



BACHELOR THESIS
INTERNATIONAL ECONOMICS AND
BUSINESS ECONOMICS

Franchise versus the City

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Word Count: 11582

Date Final Version: 26/08/2018

1. Introduction

Sports is one of the most significant activities in an individual's life whether it is going to the gym or catching a game. After the recent franchise movements in the US, the discussion regarding sports franchises heated up again. When the Oakland Raiders announced that they would be moving to Las Vegas (second franchise Vegas is acquiring after the expansion season of the Golden Knights this year) fans were angry. However, what is interesting with the case of the Raiders is the fact they will not actually move this year but they will wait for their stadium to be constructed and they still expect the support of the people of Oakland and San Francisco. Raiders are one of the teams that is getting a brand-new state-of-the-art stadium and the funding of these facilities are often heavily debated as well. The numbers of economic implications are often crucial as well as the mechanisms that influence the "relationship" between sports franchises and cities. Thus, this paper aims to look into the following research question:

"Which economic mechanisms effect the interplay between sports franchises and cities?"

In order to explain the mechanisms that are in question, first the league/franchise aspect will be discussed. These are the systems and policies that affect the league and/or a franchise but most importantly the competitive balance in the league. The second section will look into the city aspect where the start of the issue, sports facilities, will be discussed as well as sporting events that are held in a city. The third section aims to connect the first two in order to report the results. The fourth section is the conclusion which summarizes the important facts and the fifth section lists the articles that were used on writing this paper.

2. League and/or Franchise Aspect

In order to understand the interplay between sports franchises and/or leagues with cities, one must first look into economic mechanisms that are relevant. This section will focus on the league and/or franchise side. Plethora of aspects can come to mind however the most significant issues are TV rights, the salary cap, the draft system, free agency and the facilities. All of these aspects of have a large impact on the league or a franchise or quite often, both. These are the pillars that are supposed to keep the league competitive and so that a handful of

teams do not always dominate. However, before all these mechanisms are analysed one must look into the situation of the sports market in general, specifically the difference between the US and EU markets.

As mentioned above, there are several mechanisms that are relevant to the sports leagues and franchises. When US and the EU leagues are compared, significant differences can be seen. The US sports market is “intervened” by the leagues significantly more than the EU. These interventions are some of the economic mechanisms like the salary cap and the draft system which are discussed below in more detail. In the end, it can be observed that the main concern for a sports league is the competitive balance which is essentially the product that the league is “selling”. The difference between the two regions come from their approach to this issue. The EU sports market can be considered as free market since the intervention by the Union of European Football Associations (UEFA) is often limited. The main point of their intervention is often reasoned through the Financial Fair Play (FFP) rules. Domestically leagues do not intervene heavily either. The TV rights are not equally shared, there is not salary cap or draft system. This results in the dominance of the larger markets who have considerably a higher level of financial power. The US however is a completely different case. The free market is constrained with the salary cap and the draft system as well as the equal sharing of TV revenues. Both leagues have similar free agency rules however the salary cap does affect the free agency negotiations since teams will be restricted with the amount they can offer a player. A paper by John Vrooman titled “A General Theory of Professional Sports Leagues” (Vrooman, 1995) looks into the economics of the sports markets. His ideas on the TV rights and the salary cap system argue that these mechanisms will not actually increase the competitive balance. This statement would be true if a free market is considered competitively balanced. It could be traced back to the invisible hand theory of Adam Smith. However, it is apparent that the context in which competitive balance is understood is the difference here. A free market will be balanced however this does not mean that all of the sides in the competition will have remotely the same chance of winning. The state of the European leagues shows that even though the leagues operating as free markets is balanced the competition is almost one-sided which is the cause of all the economic mechanisms that are present in the US major leagues. Economically speaking it might be viable to say free market is a better option than intervention however this would also mean that the quality of the product of the league could be decreased.

a. TV Rights

When it comes to sports traditions, the television has taken its place as technology improved over the years. One of the most significant traditions of a fan is “Football Sunday”. The National Football League (NFL) plays a large portion of its games throughout the day on Sundays, capping off with Sunday Night Football. This is the time when hardcore fans sit on their couch and watch all the games based on their provider. Furthermore, sports have become such an important part of television culture that legendary commentators and journalists such as Jim Nantz, Ernie Johnson Jr., Al Michaels, Kevin Harlan and the late Craig Sager are known around the US. The culture itself is an important “revenue machine”.

The TV revenue is crucial for the franchises. The percentage of revenue a franchise accumulates can change based on the discipline and/or the country. According to a paper titled “Media Revenue Sharing as a Coordination Device in Sports Leagues” by Thomas Peeters (Peeters, 2010), European soccer leagues earn one third of their revenue from the sales of media rights to broadcasting firms. In his paper he has divided the fans into two categories: hard-core club fans and neutral fans. He states that the hardcore fans are the main cause behind match day income and that the neutral fans appreciate the uncertainty of outcome in the competition. While these statements make sense, it is important to point out that a third type of fan should be added here. Since this paper was written in 2010, the landscape of the sports world has widely changed by the formation of “superteams” as well as the increasing number of stars. This has caused the birth of another fan type: the bandwagon fan. The phrase is used for individuals who change the team they support based on who is the best team during that time period or if their favourite player changes his team. These individuals often list different reasons for their fandom. Some of them simply jump on the bandwagon because their team is already eliminated meanwhile others simply switch because they want to support the team that is winning or the team which is the best in a league. Sara Novic explains one of these reasons in her article which was published on ESPN (Novic, 2018). The possible effects caused by these type of fans will be later discussed in detail in the free agency section. The important part of his categorization is the fact that the neutral fans affect the TV revenue. In his paper Peeters presents his model for the selling of TV rights, individually and collective and shows that collective sales generate more revenue than individual sales. Moreover, Peeters also points out the fact that the league does not play a role if clubs sell their TV rights individually. This gives

the league an incentive to find a compromise for collective sales so that they can have control. However, perhaps his more crucial point was the fact that large market clubs could dominate with performance-based sharing. He suggests an equal share which is what the American Major Leagues have implemented. This suggestion is sound however another paper brings out a different idea. In their paper titled “Inter-league competition for talent vs competitive balance”, Frédéric Palomino and József Sákovics (Palomino & Sákovics, 2004) create a model for TV rights while taking competitive balance into equation. Their most important point is the fact that EU has multiple leagues competing for the talent while the US leagues enjoy a monopsony position. Involving the competition between European leagues, they show how performance-based sharing is the better option for the league. A significant example is the Ligue 1. It is mentioned that the French league switched to a performance-based sharing reward scheme as of the season of 1999-2000 and they argue that this switched was a result of greater player mobility. Here it is important to mention that the league is the owner of the broadcasting rights.

