcasting rights, and paying spectators. Although money generated in professional sport, international sport competitions, and the televising of major sport events is both substantial and increasing, this is a relatively small part of the total sport market” (Gratton and Taylor 2000: p.03). The complex nature of the sport market can be easily understood by the pyramid diagram 3.1. (Ibid: p.04) that represents the hierarchical nature of the sport market.

Figure– 3.1 Thesport market (Gratton & Taylor 2000: p.04)
The abovediagram illustrates that in the sport market source of supply is an assortment of three types of contributors: the government sector, the voluntary sector and the commercial sector. “Government supports sport both to promote mass participation and to generate excellence, but government also imposes taxation on sport. The commercial sector sponsors sport both at the elite level and at grassroots. Some of these sponsors (e.g. Nike, Adidas, and Reebok) do so in order to promote their sport products… Squeezed between the government and the commercial sector is the voluntary sector, putting resources into sport mainly through the contribution of free labour time, but needing also to raise enough revenue to cover costs since it cannot raise revenue through taxation as government can” (Gratton and Taylor 2000: p.05).

The demand side of sport market is no less complex if compared with the supply side. The demand for sport is a combination of requirements concerning the demand for free time, the demand for participation, the demand for sport goods i.e. equipment, shoes and clothing, the demand for facilities and the demand for travel etc. Hence, a single demand in sport (for instance participation in sport) leads to multiplication of demands for a variety of related goods and services which will be provided by the assortment of the sport suppliers i.e. public, voluntary and commercial sectors (Gratton and Taylor 2000). The demand for participation in sport adds further complications as the demand side of the sport market is a fusion of both participant demand and spectator demand of different types. If we refer to figure 3.1, elitesport, there is an increasing demand to watch sporting competitions. Some of these consumers may participate but many do like to be a spectator. These spectators may go at the venue to enjoy asport event, or watch on television or even might prefer to listen on the radio or read about it in newspapers. All of these activities are representing the demand side of the sport market which expresses the extent and intricacy of the same (Ibid).

However, demand and supply side of the sport market is not so easy to understand by just discussing in two paragraphs that what is demand and supply of sport. It is a much broader concept and should be explained step by step to encompass a comprehensible vision of the market of sport and consequently identifying the economic significance of sport sector. Therefore, the current chapter
incorporates a lucid discussion of the consumer demand theory and the determinants of demand for sport in its first segment. Consecutively the chapter proceeds towards the supply side of the sport market and the role of the major suppliers, followed by a crisp discussion on their need and the rationale for their involvement. The last segment summarizes the whole argument and precisely expresses the researcher’s directions for the subsequent chapters.

3.2 The Consumer Demand Theory and ‘The Demand for Sport’:

As an economist, while studying about the market for sport, the first thing that comes to mind is the theory of consumer demand. The theory was developed by the nineteenth century economist Alfred Marshall who was from the Neo-Classical school of thought. He assumed that the consumer has a given set of tastes and preferences and faces a given set of prices of goods and services. Therefore the consumer allocates his or her income in such a way as to maximize utility, which results in a spending pattern where the relative marginal utilities of different goods are equated to relative prices. Economic theory concentrates on such ‘rational’ maximizing behaviours, which gives us a demand function where quantity demanded of good A(Q^d_a) by a consumer is a function of the price of the good (P_a), the price of other goods (P_1, P_2, ..., P_n) and the consumer’s income(Y):

\[ Q^d_a = f(P_a, P_1, P_2, ... P_n, Y) \]

Now this general framework of theory of demand can be adapted to the specific market we are discussing i.e. sport market, to acquire an apparent idea of the concepts of sport economics.

What does demand mean in the market of sport? This is the first thing that needs to be clearly understood by the researchers of the field. Gratton and Taylor (2000) identified that there are two approaches to answer this question: hierarchical approach and composite commodity model. They emphasized the hierarchical approach to explain the demand for sport, with the sporting activity playing the role of the ‘parent demand’ function and the demand for sport facilities, sport equipment, sport clothing, sport shoes and alike treated as ‘derived demands’ that come out at the moment a parent demand (for example participation in sport) has been made. Thus, instead of one demand function, we have one parent demand
function and several derived demand functions for each component of the derived demands. For illustration of this approach the demand for badminton can be represented as an example. The parent demand function is concerned with the consumer’s decision to take part in badminton or not. If the consumer decides to participate then he or she will require a racket, shuttlecocks, clothing and footwear. In addition, he or she will have to rent a court at a sport centre or club, and travel to and from the facility. All these extra demands, including the demand for sport related travel, are treated as derived demands from the decision to participate in badminton.

