

- 1) What is the Size of the Sports Industry?
- 2) Competitive Balance: On the Field and In the Courts
- 3) MLB is Feeling the Pinch
- 4) Pay for Play – A Comparison of Team Salaries in Team Sports (2001)

What is the Size of the Sports Industry?

SportsEconomics is asked this question quite often. The answer is elusive because defining the "sports industry" is cumbersome, if not impossible.

There are a number of problems to consider. What constitutes the sports industry on the fringes? Are Frisbee manufacturers part of the sports industry - what about swing-set makers? A portion of Disney's business is in sports (e.g., ESPN, Mighty Ducks), but it is a small fraction of its total enterprise. How should Disney be included in the sports industry? Moreover, double-counting the revenues of all of the intermediate producers of sports products, like the rubber used in bike tires, will create an overestimate of the industry's size.

Further, the government does not have a Standard Industrial Classification code (SIC) for sports. There is an SIC for Amusement and Recreation Services (SIC 79), which includes commercial sports, bowling centers, and public golf courses, but also contains dance schools, orchestras, and amusement parks.

Where would large equipment and apparel manufacturers such as Nike or Spalding fit in? Estimates of the size of the industry show that sporting goods, sports apparel, and footwear are many times larger than spectator sports. Nike is part of the Footwear SIC while Spalding is in the Recreational Products SIC. Sporting goods stores are in the Specialty Retail SIC, but so are Costco and Toys R' Us. Callaway is also classified in the Recreational Products SIC, which also contains motorcycle and piano manufacturers.

The Recreational Activities SIC code includes Championship Auto Racing Teams, American Skiing Co., the Boston Celtics, but also includes non-sports entities such as Blockbuster and Royal Caribbean Cruises. Moreover, Disney is included

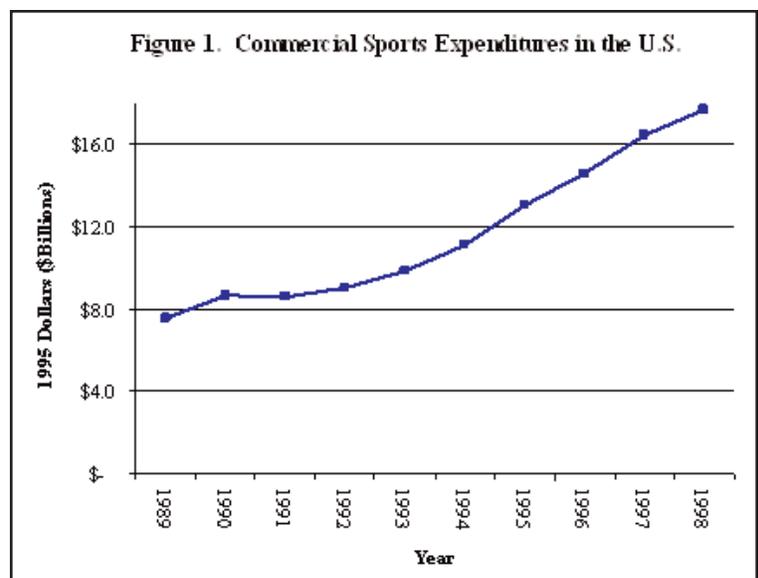
in Recreational Activities, but a chief competitor, FOX, is classified in the Motion Pictures SIC. Churchill Downs is in the Casinos and Gaming SIC. SportsLine.com, Inc. is listed in Computer Services. The Apparel SIC contains Russell, but also Donna Karan.

Obviously, the sports industry is comprised of specialty companies from many other industries.

What do we know?

A measure in 1986 by Sports Inc. estimated that the U.S. Gross Domestic Sports Product (GDSP) was \$47.0 billion or the equivalent of \$65.3 billion in 1995 dollars. This reportedly included all aspects (spectator, participant, clothing, sporting goods, services, etc.) of the sports industry.

A 1995 estimate by Alfie Meek in Sports Marketing Quarterly, concluded that U.S. GDSP was \$152 billion (measured in 1995 dollars). This represents real growth of 8.8% annually for the nine-year period from 1986-1995, significantly higher than GDP growth overall.



These results indicate an increased interest in sports activities compared to the rest of the economy.

