

The political economy of women's professional basketball in the United States: A structure-conduct-performance approach

Ariel ANTHONY

Cecil C. Humphreys School of Law, University of Memphis, Memphis,
TN – USA

Ariel.anthony90@gmail.com

Steven B. CAUDILL

Department of Economics, Rhodes College, Memphis, TN – USA
caudills@rhodes.edu

Franklin G. MIXON, Jr.

Center for Economic Education, Columbus State University, Columbus,
GA – USA

mixon_franklin@columbusstate.edu

Abstract. *This study examines the political economy of women's professional basketball in the United States, including both the American Basketball League (ABL) and the Women's National Basketball Association (WNBA). To do so, we employ the structure-conduct-performance paradigm (hereafter SCP) from industrial organization. In addition to the importance of television revenues and corporate sponsorships to the success of the leagues, we find evidence of economies of scope, bilateral monopoly issues, and reverse causality in the SCP paradigm as applied to women's professional basketball in the United States.*

Keywords: structure-conduct-performance paradigm; economies of scope; bilateral monopoly; pro sports.

JEL Codes: L1, L2, L4, L83.

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1. Introduction and background

Women's professional basketball came into existence in the United States in 1978, with the advent of the Women's Professional Basketball League (WBL). After experiencing success in its first season, and then expanding to six teams at the beginning of its second season, the league's financial burden grew, causing it to fold in the middle of the third season (Grundy, Shackelford, 2007).⁽¹⁾ The void created by the fall of the WBL in 1981 again meant that American collegiate stars faced the prospect of relocating overseas after college in order to continue participating in their sport at the professional level. However, this prospect was viewed as inferior, by many players, to that of a professional basketball league in the United States due to the psychic and other migration costs associated with moving to another country to pursue one's profession. Such costs were expressed by star player Lisa Leslie, when she stated simply, "[i]t's hell being overseas" (Grundy, Shackelford, 2007).⁽²⁾

The American Basketball League (ABL) filled the void left by the closing of the WBL, when, in 1996, it kicked off its inaugural season with women's professional basketball teams in eight cities. These were Atlanta, Hartford (CT), Columbus (OH), Denver, Portland, Richmond (VA), San Jose and Seattle (Grundy, Shackelford, 2007). The ABL was developed by people who wanted to change women's basketball. Its three founders – Steve Hams, Gary Cavalli and Anne Cribbs – all held a personal interest in the success of the league. These founders wanted the league's culture to be fan friendly, leading them to choose smaller cities and arenas that would create an intimate, family-oriented atmosphere (Schumacher, 1996).

The ABL would not, however, be alone for more than one year. Soon after the fall of the WBL, the National Basketball Association (NBA) began exploring its own options with regard to women's professional basketball. The NBA saw potential for women's professional basketball in the United States, but believed, during the 1980s, that a move to establish a new league was premature. That belief began to change during the 1990s, particularly in 1996, when corporations began lining up to sponsor the United States' 1996 Olympic women's basketball team. As Val Ackerman, the first president of the WNBA, recounted, "[t]he interest of corporations is not only [a sign of financial stability] but in general convinced us there was a market [for a women's professional basketball league in the United States] (Grundy, Shackelford, 2007)." It was then, in 1996, that the NBA decided to charter its own women's professional basketball league – the Women's National Basketball Association (WNBA). The eight host cities for the WNBA's inaugural season in 1997

included New York, Charlotte, Cleveland, Houston, Phoenix, Salt Lake City, Sacramento, and Los Angeles (wnba.com).

Following the line of research including Cain and Haddock (2005), which examines the economic histories of various sports leagues, this study, like that of Edelman and Harrison (2010), examines the political economy of women's professional basketball in the United States, including both the ABL and WNBA. To do so, we employ the structure-conduct-performance paradigm (hereafter SCP) from industrial organization (Tirole, 1988). Application of this paradigm to women's professional basketball is covered in the next section of the study. The three subsequent sections apply each portion of the SCP paradigm to each women's professional basketball league. The final section of the paper offers concluding comments.

2. Structure-conduct-performance in women's professional basketball

The "standard approach" to industrial organization "decomposes market structure into *structure*, *conduct*, and *performance* of the market (Shy, 1995, p. 2)." Based on work dating back to Mason (1939 and 1949) and Bain (1956 and 1968), *structure* covers aspects characterizing market structure, such as the number of buyers and sellers in the industry, including how each of these (i.e., each buyer, each seller) interacts with the others, the degree of product differentiation, the cost structure, and the degree of vertical integration (Tirole, 1988, Shy, 1995, Cabral, 2000).⁽³⁾ The second element, *conduct*, includes the typical conduct of the firms, involving variables such as pricing, advertising, product positioning, investment, research and development (Tirole, 1988, Cabral, 2000). Finally, *performance* relates to the social welfare aspects of market interactions within the industry – i.e., how competitive and efficient the industry is relative to others (Shy, 1995, Cabral, 2000).⁽⁴⁾