Downward and et al. (2009)\textsuperscript{11} also advocated the same view that the structure of sport demands is hierarchically linked. They explained, while the demand for leisure does logically imply some reduction in available income for the consumption of other goods and services, nonetheless an element of the goods and services that are consumed will reflect the prior participation decision. For example consumer’s tastes and constraints determine a feasible desire to participate in a leisure activity, such as keeping fit. The act of participation calls forth a set of derived demands for equipment, such as exercise mats, appropriate clothing, as well as facility demand such as room space, sound system and so on.

Vickerman (1975) Cited by Gratton and Taylor (2000: pp.49-50)\textsuperscript{12} argued although the hierarchical approach may be suitable for most sport, there are some others where the approach is not asfitting. The sporting activities where all the components are demanded simultaneously and it is not feasible to fabricate a parent/derived demand relationship does not fit into the hierarchical approach. They illustrated the situation with the example of demand for participation in skiing. “For many people the decision to participate in skiing involves the purchase of a package holiday. The ‘package’ means that what is being purchased is a \textit{composite commodity} with several different elements included. In the case of a ski holiday the package may include air travel to and from the country with the ski resort, transport from the airport to the accommodation and back, food and accommodation for the duration of the holiday, ski pass, ski school, and equipment hire, etc.. When the consumer makes the decision to participate in skiing, a single price is paid for this composite commodity, the ski holiday” (Ibid: pp.49-50)\textsuperscript{13}. On the other hand, the
price paid for the holiday package is still not the total cost of participation in skiing. The consumer will be required to pay for travel to and from the airport, may be parking at the airport, additional spending while on holiday, and may be new clothes purchased for the holiday, etc. Consequently the composite commodity of taking part in skiing is larger than the package holiday. For such specific circumstances, it is more appropriate to treat the quantity demanded as the total expenditure on the skiing trip. They further advised that “Even for other sport that are not packaged in this way it is possible to use such a ‘composite commodity’ model and treat the total expenditure on taking part in the sport as the relevant dependent variable in the model, even though it is the consumer that may do the packaging” (Ibid: p.50)\(^{14}\).

### 3.2.1 The Determinants of Sport Demand:

The major determinants of demand of any commodity can be defined as following:

- price of the commodity,
- income of the consumer,
- price of the related goods,
- tastes and preferences of the consumer.

#### 3.2.1(A) Price of The Sporting Activity:

Consumers always try to get maximum utility (satisfaction) in fulfilling their wants. However, there are some constraints imposed on them from limited resources. Economics implies a Pragmatic approach and distinguishes ‘want’ from ‘demand’ by defining this thin line as effective demand. This is, not the amount consumers want, but the amount they are actually willing to pay for accomplishment of the want, by paying the market price. Hence price is a major determinant of demand. The consumer will only purchase the commodity if the value of the satisfaction (utility) gained from consuming the commodity is greater than or equal to the asking price, i.e. the benefit of consumption to the consumer exceeds or is equal to its cost.

For most goods, identifying the price presents no problems. For a sporting activity, data on price is not easily obtainable since the cost of participation is a composite item involving entrance charges, the rental value of any equipment used,
travel costs, and time costs. Gratton and Taylor (2000) rationally explained that considering the composite commodity of sport gives us an idea about how we can refer to the price of sport as ‘composite price’. The composite price paid for a sport can be categorized into two types of cost for the consumer- variable costs and fixed costs. The variable costs are those costs which are incurred every time the individual participates in sport like:

1. entrance charges to sport facilities
2. travel costs
3. costs of participation-related food and drink consumption, equipment hire, and so on
4. time costs.

Other costs are fixed costs, occur occasionally and are not essentially related to specific acts of participation. They are:

1. membership and subscription fees
2. cost of equipment, clothing, and footwear.

For the consumer who took the decision to participate in a sport, the frequency of his or her participation is probable to depend on the variable costs alone and the ratio of fixed to variable costs of participation is subject to vary from sport to sport. Therefore this division of the composite price into variable and fixed costs of participation is an appropriate consideration because different costs will affect different demand decisions. So finally the relevant price influencing the overall participation/ non-participation decision will actually be the total cost, i.e. both the fixed and variable costs of participation.

Drawing upon the above discussed reasoning, in general other things being equal, the lower the variable cost of participation and the greater will be the frequency of participation (there are few or no degrees of freedom attached to the frequency decision for some recreational activities). Where other things are not equal, in particular where one sport has much lower time costs than another, the sport with the lower time costs would be expected to have a higher frequency of participation.
How the quantity demanded of a commodity and its price behave together is normally measured by the price elasticity of demand. Price elasticity of demand measures the responsiveness of quantity demanded of a good to a change in its price. The numerical value of the price elasticity shows the percentage change in the quantity demanded of a good for a 1 per cent change in price. Price elasticities are normally negative since quantity demanded falls as price rises and vice-versa; elasticities numerically above one indicate elastic (i.e. responsive) demand; elasticities numerically below one indicate inelastic (i.e. unresponsive) demand. Over all estimates of price elasticities of demand for specific sport are not available, mainly because of the problems of estimating the true composite price. Rather it is easy to measure the price elasticity of demand for components of the overall price, such as entry charges for specific facilities, etc. (Ibid).

