

5-2012

Sports Economics - The Economic Impact of the NBA's Thunder on Oklahoma City

David Noudaranouvong
University of Arkansas, Fayetteville

Follow this and additional works at: <http://scholarworks.uark.edu/econuht>



Part of the [Regional Economics Commons](#)

Recommended Citation

Noudaranouvong, David, "Sports Economics - The Economic Impact of the NBA's Thunder on Oklahoma City" (2012). *Economics Undergraduate Honors Theses*. 1.
<http://scholarworks.uark.edu/econuht/1>

This Thesis is brought to you for free and open access by the Economics at ScholarWorks@UARK. It has been accepted for inclusion in Economics Undergraduate Honors Theses by an authorized administrator of ScholarWorks@UARK. For more information, please contact scholar@uark.edu, ccmiddle@uark.edu.

Sports Economics - The Economic Impact of the NBA's Thunder on Oklahoma City

By

David Noudaranouvong

Advisor: Dr. Robert Stapp

**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of
Science in Business Administration Business Economics**

**Sam M. Walton College of Business
University of Arkansas
Fayetteville, Arkansas**

May 11, 2012

Table of Contents

<i>Abstract</i>	3
<i>Overview</i>	3
<i>Hypothesis</i>	4
<i>Looking at the Past: Seattle Supersonics</i>	5
<i>On the Move: Seattle to Oklahoma City</i>	6
<i>Thunder Up!</i>	8
<i>Comparison</i>	11
<i>Conclusion</i>	15
<i>References</i>	18

Abstract

What kind of significance do sports serve? This research project will investigate further into one of the many different answers to this broad question, specifically in the economic sense. Exactly what kind of impact can a single sports team have on a single city's economy? I will investigate just what a sports team can mean for a city's financial status as a result of its sports-stimulated economy. What is the best way to analyze this impact? For the purpose of this research project, I will take into account the economic state before and after the National Basketball Association's incorporation into nearby Oklahoma City, Oklahoma. The city did not have any major sports team (NBA, NFL, MLS, MLB, etc) until 2008, a mere 4 years ago. How does our current economic crisis affect the sport's overall effect? Using the induction of the NBA's Thunder to Oklahoma City is significant because it measures the abovementioned economic impact in a homogeneous economic environment - one that is characterized as a recession. In addition, the fact that the city does not have any other major sports team will allow for the uncovered results to serve as a better representation of a sports team's impact on a city's economy. When a major sports franchise arrives to an area's city limits, the effects can be measured in a multitude of ways.

The professional basketball season, in its entirety, will span 82 regular season games with an additional amount reflected through a city hosting one or several rounds of the playoffs. Those additional games can range anywhere from 7 to 28; prolonging the season to an impressive 110 games. Wherever the number of games played in a season falls, it does not change the fact that the NBA is a multi-billion dollar industry that spans across the globe. With the current NBA schedule, each NBA city can host 41 regular season games and somewhere between 2 and 16 extra home playoff games. It should be noted that we will be focusing on the games played at home. Although the season can range between 82 and 110 games, each NBA city will only play host to between 41 to 57 games.

Furthermore, the numbers found for this study will be representing a market in which there is a successful playoff-caliber team with one of the league's most popular superstars in Kevin Durant. So, since there are 16 teams out of 30 that make the playoffs, this research will be accounting for a market that qualifies in the upper 50%. Oklahoma City is also considered by the NBA to be a "small market economy", meaning it does not operate on a large, exorbitant budget had by the likes of the Los Angeles Lakers or New York Knicks. So, this research will not feature a struggling team or a franchise that is rich in history and awards. Taking factors such as success, history, budget, and star-power into account show that Oklahoma City's basketball organization is a good choice as a middle of the pack franchise. As such, it can serve as a nice study to extrapolate to the other NBA-cities to arrive at a conservative figure for finding the greater macroeconomic impact of the National Basketball Association on the American economy should more interest in this subject lead to further research.

Overview

The current NBA season is a special one. Sadly, it is a special one for the wrong reasons. The shortened 2011-2012 season is a direct result of a lockout, an occurrence mentioned regularly in the sports news outlets. Essentially, NBA owners and players could not agree on how to divide the profits of the 4 billion dollar business. This division of money is termed as

basketball-related income, and negotiations finally settled at a 50-50 split off BRI. With the settlement of the money issue, the basketball season is now underway. The indecisiveness demonstrated by both sides in this ordeal shows how ineffective bargaining and negotiation can hurt the game of professional basketball. The condensed schedule will cut our numbers from 41 to 57 home games to 33 to 49 home games. The delay in reaching a collective bargaining agreement (between owners and players) could result in more dire consequences that reach outside of the immediate players' and owners' pocketbooks - consequences that negatively affect the entire economy. "According to the claims made by proponents of sports-driven economic growth, cities with NBA franchises should experience significant negative economic losses from this work stoppage because of the lost spending in and around basketball arenas during this event...an examination of the impact of past work stoppages in professional football and basketball can shed some light on the potential impact of the NBA lockout as well as the viability of professional sports as engines of economic growth in cities" (Coates & Humphreys).

"Jobs and livelihoods are at stake in the NBA lockout, but in cities where the local NBA franchise is the only major professional sports team, the picture is potentially even more bleak. Of the 30 franchises in the NBA, seven play in NBA-only markets: Memphis, Oklahoma City, Orlando, Portland, Sacramento, San Antonio, and Utah" (Bella). I feel that the significance of the Thunder is more important to Oklahoma City than the Knicks are to New York City for instance. In small market economies, a professional level sports team is sure to have a greater effect. Where big market economies can hold off a while without a single professional sports team, smaller cities like Oklahoma City cannot.

We will investigate further into analyzing the past and present of this franchise. The Oklahoma City Thunder's former identity was the Seattle SuperSonics. So, we will look into how the SuperSonics impacted a city's economy and how the Thunder affected another. My hypothesis is that the city of Seattle has experienced a bit of a downturn whereas Oklahoma City has enjoyed significant growth. We will not only look at Chamber of Commerce figures, but also type of demographics that have moved into and out of each state, infrastructure goals of each area, and local business statuses. Although proving that the SuperSonics' departure from Seattle and arrival to Oklahoma City as the Thunder is directly correlated to the growth and decline in the respective cities, that is outside the scope of this study.