In this section, the aim was to look into the economic mechanisms behind broadcasting rights. The results of the two papers mentioned in the text may seem to contradict each other with each paper suggesting the opposite scheme however this isn't the actual case. The two papers simply discuss the issue from two different views. The second paper, which justifies performance-based sharing, shows the best option for the league revenues. The first paper cares about the competitive balance within the league. This difference is crucial since it is the most viable reason for the difference of suggestions. The scheme that should be chosen depends on what the league cares more about. A performance-based scheme could remove the competitive balance in the league which can be seen in Ligue 1. This could result with a decrease in revenues since there will be a significant portion of football fans that will deem the league boring. In the end, it is wiser for the league to look out for the competitive balance between the teams which is what the system in the US is mostly concerned about. Larger market will still however enjoy significantly higher profits since these cities are more interesting for local sponsors however the teams from larger cities will not easily dominate the competition simply because they can make more money from having a larger fan base or a larger “TV audience”. This locational advantage can be decreased through the sharing of TV rights.

b. Salary Cap

An important part of the leagues in the United States (as well as some of the rugby and ice hockey leagues in the world) is the salary cap system. Its definition is quite straightforward; a rule that specifies a limit on the amount of money a team can spend for the salaries of its players so it does not include coaches and other personnel. The limit is determined by the league, often after discussions with the teams. Often, leagues have a hard cap which is the limit that cannot be exceeded under any circumstances. Meanwhile there is also a soft cap which the amount that can be exceed under certain circumstances. Over the years the cap has increased since thus salaries that are paid to the players also increased. The system itself has been a heated topic discussion between the leagues and the player associations (who have a significant amount of power in the US) and even caused lockouts (entire season not played, i.e. 2004-2005 NHL Lockout). In fact, the only US major league that does not have a salary cap is the Major League Baseball (MLB) which implements a “luxury tax”. This tax which was introduced in 1997, essentially works the same way as a salary cap however unlike the salary cap a team can actually go over the limit that is set at the start of the year but the team will have to pay for it. Just like the salary cap, its purpose is to prevent from rich big-city clubs to dominate the player market and acquire all the superstars. Under the salary cap system, all the superstars only come together if one or two of them take a pay cut. The system partly depends on superstars getting paid a large salary and the assumption that they will not want to take a pay cut since they are the best players in the league.

There have been many studies that look into the salary cap system and their arguments have differed. The paper by Vrooman (Vrooman, 1995) that has been mentioned in the introduction stated that the salary cap was actually promoting competitive imbalance. His arguments are not flawed but it must be said that the context in which an individual looks into the system matters the most here. Vrooman states that the salary cap system can be used as a way to control the players costs. The way he looks into the issue is from the perspective that the players would earn less than what they can/should. He also mentions that players will still migrate to larger markets in order to enjoy the revenue that would come from local sponsors and this argument is valid. However, competitive balance is related to this purpose as well. If players earnings are not restricted it is highly plausible that larger market teams that can afford to pay a player a salary which he or she should get, will dominate smaller clubs and this is the ideology behind the papers that show positive side of the salary cap. This means that larger

markets may lure players anyway however this will only happen during the free agency period of the player. Moreover, the salary cap means that during the free agency teams will be restricted to their salary offers to players hence the inequality between teams would be significantly lowered. The only income inequality will exist between players and this can be justified with the theory of superstars since only the truly talented players will earn more when free agency and the salary cap is combined together. With this argument under consideration, one of the works that show the basis of salary cap was published by Stefan Késenne in his paper titled “The Impact of Salary Caps in Professional Team Sports.” (Késenne, 2000) He points out the fact that quality of a league, which is the product of the sports industry, depends on the competitive balance. So far different approaches have been taken towards regulating the labour market and the salary cap is for preventing “the concentration of all playing talent in the rich big-city clubs that can offer better salaries than the small-town clubs.” This is an absolutely valid statement given the situation of football in Europe. Since there is no salary cap, storied franchises that enjoy larger revenues or the clubs that are owned by Arab Sheiks, simply buy the star players they want. Real Madrid, Paris Saint Germain and Manchester City are some excellent examples for this concept. Looking at the results of the leagues and the UEFA Champions League, it’s always the same clubs dominating. There is still competition however it is simply between a small portion of the clubs. It is extremely rare that a small or mediocre club can overcome these giants which is exactly why it was deemed a miracle when Leicester City won the Premier League in 2016. These exorbitant amounts of salaries that are being paid also cause tremendous financial losses if the team does not perform well enough. In fact, it is very common that the UEFA will punish clubs which violate Financial Fair Play (FFP). However, the impacts of these punishments differ extremely since the punishments themselves differ. Recent examples for FFP punishments are ban from competition for AC Milan and monetary punishments for Galatasaray. This aspect is interesting because Késenne states that “One might also consider salary caps as a measure to reduce the financial losses made by many European sports clubs” and he has a valid point. Having a limit to salaries can easily reduce losses since smaller clubs now do not have to pay larger salaries just to be able to compete with the big city clubs and also because clubs that do well but just not well enough won’t lose as much for not winning it all. As he puts it the only negative aspect of the salary cap is the decreased total league revenues.

So far it has been assumed that superstars always demand their worth hence a large salary. However, pay cuts are not an unusual case though. A perfect example of this is the

current roster of Golden State Warriors (GSW). As of right now, Golden State can have an all-star line-up after their signing of Demarcus Cousins for a 1 year 5.3-million-dollar contract (Ward-Henninger, 2018). What is interesting here is the fact that this amount is way below for an all-star superstar like Cousins even considering him coming out of a torn Achilles. In the roster Kevin Durant, Steph Curry and Klay Thompson have taken pay cuts before as well. This is an intriguing situation since the salary cap is in place to prevent exactly this from happening. It is being argued by critics and fans that this superteam that formed in the Bay is damaging for the competitive balance of the National Basketball League (NBA). As argued by Késenne, a club that becomes too strong will harm the competitive balance in the league. However, these kinds of situations are only harmful only for a short time period. So far there hasn't been a situation where a team of superstars stayed together and always took a pay cut. Moreover, the losing teams are helped with another system in the league: The Draft.