As Cabral (2000, p. 12) summarizes, and as depicted by Figure 1, the structure-conduct-performance paradigm "is best thought of as a guide that allows one to analyze and understand the workings of different industries." Although other models have gained prominence in the industrial organization literature in recent years, SCP has proven useful as a guide for examining auto insurance (Liebenberg, Kamerschen, 2008), banking (Aguirre, Lee, Pantos, 2008), democratic institutions (Myerson, 1995), international economies (Choudhury, 1996, Naha, Roy, 2011), and other aspects of the economy (Caves, 1992, Weiss, 1992, DeLorme, Kamerschen, Klein, Voeks, 2002, Bellandi, Ruiz-Fuensanta, 2010) over the past two decades.

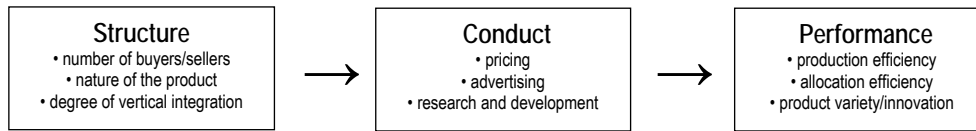


Figure 1. *The structure–conduct–performance paradigm*

The US women’s professional basketball industry is easily amenable to analysis via the SCP paradigm. The industry is relatively young, dating back to the mid-1990s. It has been characterized by one or two, depending on the time period, leagues or coalitions of firms (teams). As such, it has involved various elements of cartel arrangements, as have other types of sports enterprises throughout history (Fleisher, Goff, Tollison, 1992, Mixon, 1996, Adams, Brooke, 1997, Kahn, 2007, Grant, Leadley, Zygmunt, 2008, Dabscheck, 2008, Branch, 2011, Quinn, 2012). The leagues involved – the ABL and WNBA – have also utilized varying approaches to product quality and placement/promotion, providing additional avenues for comparison and contrast. Such an analysis is covered, using the SCP paradigm, in the sections of the study that follow.

3. Industry structure

The eight-team ABL opened its inaugural season in 1996 with teams from cities of varying size, including Atlanta, Hartford (CT), Columbus (OH), Denver, Portland, Richmond, San Jose and Seattle (hoopedia.nba.com, Edelman, Harrison, 2010). None of the ABL teams was independently owned (Edelman and Harrison, 2010), and all of the financial gains and losses of the league’s teams were absorbed by the ABL league office. A general manager was assigned to each team (organization), and his or her main job responsibility was to expose the local population to the ABL and women’s professional basketball. Players’ salaries, teams’ marketing budgets, and arena contracts were decided and/or negotiated by top management in the ABL. The eight-team WNBA opened its first season in 1997 with teams from select cities – New York, Charlotte, Cleveland, Houston, Phoenix, Salt Lake City, Sacramento, and Los Angeles (wnba.com). At the start of the league, all WNBA teams were owned and operated by the NBA. In fact, the eight WNBA teams were placed in cities where there were existing NBA franchises, thus creating organizational synergies in each case, such as use of a common arena or stadium. Each team was assigned a general manager, whose duties encompassed decisions regarding the team’s local appearances, local marketing, and

building/sustaining a stable fan base. All financial decisions were to be made from top management at the NBA level. Finally, any losses from the league were to be absorbed by the NBA.

The ABL offered player salaries averaging \$70,000-\$80,000 per season (Horovitz, 1996; Edelman, Harrison, 2010). Foreign competition played some role in salary determination, as ABL salaries were comparable to those paid to women's professional basketball players in leagues overseas (Ginn, 1997). ABL players also received year-round medical insurance and stock-purchase options (Grundy, Shackelford, 2005). The competitive salaries and compensation packages drew much of the best American talent to the ABL. After the first season, the ABL held nine of the twelve 1996 Olympians, more than the WNBA's three (Edelman, Harrison, 2010; Ginn, 1997). Salaries for the ABL's former Olympians were set at \$125,000 per season, while the league's minimum salary was set at \$40,000 per season (Edelman, Harrison, 2010). The ABL also held its annual draft prior to that of the WNBA, giving college players time to select an agent and determine which league they wanted to join (Ginn, 1997). Most WNBA players were paid \$30,000 to \$35,000 per season, and were offered few benefits. These salaries were about two-fifths those being paid by the ABL at the time, a consideration playing some role in WNBA holding only three of the twelve 1996 Olympians at the beginning of the 2007 season, compared to the ABL's nine (Horovitz, 1996, Ginn, 1997, Edelman, Harrison, 2010). However, the WNBA's main stars were paid higher salaries.⁽⁵⁾ Los Angeles Sparks star Lisa Leslie earned the highest salary, \$91,000 per season, during the league's first season (Yuille, 2010). As Alm (2007) indicates, the league did not want to exhaust its resources in expensive player contracts, and instead opted for a system with affordable talent that also allowed its players to compete overseas or in the ABL during their off season (Ginn, 1997).⁽⁶⁾ ABL players were not allowed to play overseas or in the WNBA (Ginn, 1997).

