THE LEBRON EFFECT

A THESIS

Presented to

The Faculty of the Department of Economics and Business

The Colorado College

In Partial Fulfilment of the Requirements for the Degree Bachelor of Arts

By:

Leopold Magnus

May 2025

THE LEBRON EFFECT

Leopold Magnus

May 2023

Business, Economics, and Societies Major

Abstract

This study investigates the economic impact of popular athletes by analyzing the presence of LeBron James in Los Angeles from when he joined the Lakers in 2018 to the present day. This research examines LeBron's impact on various economic factors such as the Los Angeles GDP, Lakers revenue, Los Angeles unemployment, and the Laker's franchise valuation. Using a difference-in-difference regression model, results show that LeBron's presence had a statistically significant impact on Los Angeles GDP, increasing it by approximately $103 billion on average. LeBron's effect on the Laker's revenue and franchise valuation was positive but not statistically significant. His impact on Los Angeles was negative, meaning the unemployment rate decreased with the presence of LeBron, but this finding was not statistically significant. This research examined the broader influence of sports superstars on local economies, contributing to growing discourse on sports, business, and development.

KEYWORDS: (LeBron James, Economic Impact, Sports Economics)

JEL CODES: (L83, Z23, R11)

ON MY HONOR, I HAVE NEITHER GIVEN NOR RECEIVED

UNAUTHORIZED AID ON THIS THESIS

Signature

Table of Contents

List of Tables

List of Figures

Acknowledgment

I would like to acknowledge and extend gratitude to my wonderful thesis advisor, Lora Louise Broady. Her unwavering support was crucial in the completion of this thesis.

1. Introduction

When thinking of the NBA's greatest players of all time, names such as Michael Jordan, Kareem Abdul-Jabbar, and Wilt Chamberlain might come to mind, However, there is one name that stands out amongst the rest: LeBron James. It is clear how star athletes can impact their team's success, but does their influence reach further? Athletes such as LeBron James not only have the capability to impact wins and losses, but also the local economies where they play. A myriad of metrics can be used to define a player's success, and game statistics merely scratch the surface of explaining superstar's engagement. This research aims to investigate the potential impact of a superstar athlete on the city where their team plays.

LeBron James was born on December 30th, 1984, in the small town of Akron Ohio. Growing up in a single parent household, raised by his mother, the expectations for his success in life were exorbitantly low. However, with natural talent and a level head, young LeBron rose to becoming arguably the greatest NBA prospect the world has ever seen (Jones, 2005). After having a magnificent high school career, LeBron was ready to take his talents to the NBA as a young teenager. LeBron was selected as the number 1 overall pick to the Cleveland Cavaliers, a franchise with limited success and incredibly low expectations at the time (Gurnett, 2019). LeBron made an immediate impact during his rookie campaign, averaging 20.9 points, 5.5 rebounds, and 5.9 assists a game (basketball reference), which earned him the Rookie of the Year award for being the best first-year player in the league. He then made a large jump in his second year, improving to average 27.2 points, 7.4 rebounds, and 7.2 assists per game (basketball reference). It wasn't until his sixth year in the league when he was recognized as the best player in the NBA and won the MVP award. LeBron went on to average over 25 points, 6 rebounds, and 6 assists per game for the rest of his 22-year NBA career. In a blockbuster move, LeBron shocked the basketball world when he announced that he would be taking his talents to South Beach to play for the Miami Heat. He

won back-to-back championships with the Miami Heat in 2012 and 2013, securing finals MVP in both series. After his tenure with Miami, LeBron decided to head back to Cleveland. He then went on to win the NBA finals again in 2016, once again securing the finals MVP as well as leading the first ever 3-1 comeback over a 7-game series. After a second stint with Cleveland, LeBron announced his move to Los Angeles, where he would play for the Lakers. Again in 2020 LeBron claimed a championship ring for the city of Los Angeles, once again earning the finals MVP award (Basketball Reference, 2024). These accomplishments have put LeBron in the conversation of the greatest basketball player of all time, and many conclude that he has earned this title (Beer, 2020). Several statistics will help explain the overall impact that LeBron James has had on his teams' cities and will be further explored and modeled in this paper: Gross Domestic Product (GDP) is a measure of the monetary value of final goods and services that are produced in a country during a period of time (Callen, 2008). GDP is widely regarded as the main indicator for an economy's overall health; when GDP is increasing, workers and businesses are typically doing well (Callen, 2008). Ticket sales are the lifeline for sporting events and organizations (Popp, 2017). Ticket sales generate revenue for sports organizations, leading to a boost in profits (Popp, 2017). The overall success of a team can increase the overall ticket sales for an organization (Popp, 2017). Ticket sales as a result of sporting events can bring in revenue to cities, as well as boost spending at local restaurants and bars (Bowley & Tinsley, 2024). For example, on Taylor Swifts latest music tour, she had an average of 54,000 fans attending each concert, which was estimated that it could generate up to $4.6 billion in consumer spending for the US economy (Bowley & Tinsley, 2024). Additionally, High unemployment has negative consequences for an economies well-being (Levine, 2012). It is necessary to explore the potential employment opportunities that LeBron James brought to Los Angeles since the determinant has a direct impact on an economy. Lastly, franchise valuation can be defined by

how much an organization is worth. This is determined by market value, subjective value, and objectified value (Sonntag, 2011). Franchise valuation has a direct impact on the distribution and organization of sporting events, as well as merchandise sales (Sonntag, 2011), which, as previously stated, can have an impact on local economies.

The goal of this paper is to test the extent that a generational talent such as LeBron James can have on their local city. This study will specifically focus on the time LeBron spent in Los Angeles from 2018 to the present day. I hypothesize that LeBron James had a positive impact on the local Los Angeles economy, specifically in the surrounding area of Crypto.com arena, where the Lakers play. My aim is to understand how athletes impact communities beyond entertainment. I will characterize the local Los Angeles economy through multiple factors such as unemployment rate, revenue generated by the Los Angeles Lakers, GDP, and franchise valuation. I will then isolate the direct impact of LeBron James on these factors to show a correlation between LeBron's stardom and increased economic activity in Los Angeles during a specific period. I expect to show that due to LeBron's generational basketball talent and community engagement, he has had a positive impact on LA's local economy during the times he had played there.