Competition/ Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
NFL	New Orleans Saints	Green Bay Packers	New York Giants	Baltimore Ravens	Seattle Seahawks	New England Patriots	Denver Broncos	New England Patriots	Philadelphia Eagles
NBA	Los Angeles Lakers	Dallas Mavericks	Miami Heat	Miami Heat	San Antonio Spurs	Golden State Warriors	Cleveland Cavaliers	Golden State Warriors	Golden State Warriors
NHL	Chicago Blackhawks	Boston Bruins	Los Angeles Kings	Chicago Blackhawks	Los Angeles Kings	Chicago Blackhawks	Pittsburgh Penguins	Pittsburgh Penguins	Washington Capitals
MLB	New York Yankees	San Francisco Giants	St. Louis Cardinals	San Francisco Giants	Boston Red Sox	San Francisco Giants	Kansas City Royals	Chicago Cubs	Houston Astros
Premier League	Chelsea	Manchester United	Manchester City	Manchester United	Manchester City	Chelsea	Leicester City	Chelsea	Manchester City
Bundesliga	Bayern Munich	Borussia Dortmund	Borussia Dortmund	Bayern Munich	Bayern Munich	Bayern Munich	Bayern Munich	Bayern Munich	Bayern Munich
La Liga	Barcelona	Barcelona	Real Madrid	Barcelona	Atlético Madrid	Barcelona	Barcelona	Real Madrid	Barcelona
Ligue 1	Marseille	Lille	Montpellier	Paris Saint Germain	Paris Saint Germain	Paris Saint Germain	Paris Saint Germain	Monaco	Paris Saint Germain
UEFA Champions League	Inter Milan	Barcelona	Chelsea	Bayern Munich	Real Madrid	Barcelona	Real Madrid	Real Madrid	Real Madrid

c. The Draft System

So far it has been discussed that the competitive balance of a league is perhaps the most crucial point. It is essentially the “commodity” of the league and it determines how enjoyable the league is. The table above shows the previous winners of the Superbowl, the NBA Finals, The Stanley Cup, The World Series, Premier League, Bundesliga, La Liga, Ligue 1 and The UEFA Champions League. The first four are the major sports in the US whereas the following competitions are the highest level of play for major European countries (UK, Germany, Spain, France respectively) both country specific and combined.

As it can be seen from the table the European Leagues differ vastly from the US leagues. The worst case for competitive balance seems to be the Bundesliga where Bayern Munich was the champions seven out of the nine seasons presented. The best case is the NFL where eight different teams won the Superbowl with only the New England Patriots winning it more than once. Cases like the Patriots, Warriors, and the Blackhawks may seem to suggest the idea that the league is not competitive in reality. However, this is not true. In US, teams that enjoy a successful period are called “Dynasties”. A dynasty does not necessarily mean that the relevant team is winning every year. It is more related to the continued success of the team. So, if the team was in the NBA, one would look into the amount of times they win their division and their conference and how often they make the NBA or conference finals. The best example out of the three that are mentioned at the start of the paragraph is by far the New England Patriots. In fact, the competitive balance of the league is the reason why the Patriots do not win the Superbowl every year. Yet they are successful in a way where they are using the league system the way it is meant to be. They have Bill Belichick who is arguably the greatest coach of all time and Tom Brady who is not just arguably the best quarterback of all time but the greatest football player of all time. With this duo the Patriots have went on to win five Superbowls in eight appearances, 12 American Football Conference (AFC) championship appearances and 15 AFC East titles. This staggering stat line is quite literally the definition of a sports dynasty in the US major leagues. However, unlike the European clubs like Barcelona or Real Madrid, the Patriots only win because they manage to use their players effectively instead of simply outright signing high profile free agents or making blockbuster trades. Bill Belichick is known for turning failing or troubled athletes into winners (e.g. LeGarrette Blount who was kicked out of the Pittsburgh Steelers for smoking marijuana, won the SB three times, two with the

Patriots and one with the Philadelphia Eagles). The only real example for a team that used their players efficiently is Leicester City with their Premier League championship during the 2015-2016 season. As mentioned before, this was labelled as a miracle since cases like this are extremely rare in the European Leagues. The usual case is big clubs outbidding or simply buying the better players to keep on winning (i.e. Barcelona, Real Madrid, Manchester City). Part of the difference between the league systems is the salary cap that has been mentioned in sub-section b. However, another significant systematic difference is the entry draft. In Europe, clubs have their own academies where they scout players and develop them via their B-teams or via loans to smaller leagues or clubs. However, in the US, a player that wants to become a pro would have to go through colleges where they have different levels of divisions. This is especially true for American football since the sport is only really popular in the US whereas basketball and hockey players can get drafted if they are good enough (Luka Doncic- 3rd pick in 2018 NBA draft).

The draft is an important distinction between the league systems because its purpose is to keep the competitive balance alive. The worst team in the league will get to pick first hence will get to have the chance to draft the best available player. However, this system has been amended for the NBA and the NHL since the league has noticed that teams that will miss the playoffs perform bad on purpose in order to get a higher pick. Thus, weighted lottery was introduced in order to combat “tanking”. Tanking refers to intentionally losing in order to have the worst record thus having the best pick. This practice is particularly popular in NBA and the NHL because of the amount of games that are played and the ability of the new players to make an immediate impact. Since both leagues play 82 regular season games, after a certain point a team knows whether it is a contender or not. If the team is not going to make the playoffs, it is in its best interest to lose so it can select the best available player. Teams can tank by simply not giving their best players a lot of minutes. Tanking is not as serious a threat in the NFL because these teams play only 16 games thus the playoffs spots are often decided in the later weeks. MLB has twice the amount of games compared to NHL and the NBA but the draft prospects often go into the AA or AAA instead of outright coming into the league and playing thus tanking is not extremely beneficial. These efforts for a better pick are understandable. The ability to draft the best player can change a franchise. For example, the Chicago Blackhawks had the fifth worst record in the NHL in 2017 however because they won the draft lottery they were able to draft 1st overall. They drafted Patrick Kane and thanks to him they went on to win three Stanley Cups. In the same draft Karl Alzner was drafted fifth overall and he did