Many players chose the ABL because it played its 40- and 44-game seasons during the traditional fall-winter (October-February) season for basketball in the United States (Deeb, 1996; Edelman, Harrison, 2010).⁽⁷⁾ A lengthy (up to nine months) offseason posed greater challenges for players seeking to retain their strength and conditioning for the subsequent season, and the ABL's schedule structure produced an offseason of only three to four months. By contrast, the WNBA's season was structured to contrast that of the NBA. The WNBA played a 10-week, 28-game season during the summer, which encompassed the offseason of the NBA (Corrigan, 1997).⁽⁸⁾ The story of Michelle Marciniak highlights some of the concerns faced by women's professional basketball players in determining which league to join. Marciniak

originally signed up to play with the ABL, but she withdrew her contact after the NBA announced the launch of the WNBA. She later signed to play with the WNBA, but shortly after returning home from playing professionally in Taiwan, Marciniak withdrew from the WNBA and joined the ABL, citing concerns over the lengthy period between WNBA seasons (Deeb, 1996).⁽⁹⁾

Although the structure elements appear to have given the ABL an advantage, in terms of a business model, over the WNBA, some of the elements in the conduct portion of the SCP paradigm, as applied to women's professional basketball in the United States, worked more to the advantage of the WNBA. These elements include the securing of lucrative television contracts and larger corporate sponsorships, as explained in more detail in the section of the study that follows.

4. Industry conduct

The ABL sought to capitalize on markets where women's college basketball held a strong following, but because it played during the traditional basketball season in the US, there was tremendous competition for television contracts. The ABL secured television contracts with SportsChannel, Fox Sports and BET (Bartlet, 1996, apbr.org/abl9699.html). Fox Sports agreed to broadcast 14 regular season games and select playoff games. However, none of the ABL games was broadcast nationally or on prime television channels for basketball (Bartlet, 1996). On the other hand, the NBA secured television contracts with NBC, ESPN, and Lifetime for most WNBA games (Edelman, Harrison, 2010). These audiences spanned the entire country, reflecting the NBA's belief that playing on large, nationally-broadcasted television stations added legitimacy to the WNBA (Bartlet, 1996). Each contract specified televising one WNBA game per week (Curtis, 1996). NBC's contract specified a broadcast every Saturday afternoon, ESPN's provided a broadcast on Monday or Tuesday night, and Lifetime would show a game every Friday night (Curtis, 1996). Thus, there would be at least three televised WNBA games every week.⁽¹⁰⁾ The TV contracts allowed the WNBA to average about 413,000 viewers per game.

Likewise, the ABL had difficulty drawing corporate sponsors to the league. Nike was originally in talks to be a sponsor of the ABL but withdrew after the NBA announced its women's league (Horovitz, 1996). Rebook and other smaller sponsors joined forces with the ABL, but their offerings amounted to only about \$4 million per year. Being unable to lock down large corporate sponsors, the ABL focused its marketing strategy on growing and developing interest and sponsorship opportunities at a local level (Carter, 1996).⁽¹¹⁾

By contrast, promotional marketing of the WNBA was first broadcast during NBA games. This marketing campaign prompted the slogan, "We Got Next."⁽¹²⁾ Sears, Coca-Cola, McDonald's, Anheuser-Bush, General Motors, Nike, American Express and Lee Jeans all signed on as corporate sponsors of the WNBA (Corrigan, 1997, Edelman, Harrison, 2010). These sponsorships were worth as much as \$10 million each over three years (Corrigan, 1997). At least \$70 million was guaranteed to the WNBA from its corporate sponsors over its first three years. Thus, a large influx of capital was granted to a league that already had a large financial backing from the NBA.⁽¹³⁾ There were also product tie-ins associated with the sponsors, such as Coca-Cola's Powerade serving as the league's official sports drink (Corrigan, 1997).

The ABL's marketing strategy was aligned with its efforts to raise awareness in cities showing prior support for women's college basketball. The grassroots strategy implemented by the ABL encouraged the league's players to integrate into their communities in order to more effectively promote the sport of women's basketball and their respective teams (Newberry, 1996). This strategy was essential given that the ABL's marketing budget was only \$1.5 million its first season (Crawford, 1997). Of course, this strategy also required a year-round commitment to the league, leading to restrictive contracts for players. The teams' general managers also played a similarly large role in community relations (Spenser, 1996). To combat its inability to secure large corporate sponsorships, the ABL secured the services of Jackie Joyner-Kersey, a nationally-recognized US track star, who became a member of the ABL team in Richmond (Editor, 1996; Knott, 1996; Edelman, Harrison, 2010). ABL officials hoped Joyner-Kersey's participation with the Richmond Rage would add legitimacy and lure additional fans to the newly formed league (Editor, 1996). Joyner-Kersey provided some national recognition for the ABL, which otherwise was known mainly in local markets where the teams were located.⁽¹⁴⁾ Gary Cavalli, a founder of the ABL, recognized her importance in stating, "[w]e're bringing aboard certainly the greatest women athlete of our time, maybe the greatest women athlete of all time... Jackie gives the league instant credibility, instant stature; it guarantees our games will have much greater exposure (Editor, 1996)."