This research is organized into multiple chapters, starting with a literature review that provides a comprehensive review of the existing research on this topic. Following the literature review, I will review the theoretical framework and methodological approach of this study, including modelling that support my hypothesis. Through data and regression analysis, I aim to show the correlation between LeBron James and the positive impact he had on Los Angeles's economy during the times he played there. Lastly, I will explain my findings in the analysis and results section. This will clarify my data analysis and test my hypothesis, which I expect to be true. Finally, I will summarize my research findings and suggest future areas of study.

2. Literature Review

This literature review provides background and context to explain how NBA superstars and specific sporting events provide a boost to their local economies. First, an overview of LeBron's career both on and off the court will be explained. This will be followed by an examination into how and why NBA superstars are important to their teams and cities. Then, a framework on the impact of specific sporting events such as the Olympics and Major League Soccer games, and their impact on local economies. Finally, the impact on local economies that LeBron has had on previous cities he has played in will be reviewed. Data for this literature review was found through multiple sources which include working papers, economic textbooks, and finance journals.

Who is LeBron James?

Born on December 30th, 1984, in Akron Ohio, LeBron James began his life from humble beginnings (Gurnett, 2019). Raised in a single parent household by his mother, Gloria James, the odds were stacked against LeBron. By the age of 8, LeBron and his mother had moved 10 times. Sleeping on couches and struggling to get by, LeBron found sports as an escape from his difficult young life. When a pee wee football coach offered to pay for LeBron's equipment, he and his mother pounced at the opportunity (Gurnett, 2019). Being one of the biggest kids on the field, LeBron started performing right away. So much so that his coach opened his home to the James family (Gurnett, 2019). His coach, Frankie Walker, suggested that LeBron try out basketball, since he was incredibly tall for his age. Despite not being able to make a left-hand layup at first, LeBron and coach Walker stuck with it in hope that LeBron could one day turn into the generational talent that he currently is. Once LeBron entered middle school, he started playing for an Amateur Athletic Union (AAU) team known as the Shooting Stars. During a student-teacher game at his middle school, LeBron stole the basketball and went down the other end and threw down a thunderous dunk. Afterwards, his

teachers disassembled the goal and gave the rim to LeBron as a gift. From that moment on, everyone surrounding LeBron could begin to see the amount of potential this young star possessed (Gurnett, 2019). By the time middle school had concluded for LeBron, he was touted as one of the greatest AAU players in history.

He was now ready to display his talents at the high school level. While attending St. Vincent-St. Mary's, LeBron became the first freshman to start on varsity in the school's history. A starter plays at the beginning of the game and usually plays the most minutes (Gurnett, 2019). LeBron had an early impact at the high school varsity level, all while being 14 years old. In his freshman season, he averaged an astonishing 18 points, 6.3 rebounds, and 3.6 assists per game. LeBron impressed at such a high level that even his coach labelled him as "the perfect teammate" and that "he was always concerned with winning" (Gurnett, 2019). During his sophomore year, LeBron took another leap in performance while being named Ohio's Mr. Basketball (Gurnett, 2019). LeBron was the first sophomore to ever win this award given to the state's best player. During his junior year, LeBron continued his rise to stardom. Averaging 28 points, 9 rebounds, and 6 assists per game, he would sell out arena's night after night, despite only being 16 years old. On February 18th, 2002, LeBron became the first and only high school junior to be put on the cover of Sports Illustrated (Gurnett, 2019). They labeled him as "The Chosen One" and this would become one of his most prominent nicknames throughout his career. After his junior season, LeBron was Mr. Basketball in Ohio again, as well as the national Mr. Basketball for the entire united states. Along with this, LeBron won the Parade Player of the year and Gatorade Player of the Year, two awards that recognize the best basketball player in the country (Gurnett, 2019). During his senior year, LeBron averaged over 30 points a game, won the Ohio state championship, and cemented himself as the clear number one overall pick in the next year's NBA draft. He was truly a once in a generation player by the time he was 17 years old. After high school, LeBron

decided to skip college and head straight to the NBA, a decision also made by peers like Kobe Bryant and Kevin Garnett in previous years. LeBron was selected as the first overall pick in the 2003 NBA draft to a struggling team called the Cleveland Cavaliers. Along with this, LeBron signed a seven-year, $90 million dollar contract with Nike, making him a multimillionaire while still being a teenager (Jones, 2005). From humble beginnings to NBA stardom, LeBron James's career is a testament to the power of perseverance and the relentless pursuit of excellence.

LeBron's NBA career – on and off the court

LeBron's extraordinary NBA career is legendary (Funk & Wagnalls, 2023). After being drafted first overall in 2003 to the Cleveland Cavaliers ("Cavs"), LeBron went on to have one of the most exceptional careers in NBA history. He was selected as the NBA's most valuable player for the 2008-2009, 2009-2010, 2011-2021, and 2012-2013 seasons (Funk & Wagnalls, 2023). This award is given to the best overall player in the NBA each year. In 2006-2007, LeBron led a lacklustre Cleveland team to the NBA finals, eventually losing to the powerhouse San Antonio Spurs. LeBron signed with the Miami Heat in the 2009-2010 season, where he would win the NBA finals in 2011-2021, and 2012-2013 (Funk & Wagnalls, 2023) In 2014, LeBron would return home to Cleveland with the hopes of bringing the city an NBA championship. He led the Cavs to the NBA finals four straight years from 2014-2018, winning in 2015-2016 (Funk & Wagnalls, 2023) Then, in 2018, LeBron announced that he would be joining the Los Angeles Lakers in another blockbuster free agent signing. In 2020, LeBron accomplished his goal of bringing another championship banner to the city of Los Angeles, defeating his former Miami Heat in 6 games (Funk & Wagnalls, 2023). Additionally, LeBron recently passed Kareem Abdul-Jabbar as the NBA's all-time leading scorer, once again cementing himself in the conversation of the greatest basketball player of all time.