Hypothesis

The purpose of this study is to determine if having a professional sports franchise in a given city will generate a substantial enough boost in city revenue to warrant being considered by cities that currently don't have a professional sports franchise and that want an enhancement in their bottom line. My hypothesis affirms that the presence of a professional sports team does significantly and positively help a city's economy. Not only does the presence of a professional sports team help a city, its absence will hurt a city. In this study, I will observe the National Basketball Association's Thunder and its positive impact on the economic state of Oklahoma City, Oklahoma. Conversely, I will observe the negative impact of the SuperSonics leaving Seattle, Washington. The primary argument in making this hypothesis is that the presence of the Thunder to Oklahoma City would prove to be a good driver of talent, wealth, and intellectual accumulation to not only the city but the state as a whole while complementing job creation as well as boost the region's tourism sector and thus the overall state of the economy all the while

leaving the city which was abandoned by the franchise (in this case, Seattle severing ties with the Supersonics) with a sizeable financial, capital, and intellectual hit.

There will be financial, capital, and intellectual ramifications rooted in the standard of living for an area. Having a professional sports team in town will provide a stronger economy because of the job creation, out-of-town visitors, and reputation of an area. Examples of jobs that would be in higher demand include janitors, car parkers, ticket brokers, ushers ticket-takers, food service workers, and security personnel. These employees typically earn \$11 an hour on average. It should be remembered that there are individuals that make their living from basketball games, both partially and completely. Not only does the payroll need to be taken into account, but the companies in charge of paying employees; surely the guarantee of thousands of sports-going fans for one location will draw business owners to make a profit. Restaurants, food-service companies, souvenir shops, and even street performers benefit from being in the hub of people with expendable income. One must also consider the rent paid by NBA teams to the arenas as tenants of the buildings, and furthermore to the city. Teams make their payments to arenas (some of which are government owned) in the form of a fixed lease payments or certain percentage of ticket sales as rent, depending on lease agreements. When considering arenas that don't have guaranteed contracts in place, they would be greatly impacted in a negative way should their headline tenant residents suddenly disappear. An additional fear that NBA owners have concern is with their season ticket holders, who may not renew their tickets should a season be lost, or considerable layoff from basketball were to occur.

The counterargument for the arenas being vacated and thus being unrecoverable lost sales is just to substitute the originally scheduled basketball games with other events. If the NBA had canceled games this season arenas would have a hard time filling every one of those slots. Realistically, there are only a limited number of entertainers that would be able to sell out NBA-sized arenas. And the special note about that is those shows are typically booked months in advance and cannot be signed by arenas on short notice.

Looking at the past: Seattle Supersonics

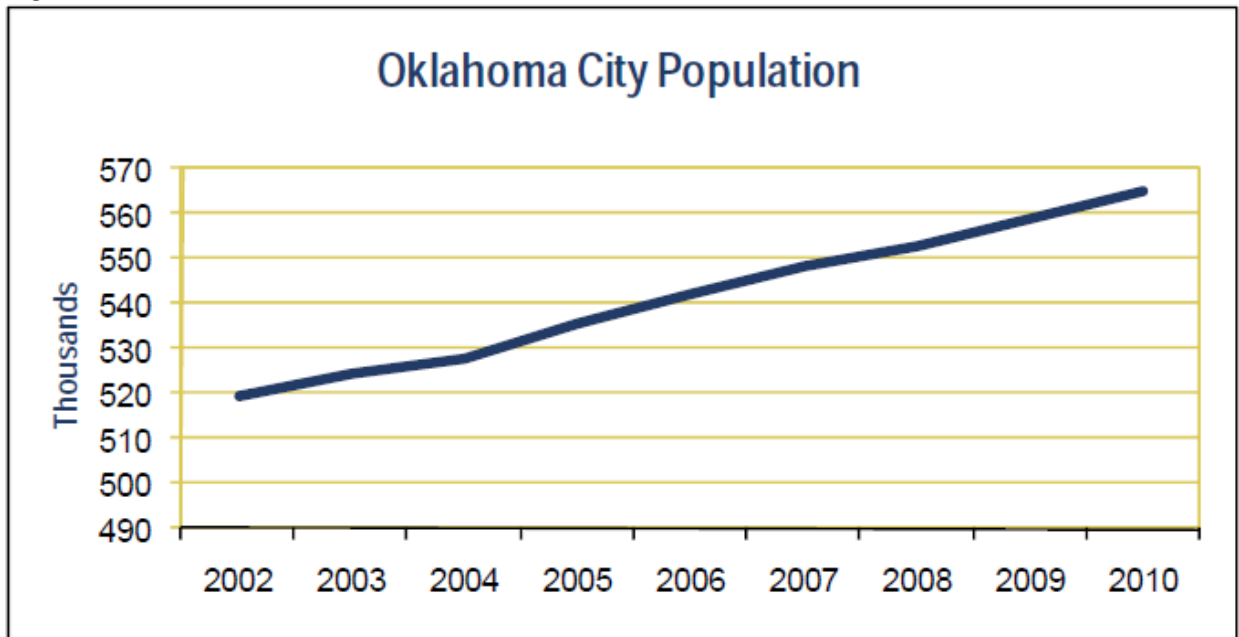
Before Oklahoma City, the Thunder called Key arena located in Seattle, Washington home. From 1967-2008, the then-Seattle Supersonics played basketball in the arena. The height of their success came to be in the 1978-1979 season, in which they defeated the then-Washington Bullets to win the NBA Championship. The franchise did not get the chance to hoist another Larry O'Brien Championship Trophy again. A part of my hypothesis included the costly financial ramification that the city would have to endure by a National Basketball Association team's departure from an area. Looking at the move, the city of Seattle fought to keep the Supersonics in town. "The city of Seattle will be paid \$45 million in exchange for letting the Sonics move to Oklahoma City...Sonics owner Clay Bennett may have to pay an additional \$30 million in five years if the city is unable to secure another NBA team, under the terms of the settlement announced at simultaneous press conferences in Seattle and Oklahoma City" (Chan, P. and Brunner, J.). Supersonics owner Clay Bennett had a difficult time in finalizing the move, which marked the end of the city's first professional sports team. The Seattle Times reported "[the city of Seattle] in February rejected a settlement offer of \$26.5 million from Bennett, who wants to move the team to Oklahoma City." The Seattle faithful were distraught, angry even, at the team's relocation. The city's dissension with the move highlights the

intangible qualities that a professional sports team can bring to an area. So, even if the hypothesis proposed in this study proves to be inaccurate, it can at least enjoy some salvage value. The same newspaper ended its article on a grave note: There is no prettying this up. Money is coming to the city. Big whoop. Having an NBA franchise called the Sonics is about much, much more”.