3.2.1(B) Consumer’s Income:

Income is the major determinant of the demand for any product as economics defines demand as effective demand which is the willingness and ability to pay the price asked. The relationship between changes in income and changes in the quantity demanded of a specific commodity is referred to as the income elasticity of demand. The numerical value of the income elasticity shows the percentage change in the quantity demanded of a good for a 1 per cent change in income. Negative income elasticities indicate ‘inferior’ goods (since consumers reduce demand as incomes rise and they change to better, normally higher quality substitutes), positive income elasticities indicate ‘normal’ goods and positive income elasticities above 1 indicate ‘luxury’ goods. It is generally assumed that sport is normal or luxury good, since studies related to demands for sport shows that participation rates for sport rise with levels of income (Ibid). If we look at the Indian scenario, since reform period as income levels increased, we can find that the sport fever has also risen in India. During last two decades people’s involvement in sport, specially demand for spectators sport, sport participation and investment in sport related business and also government’s expenditure on providing sport facilities has increased tremendously. The justifications for the argument are the examples like evolution of sport leagues like IPL, IHL, massive increase in sport infrastructure, comprehensive sport policy 2001 and 2007, increased budget
allocation of government to sport, etc. Therefore these examples show that the sport has positive income elasticity.

3.2.1(C) Prices of Related Goods:

The prices of related goods are having a considerable role in changes in the demand for a product. These related goods may be substitutes or complements. When rising price of one leads to increasing demand of the other product, the two are substitutes while, when rising price of one good brings down the demand for the other, these two are complements. However the difficulty is that when we are talking about the demand for sport, we find that it’s not easy to make a clear distinction between which activity would be a substitute for and which complementary to the given sport (Ibid). We agree with the Gratton and Taylor’s view but if we make a general observation some examples of substitutes and complements in the sport market can be cited as: If the price of tickets for watching a sport event will increase some of the spectators may prefer watching the event on TV at home. Hence in this example the rise in price of tickets (entry charges) of a sport event would lead to increase in demand for its substitute i.e. TV and sport broadcasting. On the contrary due to this increase in entry charges for the sport event, the demand for goods (like food and beverages, posters, etc.) and services (like commuting to and from venue, etc.) generally used and required by spectators coming to the venue will go down. So, we can see a complementary relationship here.

The responsiveness of the quantity demanded of one good to the price of another good is referred to as the cross-price elasticity of demand. This is the percentage change in the quantity demanded of one good as a result of a 1 per cent change in the price of another. For complements, cross-price elasticities will be negative and for substitutes, they will be positive. If the cross-price elasticity is zero, no demand relationship exists between the two goods. So, for sport marketplace of the examples of cross-price elasticity can be cited as, an increase (or decrease) in demand for a sport event can lead to increase (or decrease) in the price of its tickets, number of sponsors and advertisement revenues and can also influence the price and demand of other related goods and activities. We have very little data on the cross-price elasticities of demand for sporting activities especially in case of India.
3.2.1(D) Consumer’s Tastes and Preferences:

In economics generally it is assumed that all consumers have same tastes and preferences under the rationality, consistency and transitivity assumptions but in fact it is not applicable to all products. In case of demand for sport, this factor plays major role in the determination of quantity demanded. Tastes and Preferences of consumers is the most variable factor in the study of consumer’s demand for sport. Early studies found out certain key socio-economic variables that were important in determining people’s preferences for participation in sport. These were age, gender, educational background, and occupation. The most significant relationship is between participation and age & gender.

Numerous studies have shown a consistent negative correlation between age and participation in virtually every sporting activity. Age is probably the most important variable in explaining variation in those sport that require physical contact and strength. But even in many less strenuous sport, participation normally declines steadily with age.

Rodger (1977) cited by Gratton and Taylor (2000: p.53) offered an interesting hypothesis concerning the relationship between age and sport participation. Rather than accepting the conventional view that people ‘drop out’ of active participation as they get older, it has been suggested that many people in the older age categories were never participants, even when young. Rodger introduced the concept of ‘sport literacy’: the extent to which sections of the population are exposed and conditioned to active recreation. In this category another case of gender differences in recreation participation can be cited. Many surveys have shown that men have higher participation rates than women. Studies documenting the lower participation rates in many activities among girls explained these differences as due to the fact that, during childhood and adolescence, females are more constrained in exposure to, and opportunities for, active sport and in Rodgers’ term they are more ‘sport illiterate’ than boys. Some other elements into this section can be recognized as availability of facilities, climatic conditions, etc.
3.3 Supply of Sport:

This is an intricate task to undertake, because the supply structure of sport is complicated and there is a shortage of detailed theoretical and pragmatic work. The general law of supply, widely accepted by the economists of the world is-as prices increase, the quantity supplied by a producer increases. In producers view price increases as a reward and subsequently they increase production. But here we will discuss the term in the domain of sport where all the producers are not motivated by profit wholly as sport is a virtual product and at the same time it is qualified for both public as well as private good. Hence, supply of sport falls in the category of mixed goods. The supply side of the sport market is a blend of three types of provider- the public sector, the voluntary sector and the commercial sector. Table 3.1 offers a confirmation of the relative mix of the supply of sport on the basis of location of participation for a number of countries at different points of time.