LeBron's career off the court is nothing short of amazing, as he has leveraged his status to create a more equitable world. LeBron's activism off the court has been shown to affect social and political discourse (Galily, 2019). It is argued that high-profile athletes can persuade people towards their political preferences, such as LeBron James. Social media is a large factor in community outreach, and since LeBron is extremely active on sites such as Instagram and Twitter (now X), he has the ability to reach millions of impressionable individuals (Galily, 2019). In 2017, LeBron openly attacked Donald Trump, calling him a "bum" on Twitter, inherently criticizing the president's remarks about race. This sparked Fox News host Laura Ingraham to coin the infamous term "shut up and dribble". LeBron spoke critically of this remark, describing how important it is for prominent athletes to leverage their platforms and speak out against injustices. This prompted the creation of a prominent hashtag on social media "we will not shut up and dribble" (#wewillnotshutupanddribble). This hashtag represented an important issue within the African American community, that black NBA players would continue to use their voice to stand up to racial injustice (Scholes, 2022). Along with his Twitter (now X) platform, LeBron has made a substantial impact in the real world. He has given millions of dollars to the depressed areas of Akron, Ohio, has paid the tuition for many students at the University of Akron, and inspired the Cleveland Cavaliers to create and market t-shirts with the phrase "I can't breathe" across the front to protest the death of Eric Garner by a NYPD officer in 2014. Additionally, LeBron opened his own school in Akron called "I promise" that grants free attendance for underprivileged youth in the area. Finally, LeBron and his businesses partner Maverick Carter created the media company "Uninterrupted" with the goal of telling stories that cannot be misconstrued by the media (Polacek, 2018).

The LeBron Effect

The impact of superstars goes far beyond their ability to affect the outcome of games. Not only do superstars help produce more wins for a team, but they produce a wide range of engagement within their cities. It has been found that NBA superstars impact the attendance at both home and away games (Shoag & Veuger, 2019). It has also been found that NBA superstars can have a spillover effect on the local economies where they play. Specifically, it was found that LeBron James had a statistically and economically significant impact on the eating and drinking establishments, as well as employment at those establishments in the surrounding area of Cleveland and Miami's sports stadiums (Shoag & Veuger, 2019). His presence increased the number of these establishments in the area by 13%, and employment by 23.5% (Shoag & Veueger, 2019). This was calculated through the difference-in-differences method (Shoag & Veueger, 2019). Additionally, it was predicted that LeBron's move to Los Angeles would create 2,989 new jobs, have a five-year economic impact of $396,985,680, and the five-year state tax revenue would total to $29,376,940 (Gray, 2018). James' announcement had already increased ticket sales before he even stepped foot in Los Angeles (Gray, 2018). However, bar and restaurant owners in Cleveland had worried about LeBron's departure and how it would impact their businesses, since he was so instrumental to increasing consumption in the area surrounding Cleveland's stadium (Gray, 2018).

In 2018, it was suggested that LeBron would have a positive impact on the retail sector in Los Angeles (Verry, 2018). Major figures within the footwear industry saw a quick surge in the amount of LeBron apparel following his announcement to join the Lakers (Verry, 2018). LeBron led all signature basketball shoe sales throughout the year 2017, and it was believed that LeBron's status being paired with the pedigree of Los Angeles would boost the number of footwear sales within the city (Verry, 2018). The NBA's rise in popularity is due to the fame of marketability of its best players (Kaplan, 2020). Specifically, the overall

popularity of NBA superstars can and will impact the ticket sales for their teams. For example, it was found that when superstars announce that they will miss games that there is a significant impact on fans' willingness to pay for tickets. Specifically, there was a 21% ($75) reduction in prices for LeBron when it was forecasted that he would miss a game (Kaplan, 2020). Additionally, it was found that for every 1% increase in the popularity of a superstar matchup (measured by the total number of all-star votes of all players participating) lead to a 0.13% increase in TV ratings and ticket prices (Kaplan, 2020). Popular NBA players have the largest impact on both prices and ratings for games.

Comparative analysis

It is important to understand the significance that sports in general have on impacting local cities. Take for example the payoff for the regional economy of the Winter World Masters Games (WWMGs) in 2020 in Tyrol, Austria (Lintumaki, 2020). It was found that the WWMGs had a significant impact on Tyrol's regional economy, generating 6.18 million Euro's (Lintumaki, 2020). Sports events, especially global ones, can increase a hosting region's economy by boosting visitor expenditure as well as the region's image as a destination for sports tourism (Lintumaki, 2020). Additionally, sports events create local economic benefits by stimulating businesses and creating more jobs (Lintumaki, 2020).

The effect that marquee players in Major League Soccer (MLS) have on attendance records is also significant (Jewell, 2017). It was found that changes to salary rules within MLS that allowed teams to pay over the salary cap had a significant impact on attendance during games. Their study showed that when David Beckham took the field (a star player in the MLS), attendance rates were 25% higher than league average, meaning that nearly 4,400 extra fans attended (Jewell, 2017). Other MLS stars such as Cuauhtémoc Blanco also drew new fans to his games, garnering 134,864 extra fans in his 62 career MLS games (Jewell, 2017). The economic impact of local governmental subsidies of sports stadiums is important

to assess. It was discovered that sports venues do have a statistically significant impact on wider metropolitan areas, but they do have a large economic spill over in close proximity to the venues (Bradbury et al, 2023). Consumer traffic that is driven by fans can help increase the profitability of surrounding businesses located near a prominent sports facility. In addition to this, the economic impact of sports venues is directly correlated to characteristics of the location of the venue. Specifically, developing areas with lower property values are much more likely to experience economic improvement, while high-income areas are less likely to see significant economic improvement (Bradbury et al, 2023). The Olympic Games are known to have a significant impact on local economies. When Sydney, Australia hosted the Olympic Games in 2000, during the 6 years before and after the event, the GDP in Australia increased by 6.3 billion pounds due to investments as a result of hosting the games (Müller, 2016). Before hosting in 2004, Athens needed to substantially improve infrastructure development in order to host the Olympic Games. This resulted in the improvement of country towns and underdeveloped areas catching up, leading to decreased inequalities at the regional level. Greece also saw improvements to investments, which increased the GDP by .2%, and GNP by 3.8% ((Müller, 2016). About one third of this improvement was due to preparing for the Olympic Games through investments into infrastructure.