On the move: Seattle to Oklahoma City

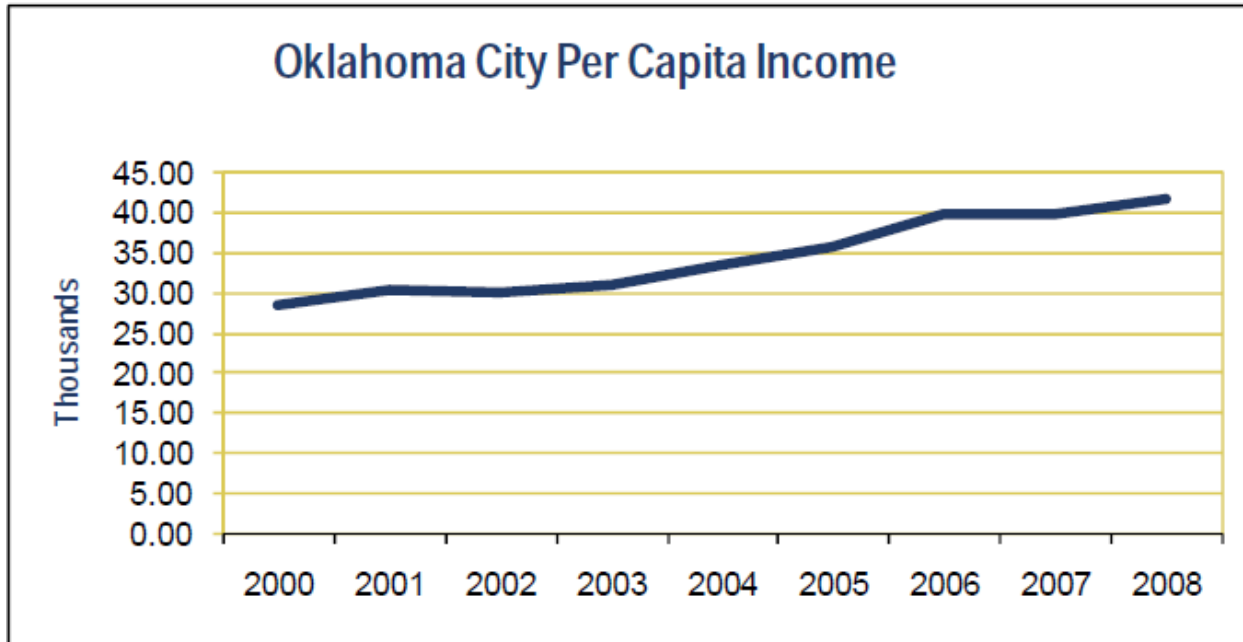
Upon moving, Seattle’s economy decreased by roughly 12,004,000 dollars. Conversely, the Thunder’s new home in Oklahoma City (at the time, the team moved into the Ford Center, 2008-2010) saw its economy take on more pep. Oklahoma City’s economy only generated an additional 525,665,535 dollars over the next year after welcoming the NBA franchise. Since the Thunder has become an Oklahoma “resident”, that revenue has continued to increase. This increase represents a 7% jump from pre-NBA levels. This is a sizeable jump in revenue. One factor that his growth can be attributed to is the steady increase in the state’s population, which can be argued, was bolstered by the team coming in to the area. Contrary to this research’s hypothesis, the evidence shows that the trend in population and per capita income was already on the rise. Since the move, Oklahoma City’s population, per capita income, and city revenue have all increased at the same rate, at times slower, than before.

Figure 1



Source: U.S. Census Bureau and the City of Oklahoma City Planning Department

Figure 2



Source: Bureau of Economic Analysis Results for 2009 are not yet available

In March 2008, Oklahoma City residents approved a temporary one-cent sales tax to go toward improvements to the Oklahoma City Arena, originally built in 2002, for the Thunder along with an off-site practice facility. The penny sales tax, which began in January of 2009, lasted for 15 months. Improvements to the Oklahoma City Arena include a new grand entrance, multistory atrium, additional restaurants and clubs at every level, bunker suites, loge and sky boxes, roof top gardens, locker rooms, a warm-up basketball court, team offices, a 12,000-square-foot family activity center, and other NBA specific improvements. Citizen support of the temporary sales tax to upgrade the Oklahoma City Arena and construct a new NBA practice facility contributed to the Thunder making Oklahoma City their home. Capital funding for arena improvements and the new practice facility amounted to approximately 48,295,444 dollars in the 2011-2012 fiscal year, and 93.1 million dollars. The arena located at 100 West Reno Avenue is expected to be given new competitive advantages over other event facilities in the region with the taxpayer-funded construction. As of October of 2011, the new and improved (and once again renamed) Chesapeake Energy Arena was 100% publicly financed using a one percent sales tax (Munsey & Suppes).

Graph 1

Local Area Unemployment Statistics

Series Id: LASST40000003
Seasonally Adjusted
Area: Oklahoma
Area Type: Statewide
State/Region/Division: Oklahoma

labor force



Looking at the unemployment rate for the state, we can see that unemployment is steadily on the rise, holding true with the national trend. Even with the addition of the Thunder to the state of Oklahoma, there was no substantial relief in unemployment. This statistic disproves the portion of my theory that suggested it would bring jobs to the region.