Table 3.1

<table>
<thead>
<tr>
<th>Country</th>
<th>Public (Including education and Local authority)</th>
<th>Private</th>
<th>Informal</th>
<th>Sport club</th>
</tr>
</thead>
<tbody>
<tr>
<td>England (2002)</td>
<td>15%</td>
<td>16%</td>
<td>49%</td>
<td>20%</td>
</tr>
<tr>
<td>Germany (1994)</td>
<td>3%</td>
<td>6%</td>
<td>64%</td>
<td>27%</td>
</tr>
<tr>
<td>Austria (2000)</td>
<td>-</td>
<td>5%</td>
<td>74%</td>
<td>21%</td>
</tr>
<tr>
<td>Finland (2001)</td>
<td>6%</td>
<td>10%</td>
<td>75%</td>
<td>16%</td>
</tr>
<tr>
<td>Denmark (1998)</td>
<td>9%</td>
<td>38%</td>
<td>84%</td>
<td>49%</td>
</tr>
<tr>
<td>Ireland (1987-2002)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>33%</td>
</tr>
<tr>
<td>Netherlands (2001)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52%</td>
</tr>
<tr>
<td>Belgium (1999)</td>
<td>-</td>
<td>-</td>
<td>68%</td>
<td>49%</td>
</tr>
<tr>
<td>Portugal (1998)</td>
<td>36%</td>
<td>24%</td>
<td>15%</td>
<td>43%</td>
</tr>
<tr>
<td>Spain (2000)</td>
<td>-</td>
<td>-</td>
<td>66%</td>
<td>25%</td>
</tr>
<tr>
<td>Lithuania (2001)</td>
<td>49%</td>
<td>29%</td>
<td>-</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Carter (2005), others van Bottenburg et al. (2005). 17

*Percentage of total
3.3.1 Role Of Government:

“Because sport affects different societal sphere, it can be used as a cross-cutting instrument for achieving development objectives. But its positive potentials does not develop automatically, it requires professional and socially responsible intervention which is tailored to the respective social context” (Swiss Agency for Development and cooperation, 2005).

The promotion and development of sport, right from the junior level at schools to the professional level, is largely the function of national governments. Government supports sport both to promote welfare of people and to some extent generate revenues also. Government’s role in supply of sport is quite considerable and its involvement can be found through a variety of ways, particularly through ministry of sport, national sport authority, national sport councils (for example, SportGoods Export Promotion Council [SGEPC] of India), sport federations and even through local authorities. Now, the question is why does government involve in sport, make expenditure on it, and regulate its market? For example if we look at the figure-3.2 on Sport budgeting between the sixth and eleventh five year plans to obtain a view of the government’s expenditure on sport in India over last thirty years, we can find that it is one of the fastest growing components of public expenditure with each consecutive five year plan (Trans Stadia 2010).

**Figure-3.2 Sport Budgeting Between the Sixth and Eleventh Five Year Plans**

[Graph showing budget allocation over five-year plans from 1980-1985 to 2007-2012]

Source: planning commission India (Ibid, p.16)

“In Britain the amount that sport people give back to the government in taxation through sport participation is greater than the amount of government subsidies to
Sport. Sport gives more to government than government gives to sport” (Gratton and Taylor, 2000).21

Government plays an important role in the creation of sport infrastructure, the development of talent or youth development programmes, the introduction of regulating policies and most essentially in the provision of funding. Governments of the world promote sport to achieve broader sociopolitical and socioeconomic objectives. Gratton and Taylor (2000) advocated the same that government interest in sport is induced by socioeconomic factors. They explained further that when a private market operates successfully, but still fails to cater adequately for the full effects of the market on the welfare of society, economists call this a situation of ‘market failure’. Several causes of market failure are relevant to the market for sport and these factors invite government intervention to prevent or compensate for the market failure. Some of these factors are discussed here for making the argument more comprehensible.

3.3.1(A) Sport –A Tool for Sustainable Growth in Community Health (The Socio-Economic Aspect):

“The correlation between an increase in disease and a decrease in physical activity requires that sport becomes a priority in policies by Governments and stakeholders at all levels and in all sectors” (United Nations, 2003).