By using the simple difference-in-differences (DID) estimation, Kaplan (2019) was able to examine the relationship between superstar players missing games and the ticket prices of the missed games. It was found that when a superstar player missed a game, the price of tickets dropped significantly. For example, when it was announced that superstar point Guard Steph Curry would miss a game the average ticket price would decrease by $25 (Kaplan, 2019). This study also found that popular players Kyrie Irving and Anthony Davis have a statistically and economically significant impact on the average ticket price, with prices decreasing from 7-25% when they miss a game (Kaplan, 2019).

Engagement

Not only do professional athletes garner massive amounts of attention on the court and field, but they attract millions of impressions online as well. The significance of a star players outreach is important, as it can impact their local communities. Specifically, LeBron James' Facebook, Instagram, and Twitter accounts garnered almost 96 million combined impressions in the year 2017 (Kleps, 2017). Since social media fosters large amounts attention from individuals, having a prominent following can attract more consumers.

There is a direct correlation between a player's earnings and their popularity, as well as the amount of money a player can generate (Klock, 2020). Simply put, as a player's popularity increases, which increases the likelihood that the player can generate more money through engagement. Improved engagement will increase the consumption of a players and team's merchandise (Wysocki, 2012). A significant number of people repeat the actions of their role models, proving that promoting oneself via the internet contributes to increased earnings for both the player and team they represent, which can eventually spill over into the local community.

Through examining LeBron James career, his affect both on and off the court, and other sporting events and star players effect on their teams and communities, it becomes clear the impact that a superstar athlete has on a local economy in areas such as the Lakers revenue, unemployment rate, GDP, franchise valuation, community activism, engagement, and local spillover effects.

3. Theory and Methodology

To investigate the research question of whether generational athletes, such as LeBron James, contribute to positive economic impacts on local team economies, this section details the theoretical underpinnings and methodological design of the study.

3.1. Methodology

The impact of a generational athlete on local economies is a phenomenon that extends beyond wins and losses. When an athlete surpasses a certain level of stardom, their influence can help shape the economic landscape of the city they play for. LeBron James embodies this concept. To better understand the statistical significance of LeBron's impact on the local Los Angeles economy, multiple regressions were performed. Data for these regressions were collected from statista.com and the St. Louis Fed (FRED). It was necessary to collect data pertaining to the Los Angeles GDP, the revenue generated by the Los Angeles Lakers, the unemployment rate of Los Angeles, and the franchise valuation of the Los Angeles Lakers. Additionally, to control for these variables and isolate the impact of LeBron, it was necessary to include data on the Lakers net operating income, the California population, US inflation, US interest rates, NBA finals viewership, California GDP growth, the Los Angeles median household income, and whether LeBron was present in Los Angeles during a given year. Due to the timeline of LeBron's career, the period for this study was 2004-2024, to give a better pre-LeBron baseline in order to improve regression results.

Data Overview

The data chosen for this regression comes from statista.com and the St. Louis Fed (FRED). In order to accurately test my hypothesis, it was important to include a mix of economic, sports, and financial variables that control for broader market trends. The timeframe for each dataset was from the first quarter of 2004 to the first quarter of 2024. It was essential to survey a 20-year timeline to establish a baseline for when LeBron was not

present in Los Angeles. The data collected was cleaned and uploaded into an excel spreadsheet where it was then assigned to a specific year during the timeframe of 2004-2024.