Despite this, it can be argued that having the team in town has kept unemployment in the area relatively low, compared to the national average. Tom Ward, the CEO and Chairman of SandRidge Energy, [spoke] about how Oklahoma City had been outperforming economically under the media's radar during the recent recession. Ward believed that the Thunder was the catalyst to open people's eyes to Oklahoma City's economic success. "It was a surprise to the media especially as they focus on New York or the East Coast and Los Angeles or the West Coast, that there was this city in the middle of the country that people hadn't looked at so much that was actually doing a lot of good things, and starting with the Thunder. That team brought us to the national forefront as far as at least having an audience to say that there's something going on here that appears to be different." For an indication of recent economic conditions in Oklahoma City, between February and June of this year, Oklahoma City's average unemployment rate was 5.3% whereas the national average for the same period was 9.0% (Libera).

Thunder Up!

The team known as the Oklahoma City Thunder has become unarguably one of the NBA's best teams. They own one of the best records in the Western Conference. Their place as a Western powerhouse has catapulted them into being known as one of the best teams in the league, if not a frontrunner to win the NBA Championship in June. With the team's success,

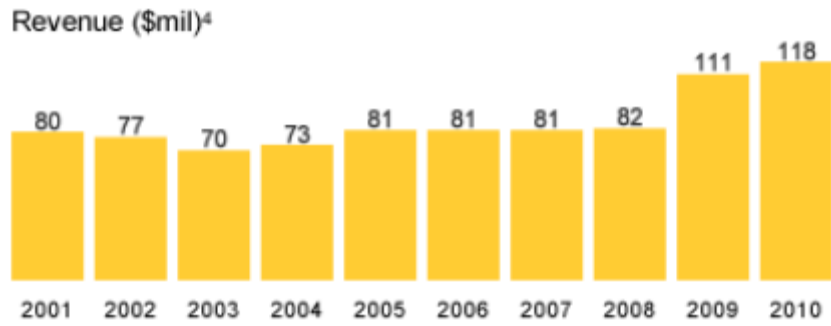
financial success naturally followed. Their arena is known as one of the loudest in the NBA, and the same can be said about the money that is being generated at each Thunder game. This fan obsession spells millions of dollars in sales of Thunder merchandise: jerseys, apparel, and other memorabilia – over \$100,000,000 dollars.

But before going any further, one should consider why Oklahoma City was chosen as the Supersonics' new nesting grounds. When Hurricane Katrina devastated the New Orleans area, the Hornets had to play the 2005-2006 season in Oklahoma City. This season proved to be a trial run for greater things in the future. In speaking with Oklahoma City Chamber CEO Roy Williams, Robert Libera noted that the Chief Executive had high praise for the NBA becoming a part of the city's genetic makeup. "When the Hornets were here, the (direct) economic impact was in the \$45-million to \$50-million range." Although the Thunder is not required to report similar financial figures because it is privately owned, Williams and the Chamber believe that impact is even greater now because the team is permanently located and headquartered in Oklahoma City and attendance figures have grown to nearly 100% of capacity (Libera).

Individual seat prices can range anywhere from a 10 dollar loft to a 275 dollar Champions Club seat. Average ticket prices are approximately 52 dollars, whereas season tickets start at 400 dollars. The franchise has been selling out for the past 2 seasons running. The 89 million dollar Chesapeake Energy Arena seats 19,599 screaming fans, which means there are at least that many opportunities for intra-stadium businesses to make sales. Those 19,599 seat fillers are also consumers; in addition to merchandise, they purchase food and pay the price of parking. To take the significance of the Thunder to the city's economy into account, imagine if the NBA Lockout did not end, and the season was lost. "But even one missed game could be costly, according to The Oklahoman. Oklahoma City's Executive Manager for Special Projects Tom Anderson told the newspaper officials estimate each Thunder home game pumps about \$1.28 million into the city's economy, and that does not count ticket sales or wages for team and arena workers. The city had a boost in direct spending of about \$66.6 million last season (2010-2011) for the 52 total home games, including preseason and playoffs, based on that estimate" (MediaVentures). The 2011 season saw approximately 744,068 fans walk through the Arena doors, averaging 18,148 of them through 41 regular season games. One can only expect sales related to the franchise to continue to increase with the teams' increasing success and fame.

An indirect effect that the team's arrival has on not only the city of Oklahoma City, but to Oklahoma as a whole, is the inflow of people to the state. Not only does the Thunder sway more people to move into the area, but those people are from the upper-middle class. The upper-middle class is the most likely economic group to buy tickets to an NBA game. "While fans say it's good news that the NBA owners and players have reached a tentative deal to end the "lockout" that began July 1, there's no great joy if you're a fan on fixed income. Simply put, NBA tickets are today priced for the rich or well off fan who can afford an extra \$500 to spend on viewing a live NBA basketball game (Masko).

Figure 3



⁴Net of stadium revenues used for debt payments.

The revenue for the Oklahoma City Thunder franchise stayed steady during the Supersonics' last seasons in Seattle, and into the inaugural year in Oklahoma City. However, after just one season in its new home, the Thunder saw a marked increase in revenue, making a 26% jump from its 2008 levels.

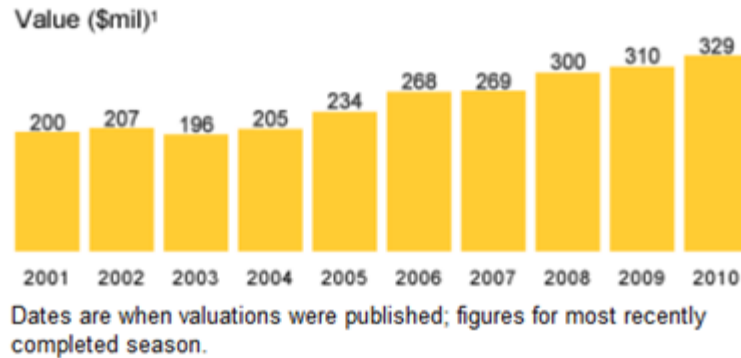
Figure 4



⁵Earnings before interest, taxes, depreciation and amortization.