Healthy human capital is a necessary foundation for all development process. Without healthy population, the achievement of development objectives will be impractical. Good health is fundamental to the ability of individuals to realize their full human potential. It is also a crucially important economic asset. Low levels of health impede people’s ability to work and earn a living for themselves and their families. When someone becomes ill, the entire family can become trapped in a downward spiral of lost income and high health-care costs (Dodd and Cassels 2006). On the national scale, poor health of population diminishes productivity and hinders economic growth. Investment in better health outcomes is generally seen as an investment in the direction of economic growth. Physical activity helps in reducing health-care costs and increase productivity, key issues in emerging economies (World Health Organization). Medical evidence shows that participation in physical activity, as part of an overall healthy lifestyle, is the most cost- effective and
sustainable way to tackle the rise in non-communicable diseases. Improving public health through increasing opportunities to participate in sport offers large economic benefits, particularly in developing countries where health resources are already stretched, making prevention especially essential. Beyond improving public health and reducing health-care costs, sport and physical activity also provide significant economic benefits through increased productivity. For example, in the United States of America, where physical activity added US$ 75 billion to savings in medical costs in 2000, it is estimated that one dollar (US$ 1) spent on physical activity resulted in three dollars and twenty cents (US$ 3.20) saving in medical costs (Pratt and et al. 2000)\(^\text{26}\). In Canada, it is estimated that physical activity increased productivity equivalent to Canadian $ 513 per worker per year, resulting from reduced absenteeism, turnover and injury as well as an increased productivity potential (Health Canada 1998)\(^\text{27}\). Consequently, sport results in not only positive benefits for individuals but also have significant economic benefits for businesses, communities and nations.

Health and development are fundamentally linked and mutually reinforcing. As the leading framework for all developmental efforts, the Millennium Development Goals (MDGs) explicitly outline a number of important health objectives that can be obtained through promoting sport. Table- 3.2(World Health Report 2003)\(^\text{28}\) summarized the contribution that sport can make towards achieving the health objectives in the MDGs.

Therefore sport plays an essential role in creating a healthier and more active population with a wide range of physical, social, and mental health benefits. It interacts positively with strategies to improve diet, discourages the use of tobacco, alcohol and drugs, helps reduce violence, enhances functional capacity, provides a platform for education about the combating of diseases such as HIV/AIDS and promotes social interaction and integration. Sport can be one of the most sustainable lines of attack in disease prevention and providing health benefits for the individual and for nations. So, sport could be a cost-effective way to improve public health. Therefore, sport definitely deserves government concern to reap the socio-economic benefits for welfare of the nation.
### Table -3.2  
**Sport, Health and the Millennium Development Goals**

<table>
<thead>
<tr>
<th>S/N</th>
<th>THE MILLENNIUM DEVELOPMENT GOALS</th>
<th>CONTRIBUTION OF SPORT</th>
</tr>
</thead>
</table>
| 1.  | Eradicate extreme poverty and hunger | • Reduced risk of diseases that can cause or aggravate poverty by preventing people from working and / or imposing health care costs, through:  
• Increased physical activity levels  
• Sport- based public education and social mobilization campaigns in support of prevention and vaccination initiatives  
• Sport programs successful in reducing health risk behaviours |
| 2.  | Achieve universal primary education | • Increased health and physical fitness of primary school children, reducing school absenteeism, through:  
• Increased physical activity  
• Sport-based health and disease prevention education for children and families |
| 3.  | Promote gender equality and empower women | • Improved health and well-being for girls and women through physical activity and access to health information through sport-based programs |
| 4.  | Reduce child mortality | • Reduction in child deaths and disability from measles, malaria, and polio as a result of sport-based vaccination and prevention campaigns |
| 5.  | Improve maternal health | • Increased access to reproductive and sexual health information, discussion and services for girls and women  
• Reduced risk of adolescent pregnancy in sport participants in some contexts |
| 6.  | Combat HIV and AIDS, Malaria and other diseases | • Reduced risk of HIV infection as a result of sport programs aimed at prevention, education, and improving health risk behaviours  
• Reduced stigma and improved health for some people living with HIV and AIDS, contributing to their increased social and economic inclusion  
• Increased vaccination rates for measles and polio  
• Increased reach and effectiveness of malaria, TB, and other education and prevention campaigns |
| 7.  | Develop a global partnership for development | • Global partnership to leverage elite and mass sport events and high-profile athletes to promote positive health message |

3.3.1 (B) Sport- As Public Good (The Welfare Aspect):

According to Gratton and Taylor (2000), some sport goods can be recognized as public goods or collective goods. As we know the characteristics of public goods are:

1. Non-rival in consumption: This means one person’s consumption does not prevent another person from enjoying exactly the same product at the same time,

2. Non-excludable in consumption: This means that no consumer can be prohibited from enjoying the product, whether he/she pays for it or not. Water-based sport resources (Natural Resource) and Government funded national parks are some examples of sporting public goods but they cannot be said to be a pure public good.