The WNBA began with a \$15 million marketing budget (Crawford, 1997). This provided the teams with eye-catching uniforms, in-game promotions and entertainment, and extensive marketing campaigns in selected markets.⁽¹⁵⁾ The initial marketing campaigns were so effective that the WNBA's debut game on June 21, 1997, was played by the New York Liberty and the Los Angeles Sparks in front of a crowd of 14,284, and the average attendance that first season was almost 9,000 (Edelman, Harrison, 2010).⁽¹⁶⁾

The marketing effort expanded past television commercial and print ads. For example, the WNBA Barbie was introduced in December of 1998 (Greenberg, Hepp, 1998). The toy reached young girls and their families, all of whom were part of the target audience for the WNBA. The experience at a WNBA game was also far different from the NBA. WNBA players are known for being friendly and approachable (Petrecca, 2000), thus creating an organizational culture within the WNBA that fostered the family environment the league wanted to promote.

Finally, the ABL coupled its strategy of locating in smaller cities where college basketball is popular by keeping players near regions where they went to school and where they lived (Smalley, 1996). Having local college stars come play professionally in that same environment partially mitigated its relative lack of capital and smaller marketing budget. As a result of this strategy, the average distance between ABL players' professional homes and their collegiate homes was only 1,119 miles. By contrast, the average distance for their WNBA counterparts was 2,193 miles. These figures were, however, the likely result of the ABL's inability to secure *national* television contracts. Unlike the situation facing the WNBA, which secured television deals with NBC, ESPN and Lifetime, the ABL's limited national television exposure necessitated the fielding of teams with local stars. Thus, roster management strategies of this sort across the two leagues were *jointly determined* with their efforts to attract television contracts and corporate sponsors.

Despite the appeal of its "local stars" strategy, the ABL's inability to secure lucrative television contracts or large corporate sponsorships meant that it faced an uphill battle in an already thin women's professional basketball market in the United States. The outcome of that battle is covered by the performance portion of the SCP paradigm, as explained in the section that follows.

5. Industry performance

Although there was not a large marketing campaign during the first ABL season, its locations in strong women's college basketball markets helped it gain local interest. The choice to locate in relatively small markets led to use of smaller arenas.⁽¹⁷⁾ As a result, the first ABL game, between Colorado and Seattle, was played in front of a crowd of only 5,513 (Edelman, Harrison, 2010).⁽¹⁸⁾ Consequently, the ABL collected only \$1.4 million in ticket sales its first season, when average attendance was 3,536 (apbr.org/abl9699.html). As 1997 approached, the ABL geared up for competition from the WNBA. It doubled its annual marketing budget to \$3 million, and touted its independence

as a league not having to be backed by the NBA. The ABL marketed itself as *the* women's professional basketball league, solely concerned with providing a high-quality product. This notion was backed by the relative concentration, favoring the ABL, of America's top women's basketball talent. Still, the league expected that its first season would result in a loss of \$3 million, while its second season would produce a loss of \$2 million (Knott, 1996).

Not unexpectedly, there was instability within the ABL, as teams within the league either relocated or folded after the first season of competition. For example, the team in Richmond relocated to Philadelphia after only one season, while Atlanta's ABL franchise – representing the largest market for the ABL at the time – folded after only its second season (Greenberg, Hepp, 1998).⁽¹⁹⁾ ABL experienced most of its success in smaller markets that had a history of supporting women's basketball. Although some teams were not doing well, average ABL attendance grew by 20 percent in the second season (Edelman, Harrison, 2010), and the ABL also saw expansions into Nashville, Chicago and Long Beach (CA) before its third season, the latter of which developed through the assistance of two new private investors who added \$6 million in capital to the league during its second season (Greenberg, Hepp, 1998, Ginn, 1997). However, as the WNBA started its season in 1997, it tied up most of the large corporate sponsors who were interested in women's professional basketball, creating a financial situation wherein the ABL's founders continued to inject capital in order to extend the life of the league.⁽²⁰⁾ That life ended during the middle of the ABL's third season in 1998, when, facing \$25 million in debt, the league ceased operations and filed for bankruptcy (apbr.org/abl9699.html, Edelman, Harrison, 2010).