The Thunder franchise has also proven to have capitalized on the lower cost of living in the Midwest compared to the west coast counterpart. The organization as a whole has made drastic improvements in its operations, making a 231% jump from its 2008 levels. From this jump, the organization made another one of 43% the very next year. Operating income does not appear as if it will return to its pre-Thunder days.

Figure 5



¹Value of team based on current stadium deal (unless new stadium is pending) without deduction for debt (other than stadium debt).

The franchise as a whole has experienced a steady growth in value stemming back from 2003. With the team at the top of the league in terms of excitement, strong play, and overall marketability, that value looks only to get better.

This uptick in popularity of the Thunder is not a coincidence. It is merely following suit with the rest of the league - the NBA is proving to be more and more popular. Carole Sawdye, Chief Financial Officer for the National Basketball Association, mentioned in an interview with BusinessFinance magazine: “Despite the state of the economy, the 2010/11 season has been very successful in terms of fan response to our teams, players and the game. Overall revenues are at the highest they have ever been with gate receipts up significantly and team sponsorship sales at an all time high. We are on pace to have our most-watched season ever on TV. Subscriber growth has increased dramatically on NBA TV to 55 million homes in the U.S. We are experiencing double-digit revenue growth this year both in the digital business and internationally” (Alpern).

Comparison

The first piece of information one would look at is the revenue flow for each respective cities. Looking through each city’s annual reports and identifying their adopted revenues, one sees that the revenue streams for the two respective cities reflect my hypothesis:

Table 1

Oklahoma City Revenue, 2004-2011

Source: Chamber of Oklahoma City

2004-2005	\$733,368,209.00
2005-2006	\$716,510,328.00
2006-2007	\$677,434,898.00
2007-2008	\$795,637,502.00
2008-2009	\$787,531,432.00
2009-2010	\$840,097,967.00
2010-2011	\$876,645,916.00

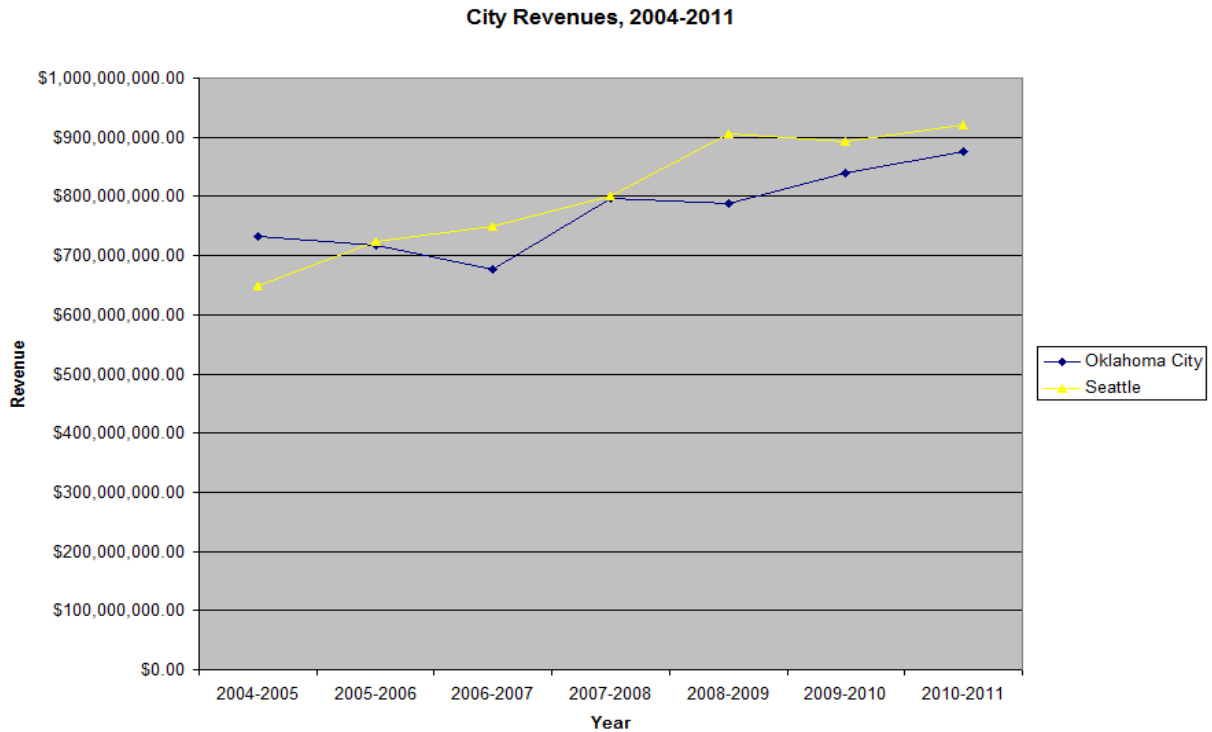
Table 2

Seattle Revenue, Past 2004-2011

Source: Chamber of Seattle

2004-2005	\$649,076,000.00
2005-2006	\$723,239,000.00
2006-2007	\$749,866,000.00
2007-2008	\$801,879,000.00
2008-2009	\$905,555,000.00
2009-2010	\$893,551,000.00
2010-2011	\$921,724,000.00

Graph 2



As evidenced in the graph, the year 2008-2009 saw the inflection points in both cities' revenues with the shift in the NBA franchise. As the Supersonics left Seattle, their revenue dipped the very next year, whereas Oklahoma City saw their revenue jump the next year. It appears as if the hypothesis is correct; but we all know there are many factors that go into determining such a broad number. Whereas the professional basketball team's presence may be partially attributable to the changes, there must be other factors.