The best example for non-rival and non-excludable form of sporting product is international sporting success. Because many of the benefits of international sporting success (e.g. improved national morale, increased interest in sport) are such that nobody can be prevented from feeling the emotions and they become non-excludable. As everyone can enjoy these benefits together with no congestion in consumption, they are non-rival. A free market would under provide such public goods, because there is always the temptation for consumers to become ‘free-riders’, benefiting from the products without paying for them. For these types of products, private market provision is not worthwhile. Public good is under provided by the private market. Here comes the need of government intervention. Government can ensure that adequate provision is made for excellence in sport activities and can also ensure that those who benefit from this public good should pay through taxes.

The public good effect of sporting excellence has several variants. Gratton and Taylor (2000p.113) cited the example from Coe Commission (1985) report on British sport preparation for the Olympics, which pinpointed some of these variants.

- Sporting success for Britain makes people proud to be British. Sporting failure or decline have the reverse effects, we feel less committed to the national cause.

- Sporting achievements in the Olympics is also a vital contributor to the Government’s and sport council’s strategy to boost participation in sport and recreation. The Olympic Games create Heroes and Heroines. These encourage
and inspire youngster and indeed people of all age to participate in sport to develop and to enjoy them.

- The link with international prestige is important…if our teams and individuals are successful, they help the country’s image abroad; thus directly or indirectly, they help to sell our products and services abroad to earn foreign currency.

Therefore, it can be seen that it has extensive (non-rival) and shared (non-excludable) economic impacts resulting from sporting excellence such as on the one hand it boost the utility of people who enjoys success by National Sport people and inspire them to participate more and more and on the other side by ensuring increase in participation by others. It also ensures increasing demand for sporting goods and services (facilities) that have a chain of effects on the economic development and growth through backward and forward linkage effects.

Public good benefits apply to the local level too - regional, national and international sporting successes bring about local public good effects, especially to the home area of the successful sport person. Johnson and etal. (2001) investigated about the public goods generated by a major league sport team. According to their arguments sport teams allegedly generate two types of external benefits. First they increase an area’s aggregate income through additional tourism. Much of the increased spending on lodging, meals and travel, and entertainment, if it occurs, will take place outside the stadium or arena and will not accrue to the team or building owners. This is a trickling down welfare effect in economics. The second type of positive externality generated by sport teams occurs if a team produces public goods. Local unity, fan loyalty and civic pride are non-rivalrous and non-excludable. People talk about their teams, cheer for their success, and celebrate victories and may do so without buying tickets or making any payment to the team.

Here we can sense that the value of sporting public goods may be very large but unfortunately they are difficult to measure, although some economists have tried to measure them and succeeded to some extent (Here we need not to get into this discussion as it will lead to proliferation of multiple thoughts that is not a part of our study). Hence, this argument of public goods generated by sport makes a strong consideration for government intervention in sport and we would expect government
support in the promotion of excellence of sporting achievements and the financial support of elite sport people. It is quite rational to say that only government intervention can provide these kinds of collective benefits sufficiently.

3.3.1(C) Sport- A Tool for Economic Development (The Development Aspect):

“In addition to health and personal development benefits there is compelling evidence that sport can be an effective vehicle for advancing sustainable human, social and economic development”(Commonwealth Games of Canada, 1998- 2002).\(^{32}\)

Now, the chief justification for the government to take interest in sport may be explained through shaping the relation between sport and economic development. While sport is essential to human development, its contribution to economic development is also interrelated. The economic prospective of sport is tinted by its economic weight, resulting from the activities such as the manufacturing of sporting goods, sport events, sport-related services, sporting media, and so on.

Loftman and Spirou, 1996 cited by Gratton and Taylor (2000: p. 117)\(^{33}\) discussed the involvement of government in sport and art for development reasons, particularly in urban areas, during 1980s and 1990s. Sport has been used as a lead sector and catalyst in regeneration by a number of cities in the UK and the USA. Noticeable UK examples include the bids of Birmingham and Manchester to host the Olympic Games, Manchester’s hosting of the Common Wealth Games and Sheffield’s development of facilities to host the 1991 World Student Games. In the USA most common examples involve building stadia or arenas to host major league, professional team sport franchises, etcetera. For the same, we can take the example of India’s hosting of the Tenth Asian Games in 1982 or most recently hosting of Common Wealth Games 2010. While it built up sport infrastructure in the National Capital, it had noteworthy positive impact on the development of rural and urban infrastructure too.

