THE COMPARATIVE ECONOMICS OF THE WORLD’S PROFESSIONAL GOLF TOURS

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Professional golf has experienced a period of unprecedented growth during the past ten to twenty years. Much of this growth has been attributed to the star power of Tiger Woods, but what is often overlooked is how much the globalization of the game has changed its economic landscape. Until the late 1970’s, golf was a sport which had been dominated by players from only two countries, the United Kingdom and the United States. Players from the U.K. dominated international golf competitions from the inception of tournament golf in the 1860’s until 1913, when 19-old amateur Francis Ouimet’s win in the U.S. Open ushered in a period of American domination that would last for most of the 20th century (Frost, 2002).

In the late 1970’s, players from continental Europe, South Africa, Australia, and Japan began making their mark both on their home tours as well as on the U.S. PGA Tour. In 1996, this globalization was institutionalized when the world’s major golf tours agreed to form the “International Federation of PGA Tours,” an organization designed to bring the world’s best golfers together for competition on a regular basis. The best evidence of the globalization of golf is found by examining the top 50 players on the Official World Golf Ranking from the end of the 2005 season: Only 20 are Americans, and only six are from the United Kingdom (Official world golf ranking, 2005).

This paper will examine the comparative economics of the world’s golf tours. It begins with a brief overview of the history and relative standing of the various tours, followed by a discussion of how the tours have become more global in nature over the past 20 years. Finally, some economic differences between the tours will be examined, including prize money, earnings distribution, appearance fees, labor market restrictions, and apprentice systems.
An overview of the world’s golf tours

Although the origins of golf have been traced back to at least the 1500’s, tournament golf began in 1860 when eight players competed in the first Open Championship (known as the British Open in the United States) at Prestwick in England (The Royal and Ancient Golf Club, 2006). Professional golfers had always earned money playing exhibitions and challenge matches, but modern professional touring began when golfers competed in a series of scheduled events in the United States during the 1920’s (Browning, 1955). These events were usually scheduled by promoters in association with the Professional Golfers Association of America (the PGA), but the players themselves had little if any input regarding scheduling, rules, or prize distribution. It was not until 1968 when the touring professionals broke away from the PGA and formed the “Tournament Players Division” (later renamed the PGA Tour in 1975) that the players gained some say in running the tour (The PGA of America, 2006). In short order, the European PGA Tour was founded in 1971, followed by the Australian Tour in 1977 and the Japan Golf Tour in 1983.

Today there are six major professional golf tours: The PGA Tour (United States), The European PGA Tour, the Japan Golf Tour, the Asian Tour, the PGA Tour of Australasia, and the Sunshine Tour (Southern Africa). The PGA Tour is the where the best players in the game play on a regular basis, primarily because it offers prize funds greater than the total of all the other tours combined (Table 1). Three of golf’s four major tournaments (The Masters, U.S. Open, British Open, and PGA Championship) are played in the U.S., and two of the three World Golf Championship events are usually played there as well. The European PGA Tour is clearly the world’s second best tour, but it is a distant second. The four remaining tours are usually considered to be a cut below, evidenced the fact that successful players rarely stay on those tours
for long -- they will try to move up in class, and money, by attempting to qualify for either the PGA or European PGA Tours.

The Globalization of Tournament Golf

Through World War I, professional golfers tended to stay at home for competitions. Americans won each U.S. Open through 1919 save 1900, when the world’s greatest player, Englishman Harry Vardon, traveled across the Atlantic to claim the prize (Frost, 2002). By the same token, no foreign player won the British Open until 1922, when American Walter Hagen won the first of his four Open titles (R&A Championships, 2006). Through the 1950’s, very few international players chose to travel to the United States to play, evidenced by the fact that no foreign player won the U.S. Open from 1927 until 1965. Top American players occasionally traveled to the U.K. for the British Open -- Gene Sarazen, Sam Snead, and Ben Hogan each won the Claret Jug once -- but given the long travel time and small prize fund, most Americans chose to stay home and play the U.S. tour. Australian players flocked to the British Open, and from 1949 through 1960, Aussies won 10 of the 12 championships. But they felt no such urge to come to America -- the greatest Australian player ever, five-time Open champion Peter Thomson, played in only a handful of U.S. Opens and Masters, and never competed in the PGA Championship (World Golf Hall of Fame, 2005c).