When taking each of the respective states' populations into account, both are seeing a rising number of citizens. When someone considers relocating for a job or whatever reason, there are 4 main criteria in which they use to help decide where to move. People are either moving back to their home town or somewhere nearby, moving closer to family, moving to an area they have deemed as an ideal place to live, or reasons that have to do with improving their quality of life. The presence of a professional sports team, especially a sport as popular as basketball, would have to help raise the standard of living for a given area, right? When taking this matter into my own perspective, I view myself in the situation of relocating. A common theme that college graduates will face is whether or not to relocate for their new job out of school. And after making that decision, students must decide where they would be willing to move to. Pat Meehan, President at The Meehan Group, proposed a theory that one's "quality of life is...the primary reason to relocate. It is almost never about the money" (Meehan).

His theory proves true in my case. I chose to move away from the Northwest Arkansas area for more opportunity, to a region of the country where I felt I would have a better standard of living. Ironically, the area I am moving to not only has multiple NBA teams, but multiple NFL (National Football League), MLB (Major League Baseball), NHL (National Hockey

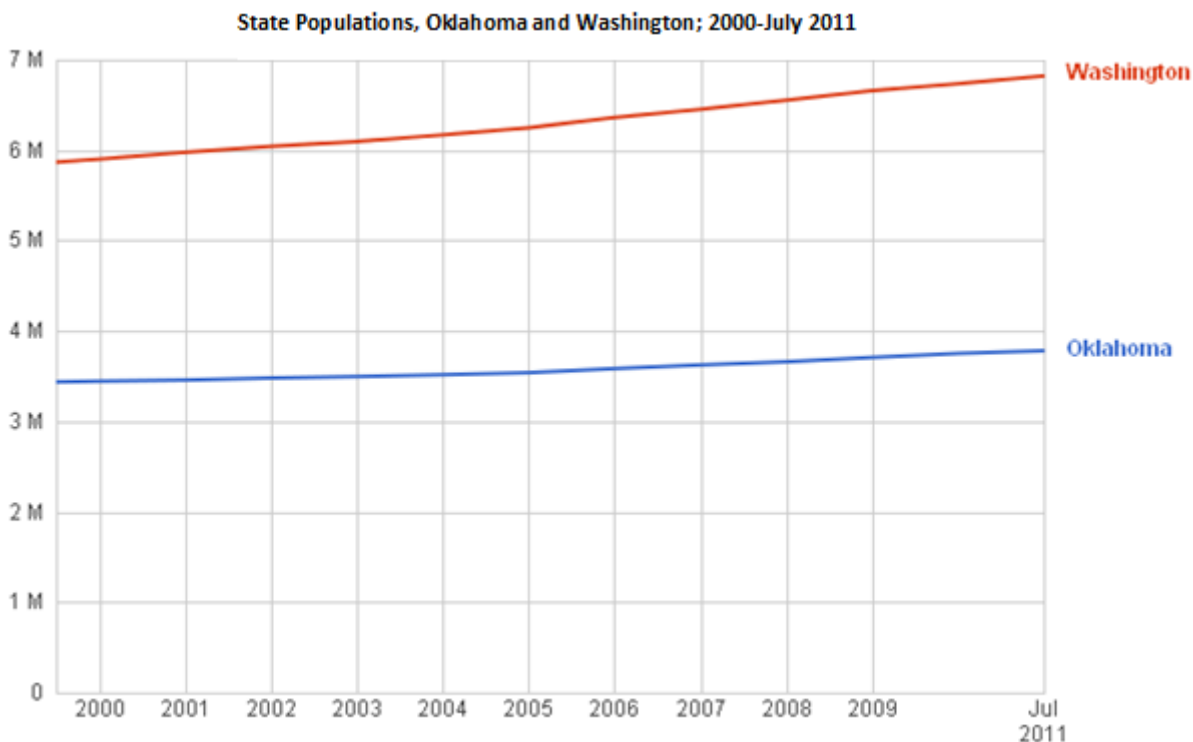
League), MLS (Major League Soccer) as well, in addition to lower-level professional sports and popular university teams. Having the big lights of a professional sports venue in the region along with the superstar athletes, their multi-million dollar contracts, endorsement deals, and philanthropic endeavors plus all the media at their heels would bring excitement and thus raise an area's standard of living. Accordingly we reach this portion of my proposition.

Oklahoma City officials calculate that a playoff season for the Thunder has an approximately \$60 million impact on the city. But for a city that is consistently ranked as one of the most entrepreneurial places in America, there are bigger concerns. Sustaining and continuing to attract a workforce of bright, lifestyle-driven 20-somethings is one of several indirect employment issues associated with the lockout. "When our CEOs are offering a person a job, the person either thinks, 'Do I want to live in Oklahoma City?' or 'Do I have to live in Oklahoma City?'" says Oklahoma City Mayor Mick Cornett. "The NBA is an important aspect that [the city] has to offer. Typically, your peer cities are who your sports teams play. If you're trying to create jobs, you've got to understand how important that major league component is" (Bella).

While difficult to measure, Oklahoma City CEO Roy Williams believes that the Thunder help Oklahoma City in their effort to keep their talented young people working and living in the City rather than leaving for greener pastures elsewhere. He indicated that his organization is always worried about talent drain as there are 18 universities in the Greater Oklahoma City Area with approximately 120,000 students. The Chamber is constantly working with the local business community to encourage internships to develop connections with this constant flow of graduates that pour out into the workforce every year. Williams noted that the Thunder are not merely a point of pride as an organisation to this group of students, the players themselves have become a point of connection; "Anything you do to add to the quality of life experience that is appealing to that age group, the better chance you have of connecting them to the community and keeping them here. And they love this kind of sports environment because these basketball players are their age. Kevin Durant, Russell (Westbrook) and (James) Harden and all those guys are really aggressive tweeters, and so there are a lot of young people here who follow them and are engaged in them, all the time. I hear it constantly because we (the Chamber) have a young professionals program, and the Thunder is always talked about." (Libera)

Looking at Seattle, Washington and Oklahoma City, Oklahoma, both respective cities' populations have been demonstrating growth since 2008. Referring to graph 3, one can see that the increasing population trend is present in both areas, despite the relatively gradual (modest at best) rate of growth:

Graph 3



For the purpose of this study, one would hope that the increase in population can be attributed in some way to the city’s National Basketball Association franchise having a presence in that city. Unfortunately, my hypothesis is proven incorrect in this instance. If my hypothesis were to hold true, then the population of Washington would have declined with the departure of the Seattle Supersonics in early 2008 while the population of Oklahoma would have increased with the arrival of the Oklahoma City Thunder in late 2008. Contrary to my assumption, the population in Washington actually increased at a sharper rate than the population in Oklahoma did even with the shift in NBA team. To take the analysis further, one can see that both states have been experiencing population growth for quite some time even beyond 2008, the year in which the Seattle Supersonics left Washington and arrived to Oklahoma as the Oklahoma City Thunder – so the growth can be attributed to factors that are external of this study. The presence of or lack of an NBA franchise does not appear to affect population influx or outflow.