The Sports Business Journal pursued a large-scale study of the sports industry in the U.S. and concluded that it totaled \$212.53 billion in 1997 (measured in 1997 dollars). The real annual growth rate from 1995-1997 was 9.9%.

On a per capita basis, the average person spent \$272 on the sports industry in 1986, and \$579 in 1995 (both measured in 1995 dollars), for a real per capita annual growth rate of 7.8%.

According to the Census Bureau, the Commercial Sports sub-sector of the sports industry grew at an annual rate of 9.9% from 1989-1998, increasing from \$7.6 billion to \$17.7 billion (see Figure 1). Commercial Sports is defined as operators and promoters of professional and semi-professional athletic clubs, promoters of athletic events, managers of individual professional athletes, and participants in racing

activities. Receipts from radio or television broadcasts, concession operators, stadium and arena rentals, are not included in Commercial Sports. As the figure shows, expenditures declined during the 1991 recession. Will we see a similar result on the horizon?

However, the GDSP information does not tell the whole story. An important dimension of the size and value of the sports industry can be measured in terms of the "share of mind" that sports occupies. The sports industry has its own section in the newspaper while energy, textiles, financial and healthcare are all lumped into the business section. Sports also has its own 24-hour television networks, radio stations, etc. Sports is one of the few industries in which loyal users join fan clubs. Are there fan clubs for wallet manufacturers or pencil makers? The emotional impact that sports provides is the most important measure of its size and value.

Author, Daniel A. Rascher, Ph.D.

Competitive Balance: On the Field and In the Courts

In sports antitrust cases such as Mackey, McNeil, Williams, Raiders I, Bulls II, Silverman, and many others, the economics of salary caps, revenue sharing, the amateur draft, no-cash trades, exclusive-franchise territories, the reserve clause, and free agency have all been viewed through the critical rule-of-reason prism. However, whether a given rule is pro- or anti-competitive will hinge on matters beyond the control of decision-makers, i.e., what economists call exogenous factors. Any analysis of the economics of rules that leagues use to promote on-the-field competition must recognize a critical potential exogeneity, namely whether sports leagues are natural monopolies.

This discussion will focus on: (1) the formation and importance of competitive balance, (2) the exogenous factors that tend to make incumbent

sports leagues difficult to compete with, and (3) an analysis of the two most common tools used to affect competitive balance, revenue sharing and team salary restrictions.

Importance of Competitive Balance

The on-field dominance by the New York Yankees baseball teams of the 1920s led to attendance problems for the Yankees and for many of the other Major League Baseball (MLB) teams. Fans grew tired of lopsided, predetermined affairs, instead preferring uncertain outcomes and balance. Current MLB critics point to similar dynamics, with the 2000 World Series between the two New York teams (having two of the highest player payrolls in MLB) serving as the most recent piece of evidence that baseball has still not solved the problem of competitive balance.

In 1964, economist Walter Neale recognized the uniqueness of competitive balance to sports in noting the "peculiar economics of professional sports". Neale's work pointed out that while other companies may seek less competition in the industries which they operate, such as Coca-Cola wishing Pepsi would disappear, in baseball teams benefit when competitors are more viable. For instance, the Yankees benefit financially when the Oakland A's are of high quality. Thus, the nature of competition was infused with a need for cooperation, which has itself been the core of the argument that MLB teams constitute a joint venture or perhaps even a single economic entity.

Twenty years later, the Court in the Board of Regents case recognized the special economic forces at work in sports leagues in its decision that the rules of the NCAA (namely the joint sale of television rights), which would otherwise be illegal per se in other industries, needed to be evaluated using the rule-of-reason weighing the net anti- or pro-competitive effect of the rules in question.

To some extent, the courts have turned the focus away from the economics of sports leagues in their reliance on the formalistic corporate structure of a league such as the NFL (ruled not to be a single entity in cases such as Raiders I and CVC) compared to Major League Soccer (MLS), found recently to be a single entity in MLS. From an economic standpoint, it has been argued that what matters is the function of

the league, not its formal structure. To this end, it has been maintained that sports leagues should be treated as joint ventures regardless of their organizational form (e.g., single entity or separate entities). However, current precedents have shaped the landscape such that for the foreseeable future Section 1 rule-of-reason logic will apply when determining the economic competitiveness of any given league rules regarding on-field competitive balance. Thus leagues must craft their rules with an eye on developing and maintaining an optimal degree of competitive balance, but may need to do so under the auspices of the rules of reason, weighing the pro- and anti-competitive effects.