Figure 1: Summary of Lakers metrics/ LA economy

Year	LA GDP	Lakers Operating Income	LA Unemployment	Lakers Valuation	Lakers Revenue	Cali Population	US Inflation	US interest	NBA finals viewership	Cali GDP Growth	LA Median income	LeBron
2004	696,490,000,000.00	38,200,000.00	0.1	447,000,000	170,000,000	35,250,000.00	0.02	0.01	11.50	0.03	43,518	0
2005	717,800,000,000.00	35,800,000.00	0.0	510,000,000	156,000,000	35,560,000.00	0.02	0.03	8.20	0.04	48,166	0
2006	746,820,000,000.00	33,300,000.00	0.0	529,000,000	167,000,000	35,980,000.00	0.02	0.05	8.50	0.04	51,279	0
2007	754,280,000,000.00	31,800,000.00	0.0	568,000,000	170,000,000	36,230,000.00	0.02	0.05	6.20	0.02	53,494	0
2008	762,210,000,000.00	47,900,000.00	0.1	560,000,000	191,000,000	36,580,000.00	0.02	0.02	9.30	0.01	55,452	0
2009	729,620,000,000.00	51,100,000.00	0.1	584,000,000	209,000,000	36,960,000.00	0.02	0.00	8.40	-0.04	54,375	0
2010	750,120,000,000.00	33,400,000.00	0.1	607,000,000	214,000,000	37,320,000.00	0.02	0.00	10.60	0	52,595	0
2011	759,140,000,000.00	24,300,000.00	0.1	643,000,000	208,000,000	37,640,000.00	0.02	0.00	10.20	0.02	52,239	0
2012	770,620,000,000.00	47,600,000.00	0.1	900,000,000	197,000,000	37,950,000.00	0.02	0.00	10.10	0.03	52,929	0
2013	784,820,000,000.00	66,400,000.00	0.1	1,000,000,000	295,000,000	38,260,000.00	0.02	0.00	10.50	0.04	54,443	0
2014	803,960,000,000.00	104,100,000.00	0.1	1,350,000,000	293,000,000	38,600,000.00	0.02	0.00	9.30	0.04	55,686	0
2015	835,960,000,000.00	133,400,000.00	0.1	2,600,000,000	304,000,000	38,920,000.00	0.02	0.00	11.60	0.05	59,045	0
2016	851,200,000,000.00	119,200,000.00	0.1	2,700,000,000	333,000,000	39,170,000.00	0.02	0.00	11.40	0.03	61,308	0
2017	965,280,000,000.00	136,000,000	0.0	3,000,000,000	371,000,000	39,360,000.00	0.02	0.01	11.30	0.05	64,912	0
2018	991,250,000,000.00	147,000,000	0.0	3,300,000,000	395,000,000	39,340,000.00	0.02	0.02	10	0	67,986	1
2019	1,024,820,000,000.00	178,000,000	0.0	3,700,000,000	434,000,000	39,440,000.00	0.02	0.02	8.80	0.04	72,721	1
2020	981,310,000,000.00	155,000,000	0.1	4,400,000,000	400,000,000	39,500,000.00	0.01	0.00	4	-0.01	75,624	1
2021	1,042,010,000,000.00	63,000,000	0.1	5,500,000,000	316,000,000	39,140,000.00	0.02	0.00	5.20	0.08	77,356	1
2022	1,060,500,000,000.00	115,000,000	0.0	5,900,000,000	465,000,000	39,030,000.00	0.03	0.02	6.50	0.01	82,455	1
2023	1,075,060,000,000.00	159,000,000	0.0	6,400,000,000	516,000,000	38,970,000.00	0.02	0.05	6.10	0	86,499	1
2024	1,080,000,000,000	199,000,000	0.1	7,100,000,000	522,000,000	39,530,000.00	0.02	0.05	5.80	0.03	98,200.00	1

Source: Compiled by author from Statista.com and the St. Louis Fed

Summary of Variables

The variables used in the model are described below in Table 1.

Table 1: List of Variables

Dependent Variables	**Independent Variables**	**Control Variables**
LA GDP	LeBron	US Inflation
Lakers Revenue		US Interest Rates
LA Unemployment		California Population
Lakers Franchise Valuation		LA Median Household Income
		California GDP Growth
		NBA Finals Viewership

Source: Compiled by author

Model

The model for this study uses a difference-in-difference regression to compare before vs after LeBron's arrival in Los Angeles (2018) while controlling for other economic factors. Note that each regression was improved by clustering standard errors in order to correct correlation within groups, leading to more accurate significance levels.

$$\mathbf{Yt=\beta0+\beta1LeBront+\beta2Xt+\epsilon t}$$

Where:

- Yt = dependent variable (LA GDP, Lakers Revenue, LA Unemployment, Lakers Franchise Valuation)
- LeBront = Treatment variable (1 if year ≥ 2018, 0 otherwise)
- Xt = Control variables (California GDP Growth Rate, US Inflation, US Interest Rates, California Population, NBA Finals Viewership, LA Median Household Income)
- β0 = Intercept (baseline outcome before 2018)
- β1 = Effect of LeBron's arrival (main coefficient)
- β2 = Coefficients for control variables
- ϵt = Error term

The specific model for each independent variable:

1. Impact on LA GDP

$$\text{LA GDP}t=\beta0+\beta1\text{LeBront}+\beta2\text{Cali GDP Growth}t+\beta3\text{US Inflation}t+\beta4\text{US Interest Rate}st+\beta5\text{Cali Population}t+\beta6\text{LA Median Income}t+\beta7\text{NBA Finals Viewership}t+\epsilon t$$

2. Impact on Lakers Revenue

$$\text{Lakers Revenue}t=\beta0+\beta1\text{LeBront}+\beta2\text{Cali GDP Growth}t+\beta3\text{US Inflation}t+\beta4\text{US Interest Rate}st+\beta5\text{Cali Population}t+\beta6\text{LA Median Income}t+\beta7\text{NBA Finals Viewership}t+\epsilon t$$

3. Impact on Los Angeles Unemployment

$$\text{LA Unemployment}_t = \beta_0 + \beta_1 \text{LeBron}_t + \beta_2 \text{Cali GDP Growth}_t + \beta_3 \text{US Inflation}_t + \beta_4 \text{US Interest Rate}_t + \beta_5 \text{Cali Population}_t + \beta_6 \text{LA Median Income}_t + \beta_7 \text{NBA Finals Viewership}_t + \epsilon_t$$

4. Impact on Lakers Franchise Valuation

$$\text{Lakers Valuation}_t = \beta_0 + \beta_1 \text{LeBron}_t + \beta_2 \text{Cali GDP Growth}_t + \beta_3 \text{US Inflation}_t + \beta_4 \text{US Interest Rate}_t + \beta_5 \text{Cali Population}_t + \beta_6 \text{LA Median Income}_t + \beta_7 \text{NBA Finals Viewership}_t + \epsilon_t$$

Limitations:

Although this study provides insight into the economic impact of LeBron James on Los Angeles, there are several limitations to be acknowledged. While the difference-in-difference model helps to control for external economic factors, it still does not establish a direct causality between LeBron's presence and economic impacts. Other factors such as NBA trends, changes in team management, or other external economic shocks may have contributed to changes in LA GDP, Lakers revenue, and franchise valuation. Additionally, the limited sample size and number of observations reduced the statistical power of these regressions. Also, this study does not fully account for all economic factors that could have influenced LA's economy.