The segregation of the world’s golfers began to erode in the early 1960’s, primarily due to the efforts of two of the greatest golfers ever: Arnold Palmer and Gary Player. In 1960, Arnold Palmer decided to play in the British Open. He traveled to St. Andrew’s and won the tournament, and unlike Hogan a decade earlier, returned the following year and successfully defended his title (Campbell, 2006). Since many professionals in the United States looked up to
Palmer, they took his lead and begun making the annual pilgrimage to play in the world’s oldest tournament, even if the prize money was smaller than they were used to in the States. In upcoming years, Americans Jack Nicklaus, Tony Lema, Lee Trevino, and Johnny Miller all claimed the Claret Jug. So at least once a year, The Open became the tournament that all the world’s greatest players would congregate.

South African Gary Player decided in 1957 that if he was going to become a great golfer, he would have to play against the best, so he decided to join the PGA Tour. He was the first foreign player of any note to join the tour full-time, and quickly joined Arnold Palmer and Jack Nicklaus as golf’s “Big Three” of the 1960’s. Player supported golf all over the world, famously estimating that he has flown more than any human being ever -- more than 14 million miles (World Golf Hall of Fame, 2005a).

Slowly but surely, players began traveling to play tournaments all over the world. The biggest beneficiary has been the PGA Tour, since its large prize funds predictably attract the world’s greatest players. But it really took until the 1990’s for large numbers of foreign players to join the tour for regular play. In 1961, Player became the first foreign player to lead the PGA Tour in earnings, and was the only foreign player in the top 50 money winners. In 1971 he was still the only international player in the top 50, in 1981 there were three and in 1991 four. The number of international players has risen steadily since then, and in 2005 15 of the top 50 players were foreigners (PGA Tour, 2006a).

The European PGA Tour has taken globalization one step further, to the point where it is European in name only. During the 2005 season, only 25 of the 43 scheduled events actually took place in Europe (Huggan, 2005a). The 2006 schedule includes more events in China (five)

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1 Player is also credited with being the first professional golfer to take physical fitness and nutrition seriously, an anomaly in a day when players ate and drank to excess, and were convinced that weight training would make them “muscle-bound.”
than in England (four) and stops in Dubai, Kuala Lumpur, and Barbados (PGA European Tour, 2006). Many of these events are being co-sponsored by other tours -- for example, the events in China are co-sponsored by the Asian Tour. This arrangement helps both parties, in that the European Tour gets to expand their markets, while the Asian Tour gets the star power of Europe’s top players competing in their events.

In 1996, the world’s golf tours formalized globalization by creating the “International Federation of World Golf Tours.” The primary objective of the Federation was to organize a series of tournaments, “The World Golf Championships,” that would complement the existing major tournaments and provide additional opportunities for the world’s top players to compete against each other. The Federation would also compile the “Official World Golf Rankings,” which would determine eligibility for the WGC events, and satisfy fan’s curiosity about “who’s number 1?” (PGA Tour, 2005).

Clearly, the top two tours - The PGA Tour and the European PGA Tour - have benefited from the formation of the Federation. Players have the ability, if they choose, to globe-trot to find the biggest purses. The Asian Tour was non-existent when the Federation was founded, so they have benefited as well. It is hard to say what affect the Federation has had, if any, on the Japan Golf Tour. The vast majority of players on the JGT are Japanese -- only five players in the top 50 money earners from 2005 was foreigners, and two of those (Tiger Woods and Darren Clarke) were not members of the tour (Japan Golf Tour, 2006). No golfer from Japan has ever won a major tournament or a WGC event, and only two golfers from Japan have ever won events on the PGA Tour. None of Japan’s “big three” from the 1970’s and 1980’s -- Jumbo Ozaki, Tommy Nakajima, and Joe Ozaki -- ever tried playing the PGA Tour regularly, despite winning more than 170 JGT tournaments combined.
While the JGT has not suffered from much “talent drain” due to globalization, the two smallest tours have. The loss of top players from the Australasian PGA Tour has been so great that the very viability of the tour is in question -- there are only four events scheduled for 2006. As of June, 2006, three of the top six PGA Tour money leaders are Australian (Jeff Ogilvy, Stuart Appleby, and Adam Scott), and a total of 13 Australians have exempt status on the tour (PGA Tour, 2006). As these players have left the Australasian Tour, fans have stopped attending and watching on television, and long-time tour sponsors such as Heineken have withdrawn their support of the tour (Huggan, 2005b). A similar situation exists on the Sunshine Tour in South Africa, the home of superstars Ernie Els and Retief Goosen, who while maintaining dual membership in both the PGA and European PGA Tours played only twice in their home country during the entire 2005 season (Sunshine Tour, 2006).