The Exogenous Structure of Sports Leagues

Critical to making informed economic judgments on competitiveness is the question of whether a particular sports league has significant brand equity from a first mover advantage. Football fans may prefer to have the very best athletes concentrated in a single league rather than spread across numerous competing leagues. If this is true, then sufficient support may not exist for multiple top-level leagues. Moreover, the seemingly high switching costs for fans to change their allegiance to a competing football league complements the desire for concentrated talent. The common experience that bonds fans of the same team may mean that, for another league to start up and be successful, it would have to compensate fans (presumably through higher enjoyment) for the "cost" of learning the new teams and players and tossing out the history of the NFL.

1. Per se violations are generally defined as either horizontal or vertical constraints, both price and non-price, which are deemed to be anti-competitive and in violation of Section 1 of the Sherman Act. Rule of reason analysis takes into account facts peculiar to the business to which the restraint is applied; its condition before and after the restraint was imposed; and the nature of the restraint and its effect, actual or probable. In short, a rule of reason analysis requires a comprehensive market analysis of pro- and anti-competitive effects and allows for any evidence that might bear on an assessment of those effects to determine whether the anticompetitive effects from an agreement outweigh the beneficial effects.

2. In April 2000 U.S. District Court Judge George O'Toole ruled that MLS is a "single-entity" exempting it from Section 1 of the Sherman anti-trust law, and cannot therefore be liable under section 1 because that statute only applies to "two or more" conspiring to restrain trade. He added that because MLS is structured as a limited liability company with "owner-investors," rather than separate and distinct team owners, it is not within the purview of the statute. The lawsuit was filed by eight MLS players challenging the league's single-entity structure, which allegedly kept salaries artificially low due to a mandated salary cap and restrictions on the movement of players.

As argued by Richard Gilbert and Michael Flynn in "The Analysis of Professional Sports Leagues as Joint Ventures", Economic Journal, vol. 111, no. 469, February 2001, pp. 27-46.

Further, it can be argued that leagues such as the NFL exhibit positive consumption network externalities. As the size of the fan base increases, there are more opportunities for sports-based conversations, and increased attendance typically adds to the excitement of a given game. For a rival to be successful, it may have to make an all-or-nothing move for primacy. These three factors help explain why a single U.S. professional football league exists and why rivals have had such minimal success in toppling the NFL from its position of dominance. In fact, the rapid decline in television ratings for the NFL's most recent rival, the XFL, may show how hard it can be for a second league in this or another major sport to become popular even with the backing of a major television network.

Sports leagues also produce a very high fixed cost, low marginal cost product, similar to what is produced by actors, singers, and software writers. This may enhance the tendency toward one brand of the particular sport (e.g., there is one major professional baseball league, MLB, not more than one). Once a league is created and a season of competitive play is in progress, the cost of selling an extra seat or of having one more fan tune in is quite inexpensive. Moreover, consumption by one television-viewing fan does not inhibit another fan from consuming the product on TV, which when combined with low marginal costs, enables a sports league to sell its product simultaneously to millions of fans around the world. Unlike a carpenter who can only sell his/her services to one construction project at a time, a sports league can remain the only firm in an industry and still satisfy 100% of the market. Additionally, the low marginal cost allows an incumbent league to engage in limit pricing to prevent the entry of a competitor leading to a version of a winner-take-all market. In short, if fans only want to see the best, and the best can be purchased for about the same price as the second best, the market may not support the second best at all.

The extent to which the NFL and other sports leagues have a fan-driven first mover advantage is extremely important for policy decisions. It may be that consumers demand only one league, so

efforts by the Courts to encourage competition by leagues of the same sport will be in vain or contrary to consumers' interests.

The Rules that Sports Leagues Use to Maintain Competitive Balance

Sports leagues have developed numerous rules to enhance competitive balance (e.g., salary caps, revenue sharing, amateur draft, no-cash trades, exclusive-franchise territories, reserve clause and free agency). This section will focus on the two that are most often heralded as the solution to competitive balance problems - salary caps and revenue sharing.