4. Results and Analysis

Regressions results:

Table 2: Los Angeles GDP regression

Linear regression — Number of obs = 21; F(7, 20) = 410.29; Prob > F = 0.0000; R-squared = 0.9697; Root MSE = 3.0e+10

(Std. err. adjusted for 21 clusters in Year)

LA_GDP	Coefficient	Robust std. err.	t	P>|t|	[95% conf.	interval]
LeBron	1.03e+11	3.69e+10	2.78	0.012	2.56e+10	1.80e+11
Cali_GDP_Gro~h	5.55e+11	2.92e+11	1.90	0.072	-5.43e+10	1.17e+12
US_Inflation	-1.48e+09	2.60e+12	-0.00	1.000	-5.43e+12	5.42e+12
US_Interest_~s	3.54e+11	2.90e+11	1.22	0.237	-2.52e+11	9.59e+11
Cali_Populat~n	24870.02	9826.838	2.53	0.020	4371.592	45368.44
LA_Median_Ho~e	4401864	1945923	2.26	0.035	342738.9	8460989
NBA_Finals_V~p	3.64e+09	2.74e+09	1.33	0.199	-2.08e+09	9.36e+09
_cons	-4.44e+11	3.38e+11	-1.31	0.204	-1.15e+12	2.61e+11

Source: Compiled by author in Stata

An R-Squared of .9697 means that the model explains 96.97% of the variation in Los Angeles GDP, meaning that this model is a very strong fit. The LeBron coefficient of 1.03e+11 equates to 103 billion, meaning that after LeBron's arrival in 2018, the Los Angeles GDP increased by about $103 billion on average. With a p-value of .012, we can say with confidence that LeBron's presence in Los Angeles had a statistically significant impact on the Los Angeles GDP, even while controlling for other economic variables. Control variables that had a significant positive effect on Los Angeles GDP are California Population (p = .020), and the Los Angeles Median Household income (p = .035), meaning that when these values increased, so did the Los Angeles GDP. For these regression results, LeBron James had a statistically significant impact on the LA GDP, increasing it by about $103 billion. California's population growth and median household income also had significant

contributions to the LA GDP. Economic factors such as US Inflation, Interest Rates, and NBA Finals Viewership did not have any significant impact on LA GDP.

Table 3: Lakers Revenue regression

Linear regression — Number of obs = 21; F(7, 20) = 44.73; Prob > F = 0.0000; R-squared = 0.9552; Root MSE = 3.1e+07

(Std. err. adjusted for 21 clusters in Year)

Lakers_Revenue	Coefficient	Robust std. err.	t	P>|t|	[95% conf.	interval]
LeBron	5.97e+07	3.27e+07	1.83	0.083	-8488041	1.28e+08
Cali_GDP_Gro~h	-7.40e+08	3.92e+08	-1.89	0.073	-1.56e+09	7.71e+07
US_Inflation	2.03e+09	3.25e+09	0.62	0.540	-4.76e+09	8.81e+09
US_Interest_~s	1.16e+09	5.80e+08	1.99	0.060	-5.31e+07	2.37e+09
Cali_Populat~n	39.16231	17.96546	2.18	0.041	1.687016	76.6376
LA_Median_Ho~e	4137.443	1768.882	2.34	0.030	447.6184	7827.267
NBA_Finals_V~p	1.54e+07	5257246	2.93	0.008	4443578	2.64e+07
_cons	-1.64e+09	6.24e+08	-2.64	0.016	-2.95e+09	-3.43e+08

Source: Compiled by author in Stata

An R-Squared of .9552 suggests that the model explains 95.52% of variation in Lakers revenue, meaning this model is an extremely strong fit. The LeBron coefficient of 5.97e+7 means that after LeBron's arrival in LA in 2018, the Lakers revenue increased by about $59.7 million. However, the p-value of .083 means that this result is not statistically significant at the 5% level, so there is no strong evidence that LeBron directly caused an increase in revenue. Since it is close to being significant, there is still some relationship, but more data would be needed to confirm the relationship. In this regression, we learn that league-wide popularity has a strong impact on the Lakers revenue, since the p-value for NBA Finals Viewership is .008. Other variables such as California population and the Los Angeles Median Household Income also proved to have statistically significant positive effects on the Lakers Revenue.

Table 4: Los Angeles Unemployment regression

Linear regression — Number of obs = 21; F(6, 20) = .; Prob > F = .; R-squared = 0.6962; Root MSE = .01927

(Std. err. adjusted for 21 clusters in Year)

LA_Unemploym~t	Coefficient	Robust std. err.	t	P>|t|	[95% conf.	interval]
LeBron	-.0186602	.0118497	-1.57	0.131	-.0433783	.0060578
Cali_GDP_Gro~h	-.4248019	.2733613	-1.55	0.136	-.9950235	.1454197
US_Inflation	1.40877	2.72195	0.52	0.610	-4.269119	7.08666
US_Interest_~s	-1.192402	.2717126	-4.39	0.000	-1.759184	-.625619
Cali_Populat~n	3.31e-10	6.32e-09	0.05	0.959	-1.28e-08	1.35e-08
LA_Median_Ho~e	-6.56e-08	8.87e-07	-0.07	0.942	-1.92e-06	1.78e-06
NBA_Finals_V~p	-.0059129	.0021588	-2.74	0.013	-.0104161	-.0014097
_cons	.1214833	.2306295	0.53	0.604	-.3596014	.602568

Source: Compiled by author in Stata

An R-Squared of .6962 means that the model explains 69.62% of the variation in LA Unemployment, meaning it is a moderately strong fit. The LeBron coefficient is equal to -.0187, meaning that during LeBron's time in LA after 2018, the LA unemployment rate decreased by about 1.87 percentage points on average. However, a p-value of .131 means that this result has no statistical significance. While this result suggests that LeBron may have helped reduce unemployment, it is not strong enough to statistically confirm. More data or a larger sample size is needed to confirm this effect. This regression result was very limited due to the lack of data or the lack of economic variables.