It is safe to say that the top players are competing against each other, all over the world, on a more regular basis than ever before. This has benefited the PGA Tour, the European Tour, and the Asian Tour, has had little effect on the Japan Golf Tour, and has a negative effect on the Australasian and Sunshine Tours.

Economic effects of globalization

*Prize money distribution*

Arnold Palmer became the first golfer to win more than $100,000 in a single season when he pocketed $128,230 in 1963. Adjusted for inflation, that would be $781,826 -- and his record breaking year would earned him barely enough to retain his playing privileges in 2005, at 105th place on the money list. Palmer won $1,861,857 in his career, a figure matched during the 2005 by Lucas Glover, a player who has yet to win an event ((PGA Tour, 2006a).
Needless to say, players are competing for more money than ever before. This is due in large part to the gigantic television deals that the PGA Tour has been able to negotiate, but it is also due to the increase in viewership and new markets that have been reached as all the world’s golf tours have expanded overseas. The question is, how has this increase in money changed the distribution of income among professional golfers?

Conventional wisdom, based on both theory and evidence, is that the earnings of professional golfers has become more equally distributed over time. Given the growth in prize money (in real terms) over time, this is not surprising -- as more young athletes choose golf as a career, the talent pool gets deeper, and competitive balance improves (Gould, 1986). This was confirmed empirically by Coate and Goldbaum (2004) who found that Gini coefficients on both the PGA and European PGA Tour have decreased slowly but steadily over the past 40 years.

Having said that, it should be noted that professional golfers have sources of income other than tournament prizes, such as product endorsements and appearance fees. Little research has been done in this area, primarily because of the lack of accurate data, since the value of endorsement deals and appearance fees are not usually part of the public record. Since 2003, *Golf Digest* has used methodology pioneered by *Forbes* to try and identify and estimate the income of the 50 top money earners in golf, including both on-course and off-course income. A quick look at each year’s list reveals a trend: In 2003, the top five players earned 40% of the top 50 total, in 2004 they earned 41%, and in 2005 they earned 43% (Sirak, 2004, Sirak, 2005, and “Golf’s first billion-dollar man,” 2006). So it appears that when total income is considered, the distribution of income among golfers is actually getting more unequal.
Appearance fees

The concept of paying appearance fees in golf dates to the beginning of the 20th century, when professionals were paid cash to play exhibitions. Given that there were few tournaments with relatively small prizes, these fees made up the vast majority of a professional’s income. These fees were paid during the early years of the U.S. professional tour, but when the PGA took over the tour in 1938, appearance fees were prohibited, a practice which still exists today. Other than the PGA Tour, all other tours tacitly allow appearance fees. Tiger Woods’ standard fee is reportedly $3 million, which in part explains why he has played in Germany, Dubai, China, and Thailand during the past three seasons (Sirak, 2006).

The globalization of golf has allowed the world’s best players to travel all over perusing appearance fees. With an annual income of more than $85 million, Woods probably doesn’t need the money, but most other players can increase their incomes by 20-30% through appearance fees. As the world has evolved into a celebrity society, appearance fees are needed on the other tours to ensure quality fields. Top players mean more ticket sales, and a better television ratings. Tiger Woods, Ernie Els, and Phil Mickelson always seem to end up playing the European Tour event in Dubai (one of the last places on earth one would expect to find a golf course), but with an appearance fee budget of more than $5 million, its no wonder that they head to the desert for some golf (Huggan, 2006).

2 Harry Vardon was paid $20,000 ($443,000 in 2005 dollars) by Spalding to tour the United States in 1900. He won the U.S. Open on his trip and earned $250 (Frost, 2002).
3 PGA Tour events have creative ways to pay players to appear, without calling it an “appearance fee. In 2005, a dozen players attending the Ford Championship in Doral were paid anywhere from $50,000 to $200,000 to play in pro-ams the Monday after the tournament, all in the Miami area. While not technically an appearance fee, it was understood that the pro-am money was contingent on the player agreeing to enter the tournament (Sirak, 2005b).
Labor market restrictions and apprentice systems

Each tour has their own set of rules to restrict entry into their events. Because it offers the highest purses, the PGA Tour is the most difficult to get on. Veteran players generally qualify for entry into tournaments by having won a major tournament during the past five seasons, a regular tour event during the past two seasons, or finishing in the top 125 on the previous season’s money list (PGA Tour, 2006b). Players without “exempt status” can earn it by finishing in the top 20 on the Nationwide Tour or in the top 30 in the pre-season PGA Tour Qualifying Tournament.\footnote{The Nationwide Tour is the PGA Tour’s “minor league,” and the qualifying tournament is three-stage, 14 round stroke play event held each November, which pares down more than 2000 original applicants to 30 who will qualify to play on the Tour the following season (PGA Tour, 2006c).} Without exempt status, it is unrealistic to attempt to play the tour full time, because the only way players can qualify for tournaments would be by requesting a sponsor’s exemption (which is likely only to be awarded to a popular veteran not already exempt, or a local player) or by playing the open qualifying event prior to each tournament, where more than 100 players are likely to battle for five or fewer spots.