Team Salary Restrictions

In the NFL for instance, player salaries represent more than 50 percent of the total operating costs of running a team. The salary cap for each season is a function of the upcoming season's expected average league revenue. The salary cap rules attempt to limit each team's total player salaries to approximately 63 percent of the average team's defined gross revenues (DGR), while it cannot go below 50 percent of DGR.

A salary restriction is generally regarded as the most effective method for maintaining or improving competitive balance because it forces teams to spend similar amounts on player payrolls. An effect of a binding salary maximum is that it puts a restriction on the average salary of a player, thus decreasing the wage per unit of talent. On the other hand, the salary minimum effectively raises the pay per unit of talent, if the floor is binding. Another result is that revenue for some large market teams may decrease because they are forced to field a less talented team than would otherwise be the case. The opposite may occur for small market teams - namely the team might produce quality in excess of the optimal level associated with profit maximization.

In *Williams*, the District Judge granted declaratory relief stating that even if Section 1 applied to this collective bargaining situation, the pro-competitive benefits of promoting on-court competitive balance made the salary cap, rookie draft, and first-refusal rights restraints reasonable

and lawful under Section 1. The Court determined that the effectiveness of the salary cap restriction outweighed any anticompetitive effects, such as the decrease in competition for player services.

Revenue Sharing

In 1962, when the first NFL national television contract was negotiated, revenue sharing was enacted. While revenue sharing prevents the lowest revenue-generating teams from becoming insolvent, it can also cause a problem in which a team may enhance profits by fielding relatively lower-talented players to keep costs down, while reaping large profits from sharing revenues with the rest of the league. Much of the value of a sports team comes from being a member of the league, not just fielding a competitive team.

Revenue sharing might have the following effects. First, revenue sharing may lower the wage paid to players if it decreases the incentive to bid high for a talented player given that part of the financial return on that player will be shared with the league. Judge Sotomayor, in *Silverman*, recognized this effect, noting that it was not simply a harmless exchange of dollars between owners, and prevented the owners from unilaterally imposing revenue sharing rules without the consent of the players association.

Second, the effect that revenue sharing has on competitive balance is currently under debate. The popular notion is that small-market teams will use the net excess revenue that they receive from large-market teams through the national media and licensing contracts and through gate sharing to improve the quality of their team, therefore increasing competitive balance. In *Bulls II*, the NBA's justification for its restriction of Bulls' broadcasts was the need to maintain competitive balance.

However, it is possible that an athlete will play for the team for which he/she generates the most revenue, regardless of who owns the rights to that revenue. Under this conjecture, small market teams without a mandatory salary minimum will simply pocket their portion of shared revenue as profit, leaving unsolved the "small-market

problem" which plagues some sports. If small-market teams are currently choosing the optimal talent level, a transfer of cash will, by itself, provide no incentive for investments in individually sub-optimally higher levels of quality. In other words, unless the team does not have access to enough capital to pay more for that next player, it would have already hired the player. Receiving shared revenues will not make that player more valuable to the team - the better investment is somewhere else, not hiring new talent.

This is not merely a theoretical concern. Recent remarks by former Senator George Mitchell, George Will (both part of an economics team hired by MLB to investigate solutions to business problems in baseball) and others, point out that small-market teams in baseball (where the effective salary minimum is close enough to zero to be inconsequential) may currently be bringing their revenue sharing to the bottom line instead of spending it on improving team talent.

Profits may increase from revenue sharing if there is a decline in player costs combined with no or minimal changes in player distribution and hence revenues. Again, player distribution will not change if the shared revenues are not spent on new players.

Moreover, both the revenue-sharing and salary-cap rules create incentives for owners to generate revenue from sources, such as stadium revenues, that are excluded from revenue sharing. An owner may invest in stadium improvements simply because he or she gets to keep all of the return on that investment, as opposed to investing in a new team logo from which any new revenues from national merchandising would be shared with the rest of the league. One example from the NFL is luxury suites, which tend to remain outside of the revenue sharing/salary cap structure. This may help raise the incentive to invest in team improvements, and counter possible effects of profit maximizing by keeping costs low.

Conclusion

Economic analysis plays an important role in

understanding the special structure and economic forces inherent in sports, and in analyzing the competitiveness of league conduct. Allegations of wrongdoing need to be viewed through the correct economic prism before a proper evaluation can occur. This analysis requires an understanding of the exogenous factors inherent in sports leagues, and the rules that leagues use to affect competitive balance.