Although the WNBA also experienced financial obstacles, its large amount of capital propelled it to push through the difficult years. After its first season only two teams of the WNBA made a profit, and the league as whole incurred a loss (Alm, 1997). Still, the WNBA collected \$5 million from ticket sales, which came from an *average* attendance of about 9,000, during its first season (Alm, 1997, Edelman, Harrison, 2010). Thus, there was reason for optimism among the league's supporters, and, as time progressed, NBA owners were anxious to have a WNBA team in their city. Philadelphia 76ers president Pat Croce expressed, "I want a [WNBA] team here [in Philadelphia]. Val [Ackerman] knows I want one bad (Greenberg, Hepp, 1998)." As a result, two additional franchises in Detroit and Washington were added for the second WNBA season, when average attendance rose to 10,869 (Edelman, Harrison, 2010), and two more in Orlando and Minnesota for the third WNBA season.⁽²¹⁾

NBA owners recognized that having a women's team presented the possibility of increased efficiency, through economies of scope, for the NBA

owners. For example, during the off season, major arenas needed upkeep and maintenance. However, their use throughout the year, with NBA teams operating during fall, winter and spring, while their WNBA counterparts operate during the summer, represents a more efficient employment of staff and other resources for NBA owners. This type of scope efficiency could also be recognized in other areas, such as in finance, marketing, and transportation services.⁽²²⁾ This notion can be expressed using quantities of two different “professional basketball goods” produced in Houston, Texas, q_{Rockets} and q_{Comets} , where, for a strictly subadditive cost function,⁽²³⁾

$$C(q_{\text{Rockets}}, 0) + C(0, q_{\text{Comets}}) > C(q_{\text{Rockets}}, q_{\text{Comets}}). \quad (1)$$

As indicated in equation (1) above, a single entity producing the two “goods” (i.e., NBA basketball and WNBA basketball) is technologically more efficient than two separate companies each specializing in one of the two products (Tirole, 1988).

Clearly, the national marketing approach, accomplished through pairings with existing NBA franchises, played a major role in the survival of the WNBA, which, after 2008, became the only women’s professional basketball league in the United States. The strategy provided not only increased revenues through lucrative television contracts and large corporate sponsors, it also opened an avenue, through economies of scope, to lower the costs of providing this form of entertainment on a national stage.

6. Reverse causality in SCP for women’s professional basketball

Early work on the SCP paradigm recognized that each of the elements of SCP influenced the others, a facet of the paradigm that modern researchers are typically careful to accommodate. Conduct, for example, influences structure perhaps as easily as structure influences conduct. These types of what Cabral (2000) refers to as reverse causal links in the SCP paradigm are depicted in Figure 2.⁽²⁴⁾ They are also represented in some of the later history of women’s professional basketball in the United States. Some of that history is presented in this section of our study.

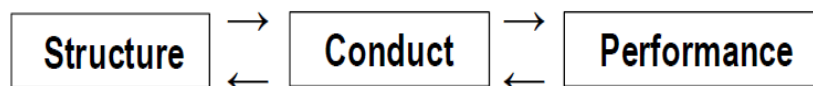


Figure 2. Reverse causal links in the structure–conduct–performance paradigm

Given that the NBA has established relationships with network television worth billions of dollars, it has tremendous market power within the television market. Thus, although Cavalli and the ABL offered several million dollars to obtain television contracts, none were interested (Babcock, 1998). The same type of result occurred with the ABL's attempt to secure a sponsorship from Nike. Nike was in talks with sponsoring the ABL, but as soon as the NBA revealed the establishment of WNBA, Nike, citing disorganization within the ABL, was no longer interested in sponsoring the ABL. As a result, an antitrust lawsuit was filed against the NBA (Cavalli, 1999). The lawsuit alleged the NBA used its dominance in the sports industry to exclude the ABL from opportunities like sponsorships and television opportunities (Mullen, 1999). The NBA, which had been in existence for more than 50 years, recognized that the market for women's professional basketball was slim. Moreover, the NBA had previously dealt with competition between men's leagues when, up until 1976, it had been in competition with American Basketball Association (ABA). In 1976, the NBA merged with the ABA. This experience led to the NBA taking a strong position with the ABL to eliminate bidding wars between the two professional women's leagues. The ABL's antitrust lawsuit against the NBA was ultimately dismissed.

The early struggles of both leagues during 1996 and 1997 led others to also conclude that the market for women's professional basketball was not large enough to fully support two leagues. Given that the WNBA had a stronger backing and the ABL had the better talent (Robbins, 1997), a merger seemed to some like the best option for both leagues.⁽²⁵⁾ The NBA, which managed the WNBA, was experienced in matters involved in league mergers. The NBA and the ABA had once had a partial merger. However, this experience also prepared the NBA to establish a women's professional league such as the WNBA to compete with the ABL. The WNBA's ownership structure, summer schedule, and low salaries put the league in a position to be able to withstand a financial burden. Thus, any impetus for a merger between the leagues was short-lived.⁽²⁶⁾