The European, Japanese, and Asian tours all have similar systems for determining who can compete. The Australasian and Sunshine tours are much easier to enter, and many times the fields are not even filled to capacity (Huggan, 2005b). What has evolved over time is that the four smaller tour have become fallback options for players who cannot obtain exempt status on the PGA or European PGA Tour. American Todd Hamilton, the surprise winner of the 2004 British Open, played on the Japan Golf Tour for so long he is their 20th all-time leading money winner (Japan Golf Tour, 2006).

The way in which amateur golfers become professionals differs across the globe as well. In the United States, players who have the potential to make professional golf a career almost all...
attend college and hone their game in the highly competitive world of NCAA golf.\(^5\) They will then attempt to gain exempt status either through the qualifying tournament or by playing well on the Nationwide Tour. If they are unable to get status on the Nationwide Tour, they can still earn a living by playing on the Hooter’s Tour, local professional events, or by playing overseas.

In the rest of the world, becoming a professional golfer means getting a job as an assistant pro. Greg Norman is fond of telling how mad his father was when he dropped out of high school to take a $28 per week job as an assistant professional in Queensland (World Golf Hall of Fame, 2005b), but that is the way most golfers train for a professional career outside the United States. The exception is the foreign player who wants to attend college, the only way to do that and also prepare for a playing career is to get a scholarship to an American university. Current PGA Tour players who have followed that path include Steve Elkington (Australia and the University of Houston), Luke Donald (England and Northwestern University), and Tim Clark (South Africa and North Carolina State) (PGA Tour, 2006d).

**Summary**

During the latter half of the 20th century, golf has become a global sport. The power-that-be in professional golf have recognized and embraced this fact, and globalization has benefited professional players around the world. Tournament prizes and opportunities for off-course income are greater than ever before. Fans all over the world have benefited as well, since most of the world’s top players travel extensively, in part due to the creation of the International Federation of PGA Tours.

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\(^5\) Among American golfers exempt on the 2006 PGA Tour, only Sean O’Hair did not attend college. It has been well-publicized that his father forced him to turn professional after graduating High School, a case that many have pointed to as one of the worst examples of how to raise a young athlete (Feherty, 2005).
The PGA Tour and the European PGA Tour have been the greatest beneficiaries of golf’s worldwide growth, since they are now able to attract the best players from around the world to enter their tournaments. The Asian Tour has benefited as well in that their tour was non-existent until the creation of the Federation, and the PGA and European Tours view it as an emerging market for golf. The Japan Golf Tour has been in general unaffected by golf’s globalization, since very few of its players participate in the World Golf Championships, and few foreign players travel to Japan to play. It is clear that the Australasian and Sunshine Tours have been hurt by the globalization, since their best players are bound to bolt for the greener pastures of either the PGA or the European PGA Tours, leaving their home tours bereft of stars.

Globalization has created a more competitive environment, and this increased competition has let to a more equitable distribution of prize money. At the same time there is like more inequity in total player income after endorsement income and appearance fees are considered. It is tougher to gain exempt status on the PGA Tour than ever before, but opportunities to train to become a professional golfer and places to play professional golf have increased. Lately, much of golf’s rapid growth has been attributed to the so-called “Tiger Woods Effect,” but the impact of globalization should not be discounted.
Table 1

*Key Facts About the World's Major Golf Tours*

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<tr>
<th>Tour</th>
<th>2005 Events</th>
<th>Total Prize Money, 2005</th>
<th>Leading money winner, 2005</th>
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<tr>
<td>PGA Tour</td>
<td>55</td>
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<td>Tiger Woods</td>
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<td>European PGA Tour</td>
<td>43</td>
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<td>Japan Golf Tour</td>
<td>22</td>
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<td>Singo Katayama</td>
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*Notes.* All data from each tour's respective web site. Event totals do not include the four majors three World Golf Championship events, co-sponsored by all six tours. All prize money is in U.S. dollars, converted by the author using the average daily exchange rate as of December 31, 2005 (Onada Corporation, 2006).
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