Economic impact of sporting events can be defined as the net change in an economy resulting from a sport event. The change is caused by activity involving the acquisition, operation, development, use of sport facilities and services (Lieber and Alton, 1983)\(^{34}\). These activities bring about multiplier effects and consequently lead
to increase in visitor’s expenditure, public expenditure, employment prospects, tax revenue, sporting infrastructure facilities, etcetera. There are many relative economic reasons for a region to develop sporting facilities, and could be listed as: to encourage tourism, to increase investment in the region, to create more employment opportunities at local levels, and so on. Tourism increases demand, which calls for more investment to supply the demand that leads to increasing employment opportunities and finally increases income and the people of the region can avail a higher standard of living. So there is a chain of effects that finally puts the region on the path of development.

The catalyst for such urban regeneration initiatives has traditionally been public sector investment. By encouraging sport-based economic activities, it is possible to initiate a ‘virtuous cycle’ in which new forms of activities are generated, requiring additional goods and services, creating jobs and contributing to economic development (Canzanelli 2001). Therefore, sport can be a very considerable incentive for economic development, especially at the local level.

At national altitude too, the role of sport in economic development could not be trivially treated. Sport goods sector is primarily labour-based and it creates a good number of employment opportunities for the weaker section of the society especially in developing countries like India, where increasing population demands more and more opportunities to earn their livelihood. Another significance of sport sector is the export of its goods and services that contributes pretty good amount in foreign exchange reserves of the home nation. It also contributes significantly in the betterment of the country’s image abroad, which has very positive impact on the development of the nation. A schema (graph-3.3) of the role of sport in economic development has been generated on the basis of current discussion. At a glance this schema answers clearly and precisely “why government should intervene and take interest in sport”.

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Figure 3.3: A schema of ‘why sport deserves government intervention’

Sport not only calls for domestic policy changes by Government to promote it in order to increase the welfare of the society but changes in external policies could also contribute towards enhancing the welfare as well as in achieving other social, cultural and political goals. The above argument can be justified clearly if we go by the words of Ex-President of South Africa, Dr. Nelson Mandela, “Sport is probably the most effective means of communication in the modern world. It cuts across all cultural and language barriers to reach out directly to billions of people world-wide”.

3.3.2 The Voluntary Sector:

Volunteers are an important resource for sport programmes that should be actively mobilized. For example, the Sydney 2000 Olympic Games deployed 47,000 volunteers. Once involved through sport, volunteers can then be mobilized to donate their time to other activities (United Nations 2003). Sport England noted that the community sport sector can make increasingly vital contributions to the health of the nation, community regeneration and cohesion, community safety and educational
attainment (Taylor, et. al., 2003). The provision of opportunities to play sport and to volunteer in sport has benefits for local communities (ibid). Volunteers help sport development at the grassroots level and may contribute at the policy level in terms of participation, health and fitness, social inclusion and citizenship.

Many sport are organized through voluntary clubs, with typically a structure of organization above club level represented by national governing bodies of sport. Some voluntary organizations are entirely devoted to supplying sport on a continual basis, such as governing bodies of sport and sport clubs, others are temporary, e.g. to organize specific major sport events. Furthermore, sport may be offered as only parts of the remit of more general purpose organizations which use volunteers, such as in schools, youth organizations and organizations for the disabled. So the voluntary sector in sport is very diverse.

Although there has been little theoretical discussion on the voluntary supply of sport, nevertheless, an attempt has been made by Weisbrod (1978-88) cited in Gratton and Taylor (2000), who analyzed a specific role for the volunteers in sport. He emphasized an economic relevance to the existence of voluntary sector. According to his argument, “a combination of private market failure and limitations of the government due to resource constraint leaves opportunity for the third major supplier of sport, the non-profit voluntary sector.” Weisbrod argued that government fails to obtain adequate information on consumer demand for public goods, when demand is heterogeneous and fragmented. In such a situation, the voluntary sector is likely to be more efficient and adequate supplier.

Even though it has been noticed later, but voluntary sector of sport contributed a major portion of supply side of the sport market. According to Leisure Industry Research Centre (LIRC), 1996, in the UK the number of volunteers involved in sport is more than three times the number of people working in paid employment in sport-related activities. It must be noted that estimates provided by the LIRC study were conservative as they only included volunteers working within organizations, such as clubs and governing bodies- termed as ‘formal’ volunteers. The ‘informal’ volunteering activities, such as parents driving their children and friends to sport facilities and events, friends who coach or train sport participants outside the formal
organizations were not included. Lynn and Davis-smith (1991), the National survey of Voluntary Activities (NSVA) measured both formal and informal volunteering and its evidence leads to estimate for sport volunteers, which are a lot higher than those of (IRC (1996) as a consequence. (Gratton and Taylor 2000).

The sport volunteering increases community cohesion and social capital. Sport clubs can bring people together with shared interest, values and understanding, which facilitates co-operation within groups. The vast majority of clubs simply would not exist without volunteers and community of volunteers enable clubs to operate and to offer opportunities to play sport to millions of people of all ages (RFU 2005).