Table 5: Lakers Franchise Valuation regression

Linear regression — Number of obs = 21; F(7, 20) = 137.19; Prob > F = 0.0000; R-squared = 0.9715; Root MSE = 4.7e+08

(Std. err. adjusted for 21 clusters in Year)

Lakers_Franc~n	Coefficient	Robust std. err.	t	P>|t|	[95% conf.	interval]
LeBron	3.62e+08	4.88e+08	0.74	0.467	-6.56e+08	1.38e+09
Cali_GDP_Gro~h	1.10e+10	4.60e+09	2.40	0.026	1.45e+09	2.06e+10
US_Inflation	3.12e+09	5.29e+10	0.06	0.954	-1.07e+11	1.14e+11
US_Interest_~s	-1.42e+10	7.01e+09	-2.02	0.056	-2.88e+10	4.29e+08
Cali_Populat~n	-182.2771	243.278	-0.75	0.462	-689.7462	325.192
LA_Median_Ho~e	164378.8	28929.29	5.68	0.000	104033.4	224724.2
NBA_Finals_V~p	3.56e+07	6.62e+07	0.54	0.597	-1.02e+08	1.74e+08
_cons	-1.48e+09	8.24e+09	-0.18	0.860	-1.87e+10	1.57e+10

Source: Compiled by author in Stata

An R-Squared of .9715 means that the model explains 97.15% of the variation in the Lakers Franchise Valuation, which is an extremely strong fit. The coefficient for LeBron is equal to 3.62e+7, meaning that during LeBron's time in LA after 2018, the Laker's franchise valuation has increased by $362 million on average. However, the p-value of .467 proves that this result is not statistically significant. Variables such as California GDP growth (p = .026) and LA Median Household income (p = .000) both had a statistically significant impact on the Laker's franchise valuation. Meaning that California's economic growth and a higher household income will both significantly increase the franchises value. LeBron's arrival is associated with an increase in franchise valuation, but this effect was not proven to be statistically significant. California's economic growth and rising household incomes in Los Angeles are much stronger predictors for valuation increase within this model.

Regression Analysis

These regression results suggest that LeBron's arrival in Los Angeles has had a measurable economic impact. The strongest evidence is seen in the LA GDP regression, where it was found that LeBron's presence corresponds with a statistically significant increase of $103 billion in GDP while controlling for broader economic trends. This finding supports the theory that generational athletes can create meaningful economic impacts within the cities of their teams (Shoag & Veuger, 2019). Additionally, this aligns with prior findings of LeBron's presence having a statistically significant effect on employment and local spending near sports venues (Gray, 2018).

Although positive, LeBron's impact on the Lakers revenue and franchise valuation was not statistically significant. The Lakers saw an estimated $59.7 million increase in revenue and a $362 million increase in franchise valuation, however, these results lacked statistical certainty, suggesting that superstar athletes may generate brand value, but their direct economic impact on a franchise may be influenced by additional external factors such as league-wide trends or macroeconomic conditions.

The unemployment regression displayed a negative coefficient, indicating that unemployment may have fallen since LeBron's arrival. However, this was not statistically significant. This indicates that broader labor market conditions are likely the primary divers of employment shifts in major cities like Los Angeles, rather than the presence of a single superstar athlete.

This study supports the broader theory that generational athletes such as LeBron James do in fact have a meaningful economic impact, especially when measuring city wide economic activity such as GDP. Although their impact on specific team metrics such as revenue and valuation, or their influence on employment trends may be less significant, their ability to drive engagement and local spending makes these athletes powerful economic tools.

For future generational athletes, these findings suggest that their impact extends beyond entertainment and performance. They can help shape economic narratives and elevate a city financially. Future research should explore whether these patterns hold true across other superstar athletes and major sports leagues, or whether LeBron's impact is solely tied to his brand and longevity.

5. Conclusion

This thesis set out to research the economic impact of LeBron James on the local Los Angeles economy, specifically during his time with the Lakers from 2018 to the present day. Using a difference-in-difference regression model, this study examined if LeBron's arrival in Los Angeles significantly impacted the Los Angeles GDP, Lakers revenue, unemployment, and the Laker's franchise valuation, while controlling for external economic factors such as the California GDP growth, US inflation, US interest rates, and the California population. The findings indicated that LeBron's presence had a statistically significant impact on the Los Angeles GDP, increasing it by about $103 billion on average. However, his impact on Lakers revenue and franchise valuation was positive but not statistically significant. LeBron's impact on Unemployment was negative, meaning that the LA unemployment rate decreased in the presence of LeBron, but this finding was not statistically significant. While the results did not find robust evidence linking LeBron's presence to reductions in unemployment, or increases in Laker's revenue and franchise valuation, this research explains how superstar athletes can contribute to economic activity.

This research contributes to the growing body of literature surrounding the economic impact of superstar athletes, adding empirical evidence to support the notion athletes themselves can drive economic outcomes. Prior studies have explored the role of sporting events such as the Olympics and World Cup, but few have examined the localized impact of a single athlete's presence on economic indicators such as GDP and unemployment. This study strengthens the argument superstars like LeBron James are not just entertainers, but rather drivers that influence consumer behavior and macroeconomic trends.

Future research should compare LeBron's impact in Los Angeles to his time in Cleveland and Miami, or test if similar effects occur with other NBA stars like Stephen Curry

or Giannis Antetokounmpo. Future research should also expand on this research by including primary business data or advanced econometric techniques to better establish causality.

The findings of this study have relevant implications for sports organizations. This study suggests that signing a superstar athlete can increase team valuation and revenue, though external economic factors remain key drivers of financial success. While LeBron's impact on Lakers revenue was not statistically significant, his presence coincided with a valuation increase of $362 million, suggesting that star players enhance long-term franchise value.