not enjoy a similar amount of success. In fact, before the start of the 2017-18 season he left the Washington Capitals for Montreal Canadiens because “he wanted to win”. The Washington Capitals went on to win the cup that season. Examples is why franchises even trade draft picks based on their plans for the upcoming season and their valuation of the picks. This interesting situation was pointed out in paper on this topic was written by William Hurley, William Andrews and Andrey Pavlov titled “A valuation model for NFL and NHL draft positions” (Hurley, Andrews & Pavlov, 2011). The authors essentially improve “The Chart” under mathematical sense. The Chart is a valuation chart used by NFL General Managers for draft picks. The authors argue that the draft pick values are calculated incorrectly because it does not account for the average career time for a player. They state how most drafted players do not play for a long time hence the later picks should be more valuable than they are shown to be in The Chart. This valuation change makes sense mathematically however it can be argued that it is only necessary because of imperfect information. Players get drafted based on how the GM and the coach view them. A striking paper on the draft picks was written by Steven J. Brams and Philip D. Straffin Jr. titled “Prisoners’ Dilemma and Professional Sports Drafts” (Brams & Straffin Jr, 1979) in which they show that there is prisoners’ dilemma situation when it comes to the draft system. An important point made in the article is the fact teams often do not use sincere choices when they are making their picks. This situation can be best seen in the NFL Draft. The first pick in the draft is often a quarterback or a defensive end and this is because these two positions are arguably the most important ones in their respective phases of play. The first pick does not necessarily follow a similar trend with the rest of the draft because the team which had the worst record will want to build around a player instead of simply trying to cover all of their problematic positions with average players. However, it can be seen through the draft picks that teams select players that they know would be picked by another team if they do not do it in the current round. For example, kickers and punters are often selected late because every team assumes/knows that it is very likely that these players will still be available. Even if a team needs a kicker more than any other position, they will look into strengthening their depth instead of filling this needed position. The authors’ point is that these cases are essentially examples for prisoners’ dilemma because teams will make pareto optimal choices. This result can be attributed to the very nature of the draft system. As mentioned before, a team picks players based on the point of view of the GM or the head coach. Players can have terrible college years but go on to play well in the majors or vice versa. The teams can only guess who can be a good player for the near future and draft based on that opinion. However, the later rounds are also undervalued simply because they rarely produce superstars. The best two

examples for late round “gems” are Tom Brady who was picked 199th overall and Antonio Brown who was picked 195th overall. Examples like this also show why the draft system is useful for the competitive balance. They show whether or not the management of the franchise can recognize a talented player. The worst performing team can get better however in order to perform well consistently they have to be able to use the system efficiently. There are many examples for this as well. For instance, the Kansas City Royals won the World Series in the season 2015-2016 however they couldn’t manage to keep their level of play and as of right now they have the second worst record in the league. Examples like this also show the level of competitiveness in the US leagues. It is very easy for team to go from hero to zero really fast. A case that is not really present in Europe.

d. Free Agency

The last important aspect that should be discussed relating to a sports franchise is free agency. Free agents are players that have contracts that ended or any player that is available to play and does not have a contract. So, in such a situation, the player has the luxury to choose the offer he or she deems best. This however did not always exist for all of the major leagues. In fact, MLB used to have a “reserve clause” for player contracts. This highly discussed practice applied to players whose contracts have expired and essentially restricted the players contract options and bargaining power. A study by Gerald W. Scully that was published with his article titled “Pay and Performance in Major League Baseball” (Scully, 1974) showed that players were being exploited because of this system. As Scully states as well, “But once the owner has made his “final” offer, the player must capitulate or withdraw from organized baseball.” Scully’s study showed that players were being exploited due to the reserve clause no matter how skilled they are. Fortunately, the reserve clause was abolished in 1975 and was replaced with free agency. This study by Scully builds on the extensive work of Simon Rottenberg (Rottenberg, 1956) whose 1956 paper thoroughly studied the labour market for baseball players. He had argued that the distribution of talent will be the same with or without the reserve clause. In the light of these studies, it is obvious that free agency is thus both incredibly important for the players and the leagues.

In European leagues players that are under contract usually get bought by another club or simply sold by their current club. However, in the US major leagues the only way a player can change their club while they have contract is if they get traded or waived or released. Thus,

free agency offers a unique opportunity for franchises to acquire a player that they like and/or need without giving up something in return. Free agency is also very exciting since every so often a superstar hits the market and teams battle each other for that player. For example, LeBron James - considered by some people or commentators to be the greatest of all time - just signed a 4-year \$153.3M contract with the Los Angeles Lakers (Youngmisuk, 2018). Since he is also considered to be the best basketball player in the National Basketball League (NBA), he has an extremely large fan base who support the team that he plays on. The aforementioned bandwagon fans. This emergence of a new fan type is interesting as well as important because it can allow teams with good players to enjoy a larger revenue. Hence acquiring a superstar can be resourceful simply by the fans he or she will bring to that team. Superstars also earn these enormous amounts due the economics behind “talent”. In his paper titled “The Economics of Superstars”, Sherwin Rosen (Rosen, 1981) explains the economic system that allows individuals with higher talent to earn more. As he points out “recognition that one’s personal market scale is important in the theory of income distribution.” The market scale of a player can be explained by “box office appeal”. Players like LeBron James are perfect examples for this. There is point where a player could be the one of the best in the league and he or she can be worth more to a franchise than their performance in the team. Cleveland Cavaliers could not even make the playoffs before James returned, despite having Kyrie Irving who is arguably one of the best point guards in the league. This situation shows how important James is for the Cavs and now that he has left there is a significant doubt over the future of the team. Another important aspect that Rosen points out is the fact that “small differences in talent become magnified in larger earnings differences”. There are certainly many examples for this in the US major leagues. Point guard Isaiah Thomas recently signed one-year \$2 million contract with the Denver Nuggets (Price, 2018). Thomas is a very talented player and was even in the discussion for MVP during the 2016-2017 NBA season. He ends up signing for a veteran minimum. Meanwhile Stephen Curry had recently signed a five-year \$201 million contract (Golliver, 2017). It is fair to say Stephen Curry is perhaps the best point guard in the league however the difference between him and Thomas is not that much. This is a great example of how individuals can get paid more over a small difference in talent. This difference can be magnified due to the salary cap system as well. As discussed in sub-section b, only the players with higher talent earn more and create the income inequality. The salary cap system will force the teams that spend their money in a restricted way hence some players will be underpaid.