Because of high switching costs, a positive consumption network externality, fans' desire to see the very best athletes compete against each other, high fixed costs coupled with low marginal costs, and non-rival production, sports leagues may tend towards one brand for each sport. This may also be a consumer welfare improvement over multiple leagues of lower quality play within

the same sport.

Moreover, the economic factors that sports leagues control, e.g., revenue sharing and team salary restrictions, may superficially appear to be anti-competitive, but may instead promote competitive balance, and hence be pro-competitive. On the other hand, restrictions designed to address competitive balance may merely lower average cost without improving competitive balance, and may have unintended side effects as teams' and leagues' incentives diverge. Policy decisions made without the proper understanding of the economics of sports leagues may prove to be detrimental to consumer welfare.

Author, Daniel A. Rascher, Ph.D.

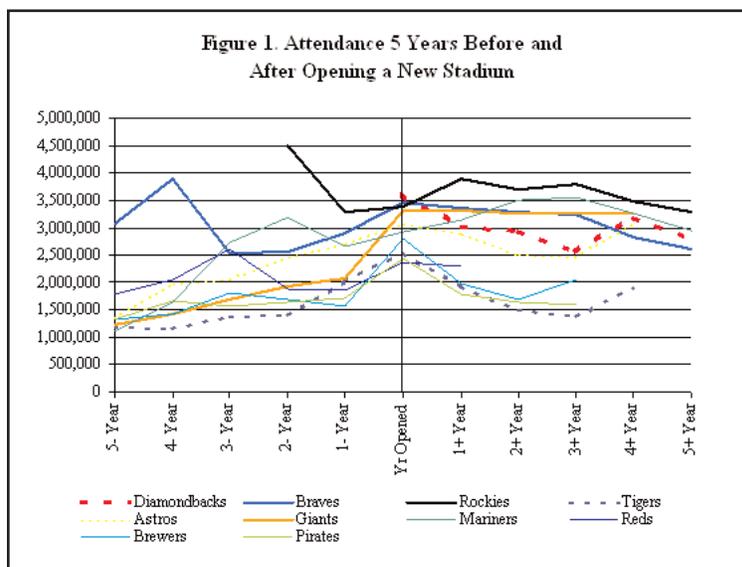
MLB is Feeling the Pinch

Milwaukee and Pittsburgh opened new baseball stadiums in the 2001 season. But by the third game at the Brewers' Miller Park there were empty seats. In April that year, the longest sold-out streak in professional baseball, held by the Cleveland Indians at 455 games, ended. That same month, the third longest sold-out streak ended with 90 games at the Giants still-new Pacific Bell Park.

The Detroit Tigers drew near 100,000 fewer fans at Comerica Park's second season than at their final year in Tiger Stadium in 1999. Pittsburgh has faced declining attendance since opening PNC Park in 2001, and has had lower attendance at PNC for the 2003-2004 seasons than that which it had in its final year at Three Rivers Stadium.

In Figure 1, it is clear that new stadiums are not bringing about the long-lasting attendance increases that were once assumed to be the norm. Partially to blame is that ticket prices in new stadiums jump by an average of 20%. New stadiums have historically enticed owners to field better teams but this effect appears to be less

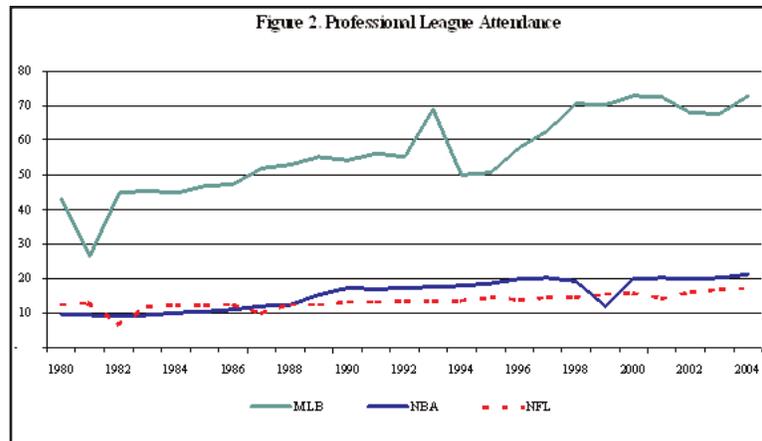
pronounced than in the past. Thus, the lower winning percentages of teams with new stadiums also partially explains the decrease in attendance.