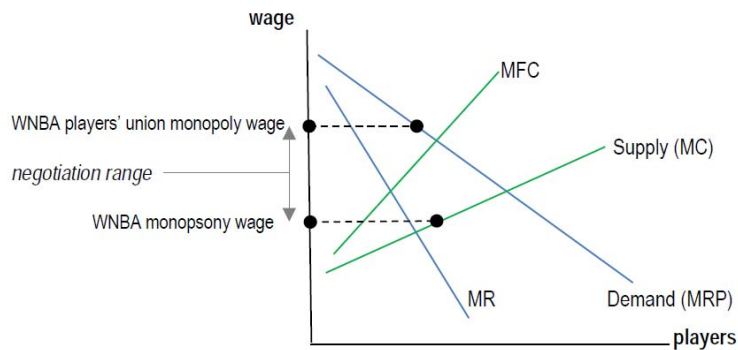


Figure 3. *Bilateral monopoly and the WNBA*

Failing a merger with the WNBA, the ABL ceased operations in the middle of its third season. The WNBA was excited to have its rival league cease operations and provide an opportunity for much needed talent to join the league. However, the WNBA's players were not pleased that the ABL's former players began entering the league and competing for roster positions. The result was a labor dispute between the players and the league that threatened to delay the WNBA's 1998 season (Lister, 1999). WNBA players formed a players' union, or a women's professional basketball talent monopoly, and sought to negotiate a collective bargaining agreement with the league's owners, who represented a monopsony buyer of women's professional basketball talent.⁽²⁷⁾ The main focus of the agreement was the relatively low salaries offered by the league, a bargaining problem often faced in a bilateral monopoly, a situation most commonly found in factor markets, such as the one that developed between the WNBA and the WNBA players' union. The WNBA bilateral monopoly is represented by Figure 3, which shows the wage indeterminacy encountered in factor markets where a profit-maximizing monopoly seller of a productive factor (the WNBA players' union), which charges a high price (wage), faces a profit-maximizing monopsony buyer of a productive factor (the WNBA). Consequently, the two participants must engage in a negotiation process centered on what is referred to in Figure 3 as the negotiation range, one that is limited by the monopoly (WNBA players' union) wage on the upper end and the monopsony (WNBA) wage on the lower end.

Negotiations between the WNBA and the WNBA players' union were contentious, and at one point the WNBA postponed its 1999 draft and threatened a lock-out unless the WNBA players' union agreed to its collective-bargaining proposal (Hubbuck, 1999; Edelman, Harrison, 2010). Ultimately, the league was able to come to a four-year agreement with the players' union in April of 1999 (Edelman, Harrison, 2010). The agreement set salaries for the

players guaranteed a percentage of the league's royalties to the players, granted players a 401K plan, along with full health and dental insurance plans, and paid maternity leave (Editor, 1999). The collective bargaining agreement raised minimum rookie salaries from \$15,000 to \$25,000 per season, while minimum veteran salaries rose from \$15,000 to \$30,000. Minimum player salaries were also scheduled to increase to \$30,000 for rookies and \$40,000 for veterans by 2002 (Gustkey, 1999).

As stated above, another concern of the WNBA's players union was the number of players from the now-defunct ABL who began joining the WNBA following the fall of the ABL (Lister, 1999). WNBA players believed that the league should be loyal to the legacy players who had played for less money during the start-up period (Lister, 1999). The agreement also stipulated that ABL players were allowed to be drafted into the WNBA for the 1999 season, however a minimum of three ABL players per roster was set during the 1999 draft. The union originally wanted two players per roster while the league wanted five (Gustkey, 1999). The WNBA agreed to let up to 40 ABL players enter directly into the WNBA to play during the 1999 season. Finally, the WNBA announced it would add four expansion teams for the 2000 season and that there would no longer be a limit on the number of ABL players per roster (Gustkey, 1999).

The first collective bargaining agreement was followed by a second in 2003 and a third in 2008. The first of these created a free agency system for WNBA players and a return of player group licensing rights to WNBA players (Edelman, Harrison, 2010). However, these player gains came during a period when the WNBA monopoly was losing its cachet with fans. Average attendance had fallen below 10,000 fans per game in 2000. By 2003, average attendance dipped below 9,000, and by 2006 average attendance stood at about 7,500 per game (Edelman, Harrison, 2010).⁽²⁸⁾ In 2003, during this period of declining fan interest, the WNBA decided to abandon the central-ownership structure and turn to an independent team ownership model such as those in the NBA, NFL, NHL and MLB. According to Edelman and Harrison (2010), the impetus for this decision was the judgment of the United States First Circuit Court that the central-ownership structure did not shield sports leagues from antitrust liability.⁽²⁹⁾ This move left WNBA franchises free to pursue their own deals with corporate sponsors, although the collective-bargaining agreements continued to govern over-arching activities involving the WNBA and its players (Edelman, Harrison, 2010). Still, by 2007 many WNBA players began spending their off-seasons competing in overseas leagues, with some American players choosing full-time or exclusive employment in foreign (non-U.S.)

professional basketball leagues, in an effort to address the WNBA players' union's salary concerns (Edelman, Harrison, 2010).⁽³⁰⁾