Another important point with free agency is the city where the franchise is located. As Rosen also points out it is “monetarily advantageous to operate in a larger overall market; and it is increasingly advantageous the more talented one is.” And “...that best artists sell their work in the great markets of New York and Paris, not Cincinnati...”. This brings the city into consideration as well. A smaller market does not have an appeal to most players. Even though the draft and the salary cap try to keep the competitive balance in the league stable, free agency is the one area where bigger cities have a clear advantage. It is possible that LeBron James chose the Lakers because the franchise is located in Los Angeles. It is true that the Lakers have promising young core however Lakers also finished 11th in the West. Los Angeles would definitely be a large factor in the decision. This can be seen throughout other sports as well. Yankees often get big free agents because of their history and the fact that they are located in New York. It is rare that a superstar will chose a place like Tampa over New York, Boston or Los Angeles. Thus, free agency is a significant topic for franchises as well cities.

3. City Aspect

The other part of the interplay that has been discussed so far is the city aspect. The city aspect has two categories that are major issues with sports in a city and these are facilities and sporting events. This section will focus on these two topics thus it is more politically motivated since it is often seen that economics might be ignored when it comes to the interaction of city officials with a sports franchise. This is seen extensively with sports facilities.

a. Entertaining a Franchise

A stadium or a sports arena could be one of the most influential and iconic buildings in a city or even a whole state or country. Legendary teams can make these locations places of worship for the hardcore fans of the sport or the franchise. This having said, the construction of these places is no easy or cheap task. A lot of studies have been done on the funding of sports facilities and perhaps the most influential one sheds the most amount of light on the issue. The paper titled “The Economics of Sports Facilities and Their Communities” by John Siegfried and Andrew Zimbalist (Siegfried & Zimbalist, 2000), talk about the effect of entertaining a sports franchise on a metropolitan area. One thing they point out that is important

when discussing sports facilities is the fact a lot of these buildings are multi-functional and different sports share them. This is mostly common with basketball and ice hockey since an experienced crew can change the floor in around two hours. As they also state right away, several teams often share one facility for example Los Angeles Lakers, Clippers (NBA) and Kings (NHL) all play in the Staples Center. The construction of new arenas when the paper was written meant that the majority of major league franchises will play their home games in facilities built after 1990. This trend has been continuing as well. In recent history Minnesota Vikings got a new stadium which even hosted the latest Superbowl (Superbowl 52) between the New England Patriots and Philadelphia Eagles. Besides the Vikings; Atlanta Falcons, Los Angeles Rams, Oakland Raiders are all getting new stadiums where they are financed with public funds. This is rather interesting because studies show that benefits having a franchise in the city does not outweigh the costs.

The start of this current trend can be traced back to 1953 when the Boston Braves moved to Milwaukee. As also pointed out by the authors, facilities like the Los Angeles Coliseum and Chicago's Soldier Field were built with public funds however the intention behind the construction was luring Olympic interest. When a new stadium lured the Boston Braves, leagues realized the excess demand for franchises. Since US leagues enjoy a monopoly position on their respective sport, this excess demand caused cities to bid against each other and offer facilities in order to entertain a new franchise. This allows teams to negotiate better facilities and deals with public officials especially by threatening with relocation. The negotiating power of a team can change with their respective sport. NFL teams have the least amount of both home and total games per season, with home games amounting to eight and total games amounting to 16. If the team makes the playoffs there is a chance that they will not play at home even then. This low number allows teams to fill the stadiums with fans unless the franchise is in a horrible state. With the other leagues, situation can be different. NBA and the NHL play 82 games per season while MLB plays a whopping 162. This means that fans might start picking games to attend. Arenas fill only if the team is a top tier team like Golden State Warriors or the Boston Red Sox. With baseball season being so long it is common to see empty seats and cheaper ticket prices. The fan attendance is important for the franchise since prospect cities can use this as leverage. For instance, residents of Seattle have been longing for an NBA team ever since the Super Sonics move to Oklahoma City. The fan base is one of their biggest arguments for an expansion or relocation. Fan base is also crucial for the league because prospect cities can offer a potential growth in the league's fan base. This was seen this year

with the newest expansion team of the NHL, the Vegas Golden Knights. The Golden Knights went onto winning their division then conference on their way to the Stanley Cup which they eventually lost to the Washington Capitals. However, it was clear that a large fan base was brought into the league since the city of Vegas united behind the team. All of this adds up to the question that is whether the economic benefits outweigh the costs. In order to look at this, the impact on the metropolitan areas are useful to analyse which was Siegfried and Zimbalist did.

Metropolitan areas are important for franchises since these locations can offer the most amount of resources and fans. An interesting phenomenon happens in a metropolitan city where a franchise is located. The fans in these communities think that the presence of the team validates the location as a major league city. They believe that the presence of the team can serve as advertisement and promote tourism. This idea is not so far-fetched. It is sensible to think that fans of a certain sport will want to visit certain cities because of a franchise. For example, the current generation of NBA fans would love to attend a GSW game just like the previous generation loved to watch the rivalry between the LA Lakers and the Boston Celtics. Moreover, any basketball fan would want to attend a finals game hence a team advancing to that stage can be useful marketing material to the city. This described phenomenon is a crucial influencer on the reasoning of the public when it comes to the discussion on the need of a sports franchise. It is relevant to the idea that a franchise puts the city on the map which will be discussed below. The politicians take advantage of a franchise to win votes and improve the public opinion. In a metropolitan area, this “service” can be a powerful election tool. As Siegfried and Zimbalist argue, politics is a significant side to the issue. The authors state that arenas are often built instead of a cash subsidy to the team because of the fact that money being delivered to wealthy team owners would cause harm to the public image of the politicians. Moreover, Siegfried and Zimbalist also point out that construction of these facilities will provide jobs and thus can secure political support from the labour unions, contractors and other parties that have stake in the area. In the end, there are a set of motivators for the public and the officials. The impact of the franchise show that these motivators should not be enough. The authors reference study that showed that there was a reordering of leisure expenditures within a city that has acquired a new team but that there was no evidence which showed employment or output growth in the area. One possible reason for this is the fact that franchises are often small and medium-sized market enterprises hence it is hard to measure an effect on the metropolitan level on employment which could be generated directly or indirectly. The authors