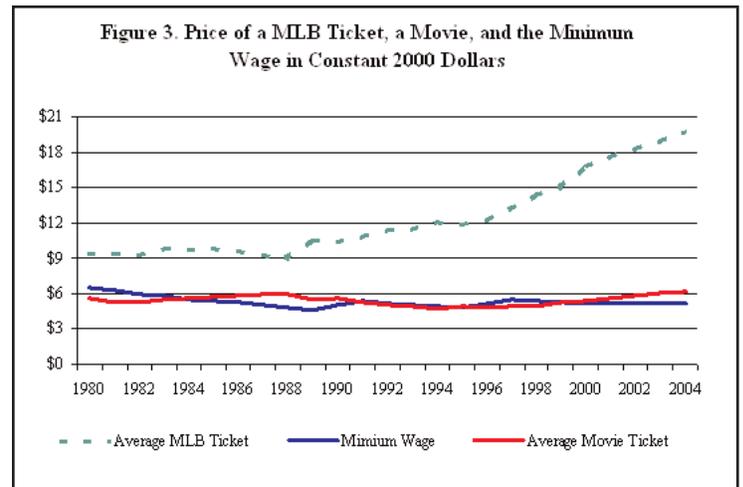
The question must be asked, is the slowing economy permeating sport beyond the current sponsorship slump? The answer is most likely yes.

Tickets to professional sports events have always been luxury items. But in the past decade stadiums and arenas have transitioned from places to fill with as many fans as possible to smaller venues filled with services for the wealthy and corporations. This transition has caused sports to become more of a luxury good for the average fan than ever before.

Historically, there has been a much greater and longer lasting attendance drop from a strike than from a recession. A significant portion of lost revenues from strikes is due to decreased attendance. In the most recent 1994-1995 strike, it is estimated that attendance was down 15% shortly after the strike, was still down 12% in 2002. With \$1.5 billion in ticket sales in 2002, that 12% drop in attendance equaled \$180 million in lost revenue. And with \$3.1 billion in merchandising and concessions in 2002, every slight drop equals a loss of millions more.



In both 1982 and 1991 recessions, attendance levels dropped only slightly and recovered in line with economic growth in the three major leagues shown in the Figure 2, notwithstanding the work stoppages. During those recessions the sports industry fared better than manufacturing and most service sectors. However, at the time, tickets were cheaper in real terms than they are now and team revenue depended less heavily on stadium specific income. In Figure 3, it is clear the price of an average baseball ticket has grown much faster than the minimum wage or even the price of a movie ticket.



With the current dependence on income from club seats and luxury suites, teams are more vulnerable than ever to the effects of a national recession because the average consumer is less able to purchase a ticket than ever before.

The teams that face the most risk currently are those that have incurred large debts to build new venues and those teams that have not yet opened their new venues. For instance, the SF Giants owe close to \$20 million each year to pay off the debt associated with privately financed Pac Bell Park, is likely the team with the most at stake. The Giants were the first team to privately finance a ballpark since the Dodgers built Dodger stadium in 1962. With enough critics of the Giants financing plan to sell out Pac Ball Park for the next 10 seasons, they have more than a monetary interest in seeing that their plan will work.

Executive Vice President and COO Larry Baer feels that the long-term profitability of the team is sustainable. In an interview with SportsBusiness Journal in 2000 he said, "Baltimore, Cleveland, and Colorado have shown that you can operate at 98 percent capacity for three to five years even if you struggle, like the Orioles, on the field."

Since the Giants failed to sell out games less than one month into their second season at Pac Bell Park, the question is what if you can only operate at 98% capacity for one or two years? If the "new stadium effect" has diminished in length,

4. See "What is the Size of the Sports Industry?" in this issue for information on consumer expenditures on sports during the 1991 recession.

what can be done about it? Silicon Valley has gone bust, and the pace of Bay Area inflation is running nearly twice that of the nation's rate. In contrast, the greater New York area, which includes Manhattan, fell below the national inflation rate by 23 percent. Filling a stadium suddenly seems like a whole new ballgame.