Unlike the ABL, the WNBA ultimately succeeded, and today it is still the only league to offer women's professional basketball in the United States. Salaries have increased, to an average of \$72,000 per season, while the minimum and maximum salaries have risen to \$36,570 and \$105,000, respectively, per season (Steele, 2012). The league has also introduced a bonus system associated with various player awards, such as the league's most valuable player (MVP) award (\$15,000 bonus), while the WNBA champions are awarded per-player bonuses of \$10,500. In 2010, one player, Lauren Jackson of the Seattle Storm, was awarded bonuses of \$15,000 (WNBA MVP), \$10,500 (member of WNBA championship team), \$10,000 (First Team All-WNBA) and \$2,500 (WNBA All-Star). These bonuses totaled \$38,000, and when added to Jackson's salary of \$101,500, produced a total compensation of \$139,500 (Dorish, 2011). Still, the lure of playing overseas, where salaries are relatively high, remains a threat to the WNBA's future success. Playing overseas allows the typical player to earn at least \$40,000, and as much as \$600,000, per season. Three WNBA players earned, including bonuses, \$1 million from overseas play during the 2011-12 season (Steele, 2012).⁽³¹⁾ Whether, and how, league officials and the WNBPA address such issues will play a large role with regard to the league's future.

6. Concluding comments

Economic analyses and histories of professional sports leagues, such as those by Cain and Haddock (2005) and Edelman and Harrison (2010), are important industry studies that add to our understanding of firms and industrial organization. This study has examined the political economy of women's professional basketball in the United States, including both the American Basketball League (ABL) and the Women's National Basketball Association (WNBA). Use of the structure-conduct-performance paradigm from industrial organization highlights the importance of television revenues and corporate sponsorships to the success (or failure) of the leagues. In this particular case, we also find evidence of economies of scope, bilateral monopoly issues, and reverse causality in the structure-conduct-performance paradigm as applied to women's professional basketball in the United States.

Notes

- (1) The Ladies Professional Basketball League (LPBL) debuted in 1980, but folded within months (Edelman, Harrison, 2010).
- (2) A few regional leagues, such as the Women's Sports Association Professional Basketball League (WSAPBL), the Women's World Basketball Association (WWBA) and the Liberty Basketball Association (LBA), attempted in the early 1990s to fill the void left by the WBL, but failed to do so (Edelman, Harrison, 2010).
- (3) As Tirole (1988) indicates, the structure–conduct–performance paradigm is often associated with what is called the “Harvard tradition” of industrial organization.
- (4) Tirole (1988) adds product variety, innovate rate, and other elements to this particular list.
- (5) The three main stars at the time had all participated in the 1996 Olympics, and included Lisa Leslie, Cheryl Swoopes and Rebecca Lobo. These three stars played collegiately at the University of Southern California, Texas Tech University, and the University of Connecticut, respectively. Swoopes and Texas Tech won the NCAA title in 1993, while Lobo and Connecticut captured the 1995 NCAA title.
- (6) The WNBA spent \$5.2 million on player salaries (Alm, 1997). Average salaries in the WNBA were below those of the ABL. The WNBA also imposed a salary cap of \$50,000 per season (Edelman, Harrison, 2010).
- (7) In terms of other professional sports, the ABL was in competition with the NBA, NFL and NHL. These leagues offered significant competition, in terms of television viewership and fan interest, to the ABL. Evidence of the significance of the competition offered to the ABL by the NBA, Edelman and Harrison (2010) report that when NBA players went on strike during the first half of the 1998-1999 season, national television networks televised ABL games for a brief period. When the NBA strike ended, so did national broadcasting of ABL games. The ABL filed for bankruptcy on December 22, 1998.
- (8) In terms of other professional sports, this period put the WNBA in competition with Major League Baseball, and, to a lesser extent, professional golf and tennis. This meant that the WNBA faced a relatively lighter menu of competition relative to that faced by its competitor, the ABL.
- (9) The WNBA's brief 10-week season resembles that of a “summer league.”
- (10) As these television contracts were being developed by the WNBA, the ABL's television coverage was limited to 12 games on SportsChannel (Edelman, Harrison, 2010).
- (11) Reebok was eventually joined as an ABL sponsor by First USA Bank, Lady Foot Locker and Baden (Edelman, Harrison, 2010).
- (12) This was coupled with a ten-page full color promotion piece in *USA Today*.
- (13) WNBA sponsorships produced roughly \$25 million in the first season (Alm, 1997).
- (14) Joyner-Kersee played limited games with the league, in order to fulfill her track obligations. She was the only player allowed to participate in sports activities outside of the ABL (Editor, 1996).
- (15) The women featured in the promotional ads were the well-known standouts from the Olympic championship team.
- (16) Other opening-night WNBA games in Cleveland and Salt Lake City produced crowds of 11,455 and 8,915, respectively (Edelman, Harrison, 2010). The league's success continued as the first season progressed, with attendance at games tallying twice the projected number. The image and brand the NBA created for men's basketball helped propel the WNBA into the spotlight.
- (17) Most ABL teams played in arenas seating about 4,000 (Newberry, 1996).

