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The Reconstruction of the American Economy Through Professional Sports

Introduction:

In 2018, the North American sports market was valued at \$71.07 billion and its value continues to rise with predictions of reaching over \$80 billion in 2023 (Statista, 2021). This highlights the economic impact that professional sports have on the American entertainment industry, thus aiding economic growth in the nation. Currently, in 2021, the United States is suffering from an economic recession primarily due to lockdowns and business closures from the COVID-19 pandemic. Americans have turned to sports to ‘get back to normal, this is seen as during the COVID-19 lockdown professional sports continued to be necessary in daily American life. This is seen through the efforts of citizens trying to convince organizations to remain open and entertain the population such as the NBA bubble. This leads to the question, to what extent does the professional sports industry positively affect the United States economically? Sports teams create a large sense of unity amongst citizens, giving fans a common identity. The importance of a sense of community is analyzed in Kauwelo and Winter’s “Taking College Esports Seriously.” In this, they discuss the effect that a community of people who have a specific feature in common, such as supporting a sports team, can be incredibly useful for aiding social disorders and finding a new group of friends. While the competitive nature of sports can bring out the worst in people, as seen in George Orwell’s “The Sporting Spirit,” this competition, in reality, pushes athletes to advance, which, in turn, perpetuates the economy as a whole. Especially seen through the number of people that are employed due to professional sports: the average NBA team has roughly 500 employees, and the average NFL team has roughly 600 employees (Zippia, 2020). The positive economic effects of professional sports are portrayed through revenue generated through events, endorsements that promote products or brands, and government use of sports venues to stimulate economic growth.

Major Sporting Events

In 2020, Superbowl LIV generated roughly \$18 billion of revenue for the American economy (Reed, 2020). Events such as the Superbowl exemplify that a large number of people and businesses are affected by major sporting events across the United States. According to Eric Reed, a renowned freelance journalist who had written a plethora of articles for mainstream media networks such as CBS, New York Times, Miami Herald, The Street, and more, Superbowl LIV generated nearly \$65 million in ticket sales, over \$336 million advertising, and from parties and viewing events around the country, roughly \$17.6 billion. Of course, not all games generate as much revenue as the Superbowl does, but for centuries people have been obsessed with the idea of sports as entertainment. Dating back to the “Roman gladiators, Japanese sumo matches, chariot races, Greek Olympic Games...” humans have been fascinated with “setting up competitions and celebrating winners” (Sorilbran, 2019). Sorilbran, an author with over a thousand works many of which have been published in the New York Post and Washington Post, introduces the idea that sports are directly related to an individual’s emotions, which is why fans often go to the extreme to represent and support their favored team. These include enduring extreme weather conditions to watch a game and spending unimaginable sums of money on team-branded gear. To use the NFL as an example, in 2014, over 31.21 million U.S. residents purchased merchandise with an NFL team logo, generating over \$12.8 billion for the US economy.

“Many sports fans draw a bit of their identities from their teams; there’s a sense of belonging fans get by being part of a team’s fan base” (Sorilbran, 2019). This feeling of community is deeply analyzed by Kauwelo and Winter in their “Taking College Esports Seriously.” The authors discuss the positive impact and the importance of Esports being taken seriously in colleges on competitive student gamers. A community and family are built among teammates and coaches, which enhances self-image, as well as a sense of belonging, is developed. Along with the social benefits, the Esports communities and their important effects resemble those built among fans in traditional professional sports. Teams use the improved mental health of their fans to stimulate economic growth. Teams release merchandise for purchase with catchphrases such as “Laker Family” or “Heat Family” to promote unity among fans

and generate wealth for the team and organization. In all, sports games along with the communities developed, lead to economic growth and can contribute to saving the American economy.

Endorsement Deals and Advertising

As stated, sports teams and their respective athletes have amassed immense followings, giving them incredible leverage on their fans through advertisements. In modern society, endorsements and sponsorships are seen in all aspects of sports on and off the 'field.' According to the official Formula One website, despite the COVID-19 pandemic in 2020, the average viewership of all Grand-Prix races was 87.4 million per race worldwide, including digital viewers (N/A, 2021). With millions of viewers per race, the impression being made by advertisements was, and continues to be, unquantifiable. The Mercedes Petronas F1 Team won the 2020 Formula One Championship, in front of a record large crowd for 2020 of 871,000 exclusively American viewers (Statista, 2020). The Mercedes Petronas F1 team has various sponsors on their racecars and prices are steep. RTR Motorsports, a renowned motorsports marketing agency based out of London, reports that Mercedes-Benz is the largest sponsor on the car paying over 200 million Euros (\$241,000,000) for their contract and logo on the team's car. Other sponsors include Petronas: €58Million, Ineos: €38Million, and many more. The publicity received by companies during Formula One races, even by exclusively American viewers, is nearly unmatched by any other advertising. Even if, in theory, only 15% of viewers noticed the sponsor's logo on the car there are still almost 132,000 people who were affected and would, as a result, have a new opinion on the company. This is because people will now associate the brands seen on the car with winning, thus giving the brands a positive public image. With the idea that humans are naturally affected and attracted to what they are passionate about, combined with the American people's obsession with success, leads to economic growth through Formula One in the United States.