Conclusion

The principle counterargument to my proposal is highlighted in an October 2011 study by Emily Maltby and Sarah Needleman. Their study illustrates the merit behind my hypothesis to a certain degree. “A battle over how players and team owners will split the league’s \$4 billion in annual revenue, which led to the suspension of exhibition and regular-season games through at least Nov. 14, is bringing collateral damage to a range of businesses counting on professional basketball events to survive, including caterers, bars, stores, parking lots -- and even the self-employed masseurs who tend to players...Indeed, in cities where a basketball team is strong, there is an undeniable bump in revenue for local shops and bars” (Maltby & Needleman). The Oklahoma City Thunder qualifies as a strong team. It appears that the impact of a lockout would

have hurt the city economy, but on a micro level of the microeconomic level. A select number of business owners would feel the pain of the Thunder not being in existence. But, the rest of the study denies my initial claim over the subject matter.

"People will find another way to spend their entertainment dollars," says Stephen Bronars, a senior economist in Washington, D.C., for Welch Consulting, which specializes in employment practices and business litigation. "Scholars have found that local economies are not impacted by sports work stoppages," adds Andrew Zimbalist, professor of economics at Smith College in Northampton, Mass. "People spend money at one entertainment venue or another, so it's a wash" (Maltby & Needleman).

There is more evidence stacked against my favor: "There have...been studies performed on lockouts and strikes, and when professional sports teams threaten to move from one city to another, and those economists haven't found any significant economic impacts on cities from those events," [David Bojanic, the Anheuser-Busch professor of tourism marketing at UTSA] said. He also noted that "It always goes back to the substitution theory," he said. "The money people would have paid to buy basketball tickets, or buy a beer at the game or pay for parking, will still have that money and they will spend it in the city on other things". Bojanic also believes that the vast majority of money goes to the team owners and players, not to the community (Forsyth).

My hypothesis was incorrect because I underestimated basic economic principles and ideas. The main components I underestimated include the powers of expendable income, substitutes, and consumer behavior. The effects of an NBA franchise on a city's economy are significant on a micro level, but this is not the case for anything beyond that. "True, the standoff will have minimal effect on the economy overall, according to economists" (Maltby & Needleman). For any given market, it can be argued that consumers will spend their expendable income regardless of what it is on. If the NBA season is not around, then fans will find a new way to transform their earnings into something else. Looking at Oklahoma City and the Thunder in particular, "Each missed game likely would mean a little bit less tax revenue for Oklahoma City, said Doug Dowler, the city's associate budget director. But because the city is already ahead of projected sales tax revenue growth of four percent for this fiscal year, losing Thunder home games would likely only make a small dent in Oklahoma City's robust numbers. The largest impact would likely be an increased subsidy for the arena, but by how much is not yet known, and it would not likely cause many problems within the city's \$920 million budget for fiscal year 2012" (MediaVentures).

And as for the Chesapeake Energy Arena, it would not have just been in existence and not be put to use. "...it's important to note the arena still can bring in revenue for the city's economy even without a Thunder season, [Oklahoma City's Executive Manager for Special Projects Tom] Anderson said. Officials will be able to fill some of the dates that would be left open with concerts and other events, and the renovations might help the city lure events that skipped the area in the past" (MediaVentures).

So looking at the city as a whole, "...local officials say a missed season would only be a bump in the road financially for a city that has plenty of momentum even without the surging success and popularity of its NBA team...City officials have had preliminary discussions on what budget maneuvering would be required if the NBA season is canceled but haven't yet studied it in depth, Dowler said" (MediaVentures). If there are experts that feel Oklahoma City can remain in financially good health even without the presence of a National Basketball Association franchise valued currently at \$329 million dollars, then my hypothesis is wrong.

In addition to assuming that the Oklahoma City Thunder's presence in Oklahoma City would be one of the strongest indicators of the city's strong financial health, there was also thought that this would be a unanimous conclusion. Throughout the course of my research, I have found that there is certainly dissension in making those assumptions. My arguments that the presence of the Thunder to Oklahoma City would prove to be a good driver of talent, wealth, and intellectual accumulation to not only the city but the state as a whole while complementing job creation as well as boost the region's tourism sector and thus the overall state of the economy all the while leaving the city which was abandoned by the franchise (in this case, Seattle severing ties with the Supersonics) with a sizeable financial, capital, and intellectual hit. I was wrong.

Still believing that having a team provides substantial indirect benefits, of which are difficult to quantify: [Oklahoma City CEO Roy] Williams noted the importance of the television coverage the City has received in this regard; "The exposure that the City gets when (the Thunder) play to a national audience is exposure that we never could have afforded." He noted that when the team plays at home, the on-air announcers always have positive things to say about Oklahoma City as the broadcaster displays shots of the community, in particular, shots of Bricktown, the city's popular entertainment district which features many converted historic buildings. The success of the team on the court has led to increased media coverage, and in turn this has helped to raise the profile of the City both around the US and abroad. Williams indicated there is immense anecdotal evidence from staff and associates that when they travel, those from outside Oklahoma City always want to talk about the Thunder. Williams recalled an encounter of his own, when he was at a hotel in Dubai, waiting for an elevator, "I was wearing an Oklahoma City shirt, not a basketball shirt and this guy came up to me and said 'Ah! The Thunder and Kevin Durant!' I hear these stories everywhere...and the Thunder has become our connection with a lot of the world" (Libera). Having an NBA franchise is significant more on an emotional level that spills over into a financial one. How does one go about quantifying a sports team's grip on a city, a grip that encompasses one area's excitement, enthusiasm, and fanaticism?