Another positive impact, of volunteers’ contribution to society was noticed by Nichols (2005) cited by Gaskin (2008) in the success of major events like Commonwealth Games and the Olympic Games. The volunteers can provide a strong base for a core group of sport volunteers for the future. It is very encouraging that sport volunteering has such a decisive impact on the well being and development of young people. The social capital, citizenship and social inclusion agenda is often the rational for youth volunteering initiatives as well as sport participation programmes, and these findings confirm that channeling resources into sports so that more young people can participate could achieve results. Volunteers are key resources in sport for development programmes and formed a major part of the supply market of sport in the past. However as we entered in the millennium the structural changes in the market led to another sector to dominate, known as the commercial sector.

3.3.3 The Commercial Sector And Supply Of Sport:

As the name suggests commercial sector is made up of organizations or individuals operating for profit. In this arena of globalization, industrialization and commercialization, nothing can be untouched by these modifications. Sport is also a part of these global changes and now the commercial sector of sport is the most dynamic sector of the supply side of sport market. Amateur sport and voluntary sport were talks of the past. Commercial sport is the most dominant part of sport market. Now it is realistic to talk about ‘the sport industry’ as an important generator of economic activity and employment and it is the commercial sector in sport that
accounts for the major share of sport-related economic activity and employment (Gratton and Taylor 2000).42

The commercial sector of sport supply consists of the sport goods sector and the sport service sector. The sport goods sector includes all products which are bought for use in sport. Sport equipment, sport clothing, and sport footwear. The sport services include expenditure on admissions to spectator, sport fees, subscription for participation sport, sport related expenditure on television and expenditure on health and fitness clubs. Although some of this goes to the government and voluntary sectors, most of it goes to the commercial sector of sport (Ibid).43 The other major items of sport-related consumer’s expenditure are part of the non-sport commercial sector. That is, they are sport-related expenditures by consumers but the firms that supply these demands would not classify themselves within sport industry. That means they are not exclusive supplier of sport related items, such as travel, gambling and expenditure on books, magazines and newspapers.

The economic indicators of sport industry that reveals the importance and contribution of commercial sport sector can be categorized as, sport related consumer’s expenditure, sport employment, balance of international trade in sport, and Gross Domestic Product of sport, and the like. The commercial sector is the most diverse and fragmented of the three sectors involved in the supply side of the sport market. The commercial sector has an increasingly strong presence at the local level in direct competition with both local government and the voluntary sector in the provision of sporting opportunities, particularly through the provision of sport, health and fitness facilities. The commercial sector, however, will only compete in certain sectors of the sport market: fitness centers, country clubs, golf clubs, and the like. In these areas the commercial sector will aim to give a similar product but provide a higher quality product at a higher price. This allows the commercial sector to have a national presence in the sense of a national network of sport facilities with an established brand and quality (Ibid).44

3.4 Summary:

Although the government, voluntary, and commercial sectors of sport overlap in the markets in which they operate and the economic theories that relate to them, the
spatial dimension of these sectors differentiates them. The voluntary club is the most local provider of sporting opportunities; the local government sector co-ordinates and supplements voluntary sector provision; the commercial sector is a relatively small player in competition with the voluntary and the local government sector at the local level but is the leading edge in the globalization of the sport market (ibid)\(^45\).

All the three sectors are involved in supplying sporting opportunities and it has been generally observed that there is a direct competition between one sector and another. Gratton and Taylor (1991)\(^46\) found that commercial sector dominated expenditure on sporting excellence through expenditures in sport sponsorship and professional team sport. On the other hand, the market for mass participation sport gave a large role for the voluntary and government sectors.

According to Weisbrod (1978) cited by Gratton and Taylor (2000: p.154-55)\(^47\) the smaller the heterogeneity, the more likely it was that government would provide the major share of output. The greater the heterogeneity of demand, then the larger the share of total output provided by the voluntary and commercial sectors jointly. The reason for this was that government output is determined on the basis of a simple majority role model.

Historically, sport was led by the voluntary sector. In the 1960s and 1970s, certainly in Western Europe, government took a much larger role, increasing public subsidies for sport and developing policy aimed at increasing participation and improving quality at the elite level. Since the beginning of 1980s, however, the commercial sector of sport has shown the fastest rate of growth and therefore it is now the dominant economic sector in sport (Ibid)\(^48\).

The present study/Research work concentrates on the core elements of the commercial sport sector - the sport goods sector consisting of clothing, footwear and equipment - and the delivery of sport services in commercial sport clubs, media broadcasting and sport stadiums, etc.
References


7. Ibid, pp.04-05.

8. Ibid.

9. Ibid.

10. Ibid.


15. Ibid.

16. Ibid.


20. Ibid., p.16, graph.

22. Ibid, pp.103-04.


43. Ibid, p.p. 142-144.

44. Ibid, p.12.


47. Ibid, pp-154-55.