Not that any of these hurdles will deter the Giants from their goals. The days are certainly gone in which the team turned away Silicon Valley millionaires wanting to buy into the team. But there are still plenty of opportunities for the Giants to make money.

By renting out Pac Bell Park for launch parties, corporate events, XFL games (for the one year the league existed), bowl games, concerts, and more, they have raised \$15 - \$20 million annually in addition to baseball revenue. In addition, they have long-term sponsors including Anheuser-Busch, Visa USA, Coca-Cola, and Chevron. Even if the declining tech market has contributed to lay-offs and company closures, the Bay area is still home to the headquarters of 28 Fortune 500 companies.

The outlook is not as promising for the Philadelphia Phillies and the Cincinnati Reds, which opened new stadiums in 2002 and 2003, respectively. A slow economy in the beginning two seasons affected their ability to secure sponsors, sell luxury suites, sell season tickets, and ultimately to produce a winning team.

Moreover, several other teams are still planning on building new parks. After more than three decades of playing at Busch Stadium and nearly a decade of lobbying for a new ballpark, the St. Louis Cardinals will open a new Busch Stadium in 2006. The Marlins, which have been pushing for a new stadium since the late 1990's, have been pushing to get a \$420-\$435 million stadium to open in April 2008. After more than five years of discussion of a new ballpark, the Twins have moved closer to building their proposed \$444 Million ballpark, also scheduled to opening April 2008. This year the MLB returned to Washington, D.C. for the first time since the Senators left after the 1971 season. The new team, crowned the Nationals, will move into their \$440 Million facility in April 2008. Both the

Mets and the Yankees have plans for some of the most expensive ballparks in MLB history, with the Mets proposing a \$600 million facility, which they are funding, to be completed in April 2009. The Yankees stadium, at an estimated cost of nearly \$800 million project also financed primarily by the team, should be completed in April 2009. After more than 30 years of playing at McAfee Coliseum, Oakland A's owner Lew Wolff announced plans for a new baseball stadium in August 2005.

While economists argue whether the economic indicators are pointing up or down, the Phillies, Cardinals, Marlins, Twins, Nationals, Mets, and Yankees will know soon enough if the average fan has indeed been priced out of the game.

Pay for Play - A Comparison of Team Salaries in Team Sports (2001)

When WUSA took the field on April 14, 2001, the players earning the minimum salary received checks for \$1,143 per game for a season total of \$24,000. This summer, the WNBA players earning the league minimum will pocket \$875 per game for a season total of \$28,000.

The last time MLB paid so little in real terms was in the 1960's. However, comparing MLB to the WNBA or WUSA is akin to comparing football to badminton. MLS, WNBA, ABL, WUSA, XFL and CBA are (or were as the case may be) single entity leagues. They are also recently established leagues (except CBA). The WNBA, ABL, and WUSA are also women's leagues. Thus, any comparisons must be considered in context.

On the surface, these leagues are not successful yet:

- MLS has experienced a decrease in average attendance each year since its debut, even after adding two additional teams in 1998.
- The WNBA has lost money every year since it debuted. Its extremely low salary structure has forced several marquee veterans to return to playing in the European leagues. At this point, it survives solely by the monetary and media support of the NBA.
- The XFL folded after one season.

- The ABL, which started with the strongest group of professional women basketball players, folded in the middle of its second season.
- The WUSA is above its attendance target of 7,000 per game for its first season, but the average continues to decline.

Single Entity Structure

Starting a new professional sports league is clearly not an easy task. History provides numerous examples of attempts and failures. One important facet of these startups is that they are all single entity leagues.

Single entity leagues are leagues in which collections of owner-operators own a share in a league instead of owning their own teams. The league office makes a portion of team decisions, including player allocation. The owner-operators are responsible for their respective team operations.

Single entity leagues have proliferated in the past decade in order to minimize antitrust scrutiny, and to have more control over player salaries. However, there are negative effects of the single entity structure, which include decreased contest legitimacy and salaries lower than would be the case in a free agent market for players.

Contest legitimacy is the notion that fans believe that each team owner is trying to win a championship; hence each game is a legitimate contest between the two teams. In the early years of baseball, numerous teams were owned by the same person, who would often make trades just before games in order to improve one team at the expense of another. There has been a belief that MLS places players in certain markets in order to maximize profits as opposed to a free agent market that would allow each team to vie for a particular player. The result is that competitive balance and player distribution is different than would otherwise be the case.