LeBron James has amassed over 83 million and 49.7 million Instagram and Twitter followers, respectively, throughout his years in the NBA. Millions of these followers are impressionable Americans who view James as a role model, and James definitely capitalizes off of his leverage. LeBron James, according to Kurt Badenhausen, a senior Forbes journalist for over 30 years, writes that James's annual salary with all components of income including NBA salary, Nike endorsement, and other endorsements, is over \$89 million as of 2019. James's shoes have generated over \$340 million for Nike itself, having an immense economic impact on America (Badenhausen, 2019). Not only do taxes need to be paid for each individual sale, but each shoe must be manufactured and delivered to the retailer, and employees often also receive a commission for each sale depending on the specific retailer. The commission incentivizes a better work ethic from employees, thus resulting in more sales and more revenue. There is no special feature or gimmick on a LeBron James basketball shoe that sets it apart from other shoes, but the name being represented drives people to purchase the shoe creating income for the United States economy. Consequently, the combined effects of advertising in Formula One and LeBron James's Nike endorsement prove that marketing tactics in professional sports are a contributor to the recovery of the American economy.

Government Intervention

Professional sports have also pushed local governments to invest in their own communities which positively affects not only the sports industry but also the local economy. According to Swindel and Rosentraub, PhD and MBA students from Wright State University and Indiana University respectively, the involvement of local governments in the professional sports industry has increased dramatically and its effects are positive. According to the duo, until the 1950s sports were mainly privately funded and did reach a wide audience. Then, around 2005 several communities and cities invested over \$500million into sports stadiums and into the sports industry. An example of this is seen through the Barclays Center in New York. According to a Politico article by, Sarah Laskow, a renowned journalist with multiple articles for Politico, New York Times, and Washington Post, "'If you own a restaurant, a bar, a coffee place, anything retail in the hospitality world, you are clearly benefitting from Barclays,'" said Carlo Scissura, president of the Brooklyn Chamber of Commerce." This is because, on nights where the Barclays Center has sports games, concerts, or other events, the neighboring businesses thrive due to not only the increased volume of people, but prices at these businesses are often more appealing than those at sports games. Also according to Laskow, economists have known for years that stadiums are often, "economic game-changers," but their propositions often ignored by politicians. As seen, restaurants and retailers in the hospitality industry thrive near stadiums and sporting events, which once again reiterates the importance of a community. As aforementioned, communities of people who share the same passion often lead to increased mental health which without these restaurants would be absent; and when people are comfortable they are more prone to make a purchase while spending time with friends. Then, these restaurants with their profits from customers pay their employees, and recirculate money into different parts of the economy, because everyone needs to pay their bills and those with families are reliant on income to provide for more than just themselves. Additionally, when a city has a successful sports team it is common for people to travel long distances to watch, which also brings customers to hotels and stores that provide basic necessities as well as airlines or travel agencies. This is proven through a Pew Research Center study, that claims over \$45Billion were spent on "sports-related travel" in 2019. These travels also generated

\$103Billion indirect, and indirect revenue as well as over 69 million hotel room nights (Gewirtz, 2020). As proven, government intervention and funding have been seen to stimulate economic growth and undoubtedly could be the savior for the American economy.

Conclusion

The professional sports industry plays an integral role in modern society, thus having an irreplaceable role in the American economy. With this, it becomes important to analyze the positive impacts of professional sports on the American economy, because as Americans strive to return to a “normal” lifestyle and sports are an outlet for many. In order to recover from the current recession, Keynesian’s economic views, or spending out of a depression, must be applied to modern society. Sports, for many Americans, was a missing part of their lives during the lockdowns; so the American government[1] must create more sporting events or venues in order to generate more income, therefore jumpstarting the American economy and the return to normalcy. The only limitations to this solution would be that creating more sporting events could downplay the effects of the coronavirus pandemic, which creates a misleading image to society. Also, attendance at sporting events would not resemble previous numbers and would generate accordingly less wealth, meaning it would take longer to revive the economy. Despite this drawback, the possible effectiveness of using professional sports to stimulate the economy is proven by the past economic success of athletics. Major professional sporting events such as the Superbowl generate billions of dollars for the American economy, and sports teams create a sense of community among fans leading to economic activity in support of their favored team. Endorsement deals and advertising generate hundreds of millions for the American economy as seen by the impression of Formula One and LeBron James’s shoe sales. Finally, government intervention in the sporting and entertainment industry positively stimulates growth in often-impooverished communities. As mentioned in the introduction, George Orwell, in his, “The Sporting Spirit” believes that the competitive nature of sports brings out the worst in people and leads to violence. Orwell substantiates his claim by showing examples in which fans attending sporting events have become hostile and aggressive. This not only destroys the experience for hundreds of fans but also endangers other spectators, therefore bringing negative backlash for the team and the city that is represented. However, it is important to focus on the positive impacts of professional sports because the social and economic benefits to the local and national economies immensely outweigh the consequences. The research from these instances proves not only that the sports industry has a larger positive influence on the American economy than what meets the eye, but it must be used to revive America after the COVID-19 recession.