This study places the economic influence of sports superstars into the broader conversation about urban economics, consumer behavior, and entertainment-driven economies. Although LeBron James' presence alone doesn't fully explain the economic trends in Los Angeles, his arrival correlated with notable economic activity, confirming that sports and business is deeply connected. As professional sports evolve, the relationship between superstar athletes and economic impact will continue to be an important topic for academic discussion. Future research should expand on these findings by exploring long term economic trends, industry specific effects, and cross city or cross athlete comparisons. This will help deepen our understanding of how sports stars shape the financial landscape of the cities in which they play for.

References

Basketball Reference. (n.d.). *LeBron James stats*. Basketball-Reference.com. Retrieved March 7, 2025, from https://www.basketball-reference.com/players/j/jamesle01.html

Beer, T. (2020). These stats suggest LeBron James is the greatest basketball player ever. *Forbes.Com*. https://research-ebsco-com.coloradocollege.idm.oclc.org/c/o46j2u/viewer/html/v6sj3lnymv?modal=cite

Bowley, T., & Tinsley, D. (2024, January 30). *Consumer morsel: Sparks fly on local spending during live events*. Bank of America Institute. https://institute.bankofamerica.com/content/dam/economic-insights/consumer-morsel-during-live-events.pdf

Bradbury, J. C., Coates, D., & Humphreys, B. R. (2023). The impact of professional sports franchises and venues on local economies: A comprehensive survey. *Journal of Economic Surveys, 37*(4), 1389–1431. https://doi-org.coloradocollege.idm.oclc.org/10.1111/joes.12533

Callen, T. (2008). What is gross domestic product? *Finance & Development, 45*(4), 48-49.

Galily, Y. (2019). "Shut up and dribble!"? Athletes activism in the age of twittersphere: The Case of LeBron James. *Technology in Society, 58*, 101109.

Gray, S. (2018). Why LeBron James' move to Los Angeles could boost the city's economy. *Fortune.Com*, 1. https://research-ebsco-com.coloradocollege.idm.oclc.org/c/o46j2u/viewer/html/a7lfgr67kv

Gurnett, B. (2019). *GOAT-LeBron James: Making the case for greatest of all time*. Union Square & Co. https://books.google.com/books?hl=en&lr=&id=ll21EAAAQBAJ&oi=fnd&pg=PT5&dq=LeBron+James+career+stats&ots=LhgUF0Jf2P&sig=ruNYVyYOy7kYWTX8ZZeZHwGiE_o#v=onepage&q&f=false

James, L. (2023). *Funk & Wagnalls New World Encyclopedia*, 1.

Jones, R. (2005). *King James: Believe the hype—The LeBron James story*. Macmillan. https://books.google.com/books?hl=en&lr=&id=D7w8QpDyrUkC&oi=fnd&pg=PA7&dq=lebron+james+basketball+player&ots=MyA7B1CnTi&sig=bMInAYn_ZftkQHaGK2D4-rQplkk#v=onepage&q=lebron%20james%20basketball%20player&f=false

Jewell, R. T. (2017). The effect of marquee players on sports demand. *Journal of Sports Economics, 18*(3), 239–252. https://doi.org/10.1177/1527002514567922

Kaplan, S. (2020). The economic value of popularity: Evidence from superstars in the National Basketball Association. *SSRN Electronic Journal*. https://ssrn.com/abstract=3543686

Kaplan, S., Ramamoorthy, V., Gupte, C., Sagar, A., Premkumar, D., Wilbur, J., ... & Track, B. (2019, March). The economic impact of NBA superstars: Evidence from missed games using ticket microdata from a secondary marketplace. *13th Annual MIT Sloan Sports Analytics Conference*, 1-30.

Kleps, K. (2017, August 28). LeBron, Cavs dominate Cleveland's social stats. *Crain's Cleveland Business, 38*(35), 0014.

Klock, M., Tomanek, M., & Cieśliński, W. (2020). Social media and the value of contracts based on the example of the NBA. *Journal of Physical Education and Sport, 20*(5), 3063-3069.

Levine, L. (2012). Economic growth and the unemployment rate.

Lintumaki, P., Winner, H., Scheiber, S., Mederle, A., & Schnitzer, M. (2020). The economic impact of participant sports events: A case study for the Winter World Masters Games 2020 in Tyrol, Austria. *Economies, 8*(4). https://mdpi-res.com/economies/economies-08-00094/article_deploy/economies-08-00094.pdf?version=1604300143

Müller, A. N. E. T. T. A., et al. (2016). Economic impacts of sports events. *Studia Universitatis Babeș-Bolyai Educatio Artis Gymnasticae, 85*-95.

Polacek, S. (2018, November 15). LeBron James on Trayvon Martin shooting: "I just started to think about my boys." *Bleacher Report.* Retrieved September 15, 2021, from https://bleacherreport.com/articles/2806307-lebron-james-on-trayvon-martin-shooting-i-just-started-to-think-of-my-boys

Popp, N., Simmons, J., & McEvoy, C. D. (2017). Sport ticket sales training: Perceived effectiveness and impact on ticket sales results. *Sport Marketing Quarterly, 26*(2), 99.

Scholes, J. (2022). We will not shut up and dribble: LeBron James and the tripartite human being. *Religions, 13*(2), 148. https://doi.org/10.3390/rel13020148

Shoag, D., & Veuger, S. (2019). Taking my talents to South Beach (and back): Evidence from a superstar athlete. *Sport in Society, 22*(12), 1950–1960.

Sonntag, A. (2011). Evaluation of sports organization worth. *Sport Science Review, 20*(3-4), 173.

Verry, P. (2018). SLAM DUNK:LeBron James' arrival in LA is fueling some serious retail heat. Here, industry insiders sound off on how they plan to capitalize on a major moment. *Footwear News (FN), 74*(33), 9–10.

Wysocki, M. (2012). The role of social media in sports communication: An analysis of NBA teams' strategy. *Yayınlanmamış master tezi. School of Communication American University. Washington*.