The mere presence of, or lack thereof, an NBA franchise does not mean that a city's financial health will be better or worse; it just means that city's taxpayers and tourists will have a more recognizable outlet to devote their expendable income to. This study's original hypothesis may be incorrect, but has led to another question begging to be asked: What is the significance of a professional sports franchise on a city? This is a loaded question, one that will require much more research and analysis. Perhaps this is a question to be asked another day.

References

- Abbott, Henry. "NBA lockout--Talks break off, none planned." ESPN.com. ESPN, 21 Oct 2011. Web. 21 Oct 2011. <http://espn.go.com/nba/story/_/id/7127448/nba-lockout-talks-break-early-thursday-planned>.
- Alpern, Peter. "Revenues are Booming, but NBA CFO Sees Clouds Ahead ." BusinessFinanceMag.com. BusinessFinance, 06 Jun 2011. Web. 30 Mar 2012. <<http://businessfinancemag.com/article/revenues-are-booming-nba-cfo-sees-clouds-ahead-0606>>.
- Bella, Timothy. "The 7 Cities With the Most to Lose in the NBA Lockout ." The Atlantic Cities. The Atlantic Cities, 27 Oct 2011. Web. 31 Mar 2012. <<http://www.theatlanticcities.com/jobs-and-economy/2011/10/7-cities-most-lose-nba-lockout/371/>>.
- Bernanke, Ben. "Economic Crisis.US - news, analytics, recommendations." Bernanke on a global crisis. Economic Crisis.US, 19 Oct 2011. Web. 20 Oct 2011. <<http://economiccrisis.us/2011/10/bernanke-global-crisis/>>.
- Coates, Dennis, and Brad R. Humphreys. "The Economic Consequences of Professional Sports Strikes and Lockouts.."Southern Economic Journal. 67.3 (2001): 737-48. Web. 23 Oct. 2011. <<http://0-web.ebscohost.com.library.uark.edu/ehost/detail?sid=23771d52-ed25-4f7a-8560-9b47b75455c5@sessionmgr111&vid=1&hid=119&bdata=JnNpdGU9ZWwhvc3QtbGl2ZQ==>>.
- Emily Maltby, and Sarah E. Needleman. "NBA Lockout: Local Firms Lose Big --- Bars, Parking Lots, Apparel Sellers -- Even Masseurs -- Get Boxed Out by Canceled Games. " Wall Street Journal 13 Oct. 2011, Eastern edition: ABI/INFORM Complete, ProQuest. Web. 31 Mar. 2012.
- Fleming, Frank. "Seattle Supersonics (1967-2008)." sportsencyclopedia.com. MMX Tank Productions, 05 Jul 2010. Web. 22 Mar 2012.
- Forsyth, Jim. "San Antonio businesses brace for NBA labor talks outcome ." Reuters. Reuters, 10 Oct 2011. Web. 30 Mar 2012. <<http://www.reuters.com/article/2011/10/10/us-nba-dispute-impact-idUSTRE7995ZB20111010>>.
- Libera, Robert. "Pro Sports and Economic Development: What it means to gain major league status, the case of Oklahoma City. ." Geography Jobs. Geography Jobs, 29 Aug 2011. Web. 30 Mar 2012. <http://www.geographyjobs.com/article_view.php?article_id=252>.
- Masko, Dave. "NBA deal produces no breaks for fans paying top dollar at venues." Huliq. Huliq, 26 Nov 2011. Web. 20 Mar 2012. <<http://www.huliq.com/10282/nba-deal-produces-no-breaks-fans-paying-top-dollar-venues>>.

- Meehan, Pat. "Why do people relocate in a career move?." 20 Mar 2011. linkedin.com, Online Posting to LinkedIn. Web. 26 Mar. 2012. <http://www.linkedin.com/answers/career-education/job-search/CAR_JOB/809352-18007421>.
- Moffatt, Mike. "THIS ONE'S GOING TO OVERTIME.." Canadian Business. 84.16 (2011): 12-13. Web. 23 Oct. 2011. <<http://0-web.ebscohost.com.library.uark.edu/ehost/detail?sid=dea54d79-38d3-4938-b7c9-d1a9e7a7e940@sessionmgr110&vid=1&hid=119&bdata=JnNpdGU9ZWZWhvc3QtbGl2ZQ==>>
- Munsey, Paul, and Cory Suppes. "Ballparks.com." Chesapeake Energy Arena. Arenas by Munsey , 2012. Web. 16 Mar 2012. <<http://basketball.ballparks.com/NBA/OklahomaCityThunder/index.htm>>.
- Munsey, Paul, and Cory Suppes. "Ballparks.com." NBA Lockout could pose problems in Oklahoma City. Chesapeake Energy Arena.2012. Web. 16 Mar 2012. <<http://basketball.ballparks.com/NBA/OklahomaCityThunder/index.htm>>.
- "NBA lockout puts 2011-12 season in jeopardy." SFGate.com. Associated Press, 01 Jul 2011. Web. 21 Oct 2011. <http://articles.sfgate.com/2011-07-01/sports/29724891_1_nba-lockout-billy-hunter-owners-demand>.
- "NBA lockout timeline." NBA.com. NBA, 20 Oct 2011. Web. 21 Oct 2011. <<http://www.nba.com/2011/news/09/09/labor-timeline/index.html>>.
- Pian Chan, Sharon, and Jim Brunner. "Sonics, city reach agreement." Seattle Times 02 Jul 2008, n. pag. Web. 26 Mar. 2012. <http://seattletimes.nwsourc.com/html/localnews/2008030229_sonitrial02.html>.
- Rishe, Patrick. "NBA Team Valuations." Forbes.com. Forbes, 09 Nov 2011. Web. 20 Mar 2012. <<http://www.forbes.com/sites/prishe/2011/11/09/likely-nba-labor-resolution-will-transfer-250-275-million-from-players-to-owners/>>.