attribute these results to three reasons: the substitution effect, leakages and budgetary impact. The first one relates to the fact that majority of the consumers in a metropolitan area have a budget that is not flexible. When a new franchise present in an area, individuals change where they spend their money instead of simply spending on two different places. This economic redistribution has been one of the main pillars of the criticism regarding the construction of the new sports facilities. Dennis Coates argues against these subsidies in his paper titled “Stadiums and Arenas: Economic development or economic distribution?” (Coates, 2007) stating that the evidence shows positive effects of new facilities over a small area which would suggest that there has been a redistribution from one area to another. Coates does agree that the benefits are substantial however he states that they do not justify the investment that has to be made with the construction of a new stadium or arena. This redistribution situation only changes when attendees are out of state hence they can be categorized as extra demand. This exception however is rare since it only takes happens with certain matches of certain teams. An example would be fans travelling to watch Lakers-Celtics or Red Sox-Yankees. These storied rivalries often provide exciting matches hence causing the stadium or area fill up. The exception can also take place with the playoffs since every single one of these matches are significant for the team and the fans. The substitution effect can be seen with media personnel as well since the inflow of the media will be offset by the outflow that happens with away matches. The second reason behind why professional sports teams do not promote economic development is leakages. There are several examples of leakages but one of the most common situations is the fact that players do not live year-round in the city of their team. A significant example for this would be LeBron James who has a house in Los Angeles and his kids also attend school there even though he used to play in Cleveland and he is from Akron, Ohio. This situation causes the “leak” of expenditure from the city. The third reason the authors mention is the budgetary impact. Since it has been shown that sports facilities do not generate additional net income in the metropolitan area, the financial burden on the city can be harsh. If the facility was financed largely by public funds and lease terms are concessionary to the franchise than the expenses that will occur can create a hole in the municipal budget. The municipality can fix this problem by decreasing the amount of services or by introducing harder taxes. Both options will hurt the local economy. In fact, according to the study by Judith Grant Long (Long, 2005), certain subsidies are omitted when calculating the costs for a new facility. She states that this is because the construction costs alone are already often so high that the benefits of a new stadium or arena seems negligible. Her study finds that public subsidies are often significantly understated. The analysis shows that “public cost is underreported by an average of \$50 million per facility”.

The study also shows that the public share is the important measure to analyse since the number can change depending on the amount spent. A larger market/city can spend more on a stadium but still have a more balanced market share. The amount spent on stadiums are highly debated and this is for good reason however, the public share percentage will show the burden on the municipalities. As Long also states, team owners and other private entities are not really “partners” with taxpayers when it comes to sharing the burden of the financing of a new facility. Speaking for the economics behind it, hosting a franchise can be hurtful or simply have a net effect of zero for a metropolitan area. Despite this, it seems like the trend will not end.

So far it has been discussed how facilities might not as useful as one might think. Yet, municipalities are willing to outbid each other in order to earn a new franchise. There are couple reasons behind this. Siegfried and Zimbalist have pointed out the causes efficiently. First and probably the biggest reason related to the field of urban economics. Municipalities often include sports facilities in their plans to economically develop the city’s core. This is caused by the notion that presence of a sport facility could result in the development of adjacent businesses like bars and restaurants in order to cater for the fans. This could provide significant amenity values to sports fans. Some hardcore fans would be willing to locate in order to live close to the team they adore. An example of this happened when a house across Lambeau Field hit the market for \$1 million (Lauletta, 2017). Lambeau Field is located in Green Bay a small city that hosts the storied franchise Green Bay Packers (Their old head coach Vince Lombardi’s name is now used to name the trophy earned by winning the Superbowl: The Vince Lombardi Trophy) Packer fans are known for their passion for their team and the price of the house is an excellent example for it. The second main cause for the continued municipal support has already been mentioned. It’s the fact that habitants of a city believe how a sports franchise puts the city on the map as well as the bonding that can happen between the franchise and the fans hence with the voters. Having a positive relationship between a team and the citizens can help improve the image of the politicians, especially if the team happens to be a relocation/expansion team on his/her term. Besides all the possible economic benefits discussed above, they also argue that presence of the team can be a factor for a firm to relocate to that city. As the authors state, this is not very plausible. However, what Siegfried and Zimbalist does not mention here is the fact that even though a firm might not consider the franchise as a decisive factor, a sports fan could do that. For example, a Patriots fan might rather move to Boston rather than New York. So here it does seem plausible that the presence of a sports franchise could be a significant factor for individuals. In the end, it seems so that

economic inefficiency is not a disincentive for municipalities to fund facilities and entertain sports franchises. Mayors will put into consideration that sports are a way of life for some citizens and also a way to escape their working life. As mentioned before, it is too powerful of a political tool to jeopardize.

b. Sporting Events

Sports facilities in a city or country have other reasons behind their construction besides the existence of a sports franchise. As mentioned before, some of the baseball and American football stadiums were built to attract Olympic interest. It is often considered that hosting the Olympics is good for a city's image and the country since it will increase tourism. These are some of the benefits that are used to justify the spending that comes with an Olympic bid. However, studies show that this is often not the case and that Olympics are a money-losing proposal. The 2016 study by Robert A. Baade and Victor A. Matheson (Baade & Matheson, 2016) analyse costs and the benefits that come with an Olympic bid. The results show that the current state of the Olympics is not economically viable for most cities. The budget for infrastructure and construction costs are often surpassed. Despite the fact that hosting the Olympics is potentially damaging to the economy officials build stadiums and arenas to show their commitment as well as the fact that they would be more than prepared for such an event. The FIFA World Cup and the Rugby World Cup also go into this category. Moreover, the Final(s) of the major leagues in the US also contribute as a sporting event. From the four major leagues, only the NFL selects a city for hosting the Superbowl (last year Minnesota was selected). The rest of the leagues host games in a best-of-seven series where the games are held in the cities of the two franchises that play in the finals. A lot of studies have been conducted into these types of events and their impact on tourism. A paper written by John Fourie and María Santana-Gallego (Fourie & Santana-Gallego, 2011) titled "The impact of mega-sport events on tourist arrivals" show that there is a significant increase in tourism during the year in which the event is held. The authors have focused on mega-sport events like the World Cup(s) rather than nationwide finals. However, their results are plausible with the events like the Superbowl and the Stanley Cup finals since these games also encourage tourism. In fact, it is sensible to say any playoff game can promote tourism but of course the finals have the largest impact.