Control of player movement also gives a single entity league better control of player salaries. One of the factors that led to the demise of the

North American Soccer League (NASL) was that individual owners sought out the top players in the world paying them significantly more than the league (on average) could afford. This practice caused salaries to exceed revenues and ultimately league failure.

A negative effect of salary control is that the best players do not play in many U.S. single entity leagues because they do not necessarily want to compete on a world market for talent. The decision on player pay and overall league talent level is partially based on the relative demand for that sport in the U.S. versus other countries. For instance, WUSA may have the best women's soccer players in the world because the demand for women's soccer is highest in the U.S. However, MLS does not have the top men's players simply because U.S. demand for soccer is much lower than that of many other countries.

In reality, control of player salaries is a positive factor for a league because it can decide to raise average pay if it wants to, but it is not forced to.

Salaries

Table 1 compares the minimum and maximum salaries of single entity leagues with those of established leagues. The difference is clearly large. Even the comparison between MLS and WUSA, both new leagues, shows a significant gap on the high end. MLS competes worldwide with other men's leagues for talent, while WUSA does not.

	1997		1998		1999		2000		2001	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
NBA	\$220	\$30,140	\$242	\$33,140	\$287	\$18,500	\$301	\$17,143	\$317	\$19,610
WNBA	\$15	\$50	\$15	\$62	\$25	\$62	\$26	\$63	\$28	\$72
ABL	\$40	\$150	\$40	\$162						
% WNBA/NBA	6.8%	0.2%	6.2%	0.2%	8.7%	0.3%	8.6%	0.4%	8.8%	0.4%
% ABL/NBA	18.2%	0.5%	16.5%	0.5%						
NFL	\$131	\$5,874	\$158	\$7,579	\$62	\$6,667	\$192	\$6,340	\$209	\$6,340
XFL									\$30	\$55
% XFL/NFL									14.4%	0.9%
MLS	\$24	\$192	\$24	\$236	\$24	\$250	\$24	\$263	\$24	\$260
WUSA									\$24	\$85
% WUSA/MLS									100.0%	32.7%

Note: Values reported here were gathered from various sources.
Data from single entity leagues is generally more difficult to find and may be less accurate than that reported for the NFL and NBA.

5. The NASL was by far the most successful professional soccer league in United States History, and existed from 1967-1984. The league attracted many top stars and posted impressive performances and attendance figures, but overspending eventually forced the league into oblivion. Despite its success, the NASL lacked the stability and long-term foundation established by Major League Soccer.

Some of the variation can be explained because the comparison is between the salaries in an established league and of a start-up league. Table 2 attempts to account for those differences, by comparing the salaries of the NFL and NBA during the first year of their existence with the first year salaries for their corresponding single entity leagues.

The differences in salary become less apparent, although it should be noted that the APFA (the precursor to the NFL) in 1920 was not much more than a hobby for most players and owners. There were no national media deals and no such thing as corporate sponsors.

A comparison to the national average income for the general populace at the time each league was started is also included in Table 2. This is perhaps the most evenhanded way of evaluating the salaries in leagues with such large variations. The results are mixed. The WNBA, XFL, and WUSA have salaries that are lower than the average per capita income, but the NBA, ABL, NFL, and MLS have salaries that are higher.

Author: Nola Agha

Table 2. A Comparison of Salaries in Sports Leagues During Their First Year of Operation

Average Salary in the First Year of a League		
	In Constant 2000 Dollars	As a % of Average Per Capita Income
NBA	\$39,823	34%
WNBA	\$30,043	63%
ABL	\$75,107	157%
% WNBA/NBA	75.4%	
% ABL/NBA	188.6%	
NFL	\$4,526	117%
XFL	\$45,000	82%
% XFL/NFL	994.3%	
MLS	\$65,862	144%
WUSA	\$40,000	73%
% WUSA/MLS	60.7%	

Note: Values reported here were gathered from various sources.

Data from single entity leagues is generally more difficult to find and maybe less accurate than that reported for the NFL and NBA.

The teams in the APFA played between 1 and 9 games in the 1920 season.

The players earned between \$75 and \$100 per game.

The 1946-1947 season is considered the first season for NBA.

The average salary was \$4,500.