- ⁽¹⁸⁾ Meanwhile, however, an opening-night game between New England and Richmond was played before a sellout crowd (in Hartford) of 8,767 (Edelman, Harrison, 2010).
- ⁽¹⁹⁾ Interestingly, after winning more than 50 percent of its games, the Richmond Rage reached the ABL Championship Finals at the end of its first and only year in existence.
- ⁽²⁰⁾ As Edelman and Harrison (2010) point out, the 2007 decision by Nikki McCray, the ABL's Most Valuable Player (MVP), to leave the ABL for the WNBA, is perhaps the most prominent symbol of the ABL's struggles to contend with the WNBA. In making this move, McCray's salary fell from \$150,000 per season to \$50,000 per season. McCray credited the decision to her belief that the WNBA's relative exposure advantage would lead to greater long run stability (Edelman, Harrison, 2010). Supporting McCray's belief, seven of the eight collegiate All-America women's basketball players chose the WNBA over the ABL in the spring of 2008 (Edelman, Harrison, 2010).
- ⁽²¹⁾ All of the teams that participated throughout the histories of the ABL and WNBA are listed in the Appendix.
- ⁽²²⁾ NBA owners also understood that full-time use of facilities for professional basketball would translate into greater tickets sales for both sets of professional teams, given that basketball would be advertised throughout the year.
- ⁽²³⁾ The economies of scope example described here, involving the Houston Rockets NBA franchise and the Houston Comets WNBA franchise, follows closely that in Tirole (1988, p. 20). There, $C(q_{\text{Rockets}}, 0)$ and $C(0, q_{\text{Comets}})$ are referred to as stand-alone costs.
- ⁽²⁴⁾ In explaining reverse causality in SCP, Cabral (2000, p. 157) refers to a hypothetical example, wherein British Airways prices aggressively low in the London-New York route, conduct that lowers Virgin Atlantic's profits enough to induce the latter to exit the industry altogether. In this hypothetical, conduct has an effect on structure. For empirical studies using SCP, reverse causality introduces a simultaneity consideration.
- ⁽²⁵⁾ Before talk of a merger developed, the ABL proposed to the WNBA various joint marketing ventures, including a plan for an inter-league all-star game. The WNBA rejected these ventures (Edelman, Harrison, 2010).
- ⁽²⁶⁾ As Edelman and Harrison (2010) point out, the failure of the ABL-WNBA joint ventures and merger left the ABL in direct competition with the WNBA, a result that meant that the ABL was in the undesirable position of having to maintain higher salaries in order to prevent additional player defections.
- ⁽²⁷⁾ The WNBA players' union, or the Women's National Basketball Players Association (WNBPA), became the first labor union ever comprised entirely of professional female athletes (Edelman, Harrison, 2010).
- ⁽²⁸⁾ By 2009, WNBA attendance climbed slightly, to an average of just over 8,000 fans per game (Edelman, Harrison, 2010).
- ⁽²⁹⁾ The precedent cited in this instance by the federal court was *Fraser v. Major League Soccer* (Edelman, Harrison, 2010).
- ⁽³⁰⁾ In 2007, WNBA star Tina Thompson told sports media that exclusive employment in the Russian professional league, where she had played part-time from 2006-2007, offered the potential of tripling her WNBA salary (Dixon, 2007, Edelman, Harrison, 2010). Although she contemplated such a move yet did not realize it, Thompson did return to overseas competition in 2010 after a three-year absence by joining a Romanian professional league.
- ⁽³¹⁾ According to Steele (2012), the three most popular overseas destinations for WNBA players are Turkey, Israel and Russia, respectively.

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Appendix

Women's professional basketball teams in the ABL and WNBA

ABL	WNBA
<i>Atlanta Glory</i>	Atlanta Dream*
<i>Columbus (OH) Quest</i>	<i>Charlotte (NC) Sting</i>
Chicago Condors	Chicago Sky*
<i>Colorado Xplosion</i>	<i>Cleveland Rockers</i>
Long Beach Stingrays	Connecticut Sun*
Nashville Noise	Detroit Shock
<i>New England Blizzard</i>	<i>Houston Comets</i>
Philadelphia Rage	Indiana Fever*
<i>Portland Power</i>	<i>Los Angeles Spark*</i>
<i>Richmond Rage</i>	Miami Sol
<i>San Jose Lasers</i>	Minnesota Lynx*
<i>Seattle Reign</i>	<i>New York Liberty*</i>
	Orlando Miracle
	<i>Phoenix Mercury*</i>
	Portland Fire
	<i>Sacramento Monarchs</i>
	San Antonio Silver Stars*
	Seattle Storm*
	Tulsa Shock*
	<i>Utah Starzz</i>
	Washington Mystics*

Notes: Original members of the ABL and WNBA listed in *italics*; * denotes current (2012) members of the WNBA.