In subsection a, the sports facilities and their funding were discussed. An important reason behind the construction of an arena rather than giving a sum of money to the franchise was to incentivize the team to perform well as well as providing jobs for the city. However, the construction of the arena is also useful for a city or country looking to host a (mega)sports event. The authors research shows a positive outcome for tourism when it comes to mega-sports events like the FIFA World Cup, which is hardly a surprise since football is the most popular sport in the world. However, the national finals in the country could also give similar results. An important cause behind the importance of the finals is legacy. Fourie and Santana-Gallego also point this out: “The lasting legacy that the event creates refers to many aspects of the event including the sport and transport infrastructure legacy, the urban regeneration legacy and the nation-building or patriotism legacy.” Here the legacy of an event can be of importance for a club or nation. For example, a French person might have better memories of Moscow or Russia in general since they recently won their second World Cup there. Or a Patriots fan might want to see the University of Phoenix Stadium because of the legacy of the Malcolm Butler interception. Vast majority of fans experience these feelings as well as simply wanting to travel to a city in order to watch the finals of a sport or league they love such as the NBA. This phenomenon is not simply caused by the existence of the sports facilities but the existence of the franchise as well since as mentioned before NBA, NHL and the MLB finals depend on the franchise locations. Thus, having a successful franchise can even lead to hosting sports events and promote tourism.

4. Combining Franchise and League with City

Thus far the research question has been explored through the two aspects that are relevant, the franchise/league and the city. This section attempts to combine the two aspects and discuss the motives behind actions which influence the interplay between the sports franchises and the city. First of all, it is important restate a few relevant facts. The quality of the product of a league or a sports franchise rests heavily on the competitive balance. This balance can prove crucial in most cases since a “boring” league could result in the loss of fans and particularly loss of fans to other sports and leagues. US leagues such as the NFL and the NHL move some of the regular season games to international locations like London and Helsinki in an attempt to increase the number of fans of the league. The MLB recently

announced that the Boston Red Sox will play a two-game series with the New York Yankees in London in summer of 2019. The Rivalry is one of the most important sporting events of the baseball world as well as the sports world in general. This attempt shows the effort of the leagues to market their “product”. With the European leagues losing their competitive balance, US leagues can benefit from this. This competitive balance is influenced with the mechanisms that were mentioned in chapter 2. The four different economic systems mentioned regarding a franchise or league have been shown as distribution of TV rights, the salary cap, the entry draft and the free agency period. All of these “mechanisms” showed that there is a significant effect of the size of the city where a franchise is located. The discussion on facilities support this idea since it is possible to see an increase in demand for a sports franchise when it comes to metropolitan areas. So, before everything, it is possible to state that the economic mechanism behind the size of a market has a significant effect on connecting a franchise and city. This means that larger cities like New York or Los Angeles can have an advantage when it comes winning the bid for an expansion team or luring superstar free agents compared to smaller cities like Tampa or Cincinnati. This also means that the league has to act in order to be competitively balanced. As mentioned above, the salary cap and the draft systems are direct actions taken on this issue. Here it is significant to mention that the potentially available market share in larger cities like New York or Los Angeles are there because locating or creating a new franchise takes other aspect into equation besides the possible economic profit. In order for a sports franchise to thrive, being accepted by the city and generating fans is perhaps the most important step. When it comes to the aforementioned cities, most leagues already have multiple teams located there and usually one of these teams already has a strong history and fan base. For example, it is possible to state that a new baseball team can be situated in New York however it would also be extremely optimistic since it is very unlikely that a New Yorker, especially one that is already an adult, would choose a new team over the Yankees or even the Mets. Technically, the economics behind the discussion means that a larger market should mean more entries however in the case of sports, especially the USA, the situation has plethora of factors that needs to be accounted for. This is why, as mentioned throughout the paper, market size is simply one of the aspects that is taken into account when looked into the interplay between cities and sports franchises.

A significant portion of the papers looked into the construction of stadiums and their economic impact. One of the most significant points made in the second section is the idea that a franchise “puts the city on the map”. This belief can seem optimistic and the lack of academic

proof makes it hard to justify the spending. It is true that a successful franchise can increase the interest on a city. For example, Oklahoma City only hosts one team, the Oklahoma City Thunder. When Seattle Supersonics moved there, they started the shine light into this city due their successful brand of basketball. After drafting superstar players like Russell Westbrook, James Harden and Kevin Durant (all of whom won the MVP once with Durant winning Finals MVP twice) OKC went to the playoffs every single season except their inaugural season and even made the finals in 2011-2012. OKC also became an attractive location for free agents due their success, for the 2017-2018 season they signed Carmelo Anthony after acquiring Paul George through a trade with the Indiana Pacers. They even managed to keep George in the offseason when his contract expired where as it was expected him to sign with the Lakers. They increased the fan base of the league since the habitants of the city now had a team to support which has benefited the league. It is common in US to support the closest team if the city does not have a major league franchise and considering the location of the state of Oklahoma, the relocation meant that it could now potentially be an amenity value to the states like Kansas, Missouri or Arkansas which benefits these states. The support of those out-of-state individuals is not that strong since the individual does not benefit a lot from it. However, a successful franchise means that other superstars can take attention of the team's situation and might want to sign there. This is exactly what happened with Kevin Durant and DeMarcus Cousins which was mentioned in chapter 1. City image is part of the economic mechanism that is city appeal and a sports franchise is an excellent tool to improve it. The image of the city and its appeal however also benefits the franchise as well. Simply put, fans are more likely to be sympathetic towards a franchise which is located in a city that is well-liked/known. There is a significant portion of fans that spend money on the merchandise of their favourite player. Due the draft system, almost every team will have one or two highly-talented players. A team that is located in a city with a good image can enjoy revenue from fans around the country or the world because people would not mind having the jersey of that franchise. The effect can be negative if the image of the city is negative. For example, Philadelphia is a city that is often made fun of or hated and the effects of it can be seen with hate towards their sports teams like the Philadelphia Eagles. So, a good city image is significant for a franchise and a team is a good way to improve that image.

The second important factor with the economic impact of the stadiums is the facilities themselves. This is related to the urban economics side of the issue where stadiums are used as economic tools for development and growth. The third chapter mainly focuses on the point

of view the city and studies show that having a franchise does not bring economic growth. However, there are also papers that bring a different but significant point of view to the discussion. The paper titled “The Economic Impact of Sports Stadiums: Recasting the Analysis in Context” by Charles Santo (Santo, 2005) states that the economic impact of a stadium depends on the context it is looked at. He points out that the studies have to be done accordingly with the aim behind the construction of a facility. The study of Baade and Dye (Baade & Dye, 1990) essentially shows the negative results regarding the trend of constructing stadiums for economic development because the period the study is based on had a different aim behind the construction of facilities. As mentioned by Santo, the newer stadiums are “designed to serve as architectural symbols with tourist appeal and are often built into the urban fabric to facilitate synergy.” This point of view is plausible since the aim of the construction would largely influence the economic impact it is going to have. The newer and more modern facilities are often multi-functional hence the results from the two periods would have different results. As Santo points out, a city that gains a new team could attract new tourists from its region. For example, individuals that planned to spend their money travelling to Yosemite might now rather go to a game. Santo also references the studies of Austrian and Rosentraub (Austrian & Rosentraub, 1997). These authors recognize an increase in sports-related jobs in the area where a new facility is constructed. These are the aims behind using stadiums as economic tools. As mentioned in chapter 3, sports facilities have been part of the economic development programs of cities for a long time. Presence of the stadium benefits the restaurants and bars which are located around the structure. Baseball stadiums are likely to have an even larger influence on these businesses since the amount of games that are played rises significantly. Besides businesses, real estate can also benefit from the construction of new stadiums or arenas. A study Gabriel Ahlfeldt and Wolfgang Maenning (Ahlfeldt & Maenning, 2010) look into the impact of the stadiums on the surrounding geographical area. The authors start their argument by stating the importance of the stadium architecture and modern facilities such as the newly build US Bank Stadium in Minneapolis show the significance of the aesthetics for construction. The study’s results also display the effect on the housing prices and the two difference situations that can take place. It is been shown that the increase in housing prices decrease as the distance increases from the facility or the increase in prices first show an increase then a decrease as the distance from the facility increases. These two different cases suggest that there is a difference in the way citizens or fans view amenity values since the first case was observed in Europe while the latter being observed in the US. Ahlfeldt and Maenning come to the conclusion that new sports facilities can be useful for development policies however they

suggest that the site must be suitable when it comes to the interaction with the surrounding structures. Moreover, the authors also point out that in order to justify the expenditure on unorthodox architecture, the investment must bring about spillover effects besides the already required economic benefit. For the impact on the real estate value, the case regarding the 1-million-dollar house across Lambeau Field is an excellent example for this economic mechanism.

Besides the image argument, several other reasons are influencing the construction of the facilities, as mentioned in the sub-section regarding sporting events, municipalities do not construct stadiums and arenas in order to lure franchises but they also often aim to attract interest for (mega)sporting event bids. However, it is possible to look into this from a different point of view and state that one of the effects of a franchise on the city its located is causing the construction of the appropriate sports facilities which can later be used for other events. For example, major European teams often play a champions tournament in the US. Events like this also matter for the city since franchises often do not own the facilities that they use during the regular season/playoffs. These types of events are significant for generating income for the community mostly with the municipality benefiting from taxes and permits. However, it is sensible to advise here that municipalities should not sign leases with terms that are too concessionary to the teams and also that they should put some of the economic burden on the franchise, especially if the franchise is not successful. This second part is plausible since an unsuccessful franchise will have a hard time attracting fans and thus increase the burden on the city. An example of this could be seen in Chicago. With the Cubs playing well (they won the World Series in 2015), the White Sox are having problems with their number of fans and the stadium is often empty. This is a case in cities like LA and New York where Lakers and Yankees dominate due to their successful history. However, the situation is not as bad the CWS yet. Thus, in the end it is viable to state that the facilities of a franchise can bring additional income to a city and can even help with a country's or city's bid to host a (mega)sports event.

So far, the economic mechanisms effecting the relationship between a city and a sports franchise has been discussed. However, repeatedly it has been shown that economic reasons often do not fully contribute to the final decision. One of the most important factors between the interplay between franchises and cities is the relationship between the franchise and the city. It can be said that almost every single franchise has a bond with its city whether weak or strong. However, the most special cases are when a franchise can be a rallying and bonding

tool for a city after a tragedy. The cases that are from the near future include the Boston Red Sox, Houston Astros and the Vegas Golden Knights. These are interesting examples because it shows an extremely crucial effect a franchise can have on the city without it being seen on economical parameters. The Red Sox example dates back to 2013 when the Boston Marathon Bombing happened. The same year, the Red Sox went on to win the World Series. The team adopted the phrase “Boston Strong” and wore it on its jerseys as well as David “Big Papi” Ortiz giving a passionate speech about Boston. The phrase Boston Strong ended up being associated with the Red Sox after 2013 and flags of it can often be seen in Fenway Park. The Golden Knights experienced a similar tragedy, the Las Vegas shooting. Even though the franchise was on its first year their successful march to Stanley Cup Finals allowed the citizens of Vegas to get over the tragedy while successfully increasing the fan base of the NHL. The Astros differed from these two other cases because their loss was caused by Hurricane Harvey in which Houston was heavily damaged. The players often stated “Houston this is for you” after their Game 7 win over the Los Angeles Dodgers in the World Series. The championship allowed the people of Houston to cope with the tragedy that had struck their city. All of these examples show one of the advantages of entertaining a sports franchise. The ability for the inhabitants to escape their daily struggles and enjoy a sport they love. As mentioned above, this cannot be mentioned using economic parameters however it is a significant factor for behind the controversial and expensive bidding of cities for a relocation or expansion franchise.

5. Conclusion

This paper pursued to analyse the economic mechanisms that effect the interplay between sports franchises and cities. Based on the research, it is clear that three significant aspects dictate the economics behind the sports industry in a city: Market size, city image and impact on the urban economy via creating of jobs and business as well as the creation of amenity values and increase in real estate values. From these three concepts, market size is relevant more to the franchise and a league then it is to city since market size also determines the competitive position of a team. As mentioned throughout the paper, the competitive balance is the most important product of a league and it determines its popularity. Measures like the salary cap and the draft system have been introduced specifically to keep the competitiveness at a desirable rate. The impact of these systems can be seen by looking at the previous champions

the major American and European leagues. The second aspect, city image, has proven to be so significant due the nature of urban economics and its connection with a sports franchise. The idea that a franchise “puts the city on the map” is the main influencer behind the city image argument and it is also a great way to use a sports franchise for political motives such as getting a larger voter support. The last essential aspect was the impact on urban economy. The analysis on this gives perhaps the most fundamental answer to the research question. The economic impact of the construction of stadiums showed that there is significant difference between two periods of studies and thus difference in their results. The impact of the modern era stadiums suggests that, construction of sports facilities is an effective economic tool for the development of an area within a city. Every other economic mechanism that has been discussed in this paper is related to one of these three major features regarding the interplay between sports franchises and cities.

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