

EUROPEAN AND NORTH AMERICAN SPORTS DIFFERENCES(?)

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ABSTRACT

Past comparative work argues that the differences between European and North American sports dramatically outweigh any similarities. This paper explores the arguments that fans, sports organizations, and team objectives are different in the two regions and offers a set of questions that must be answered if, indeed, the opposite is not true. In addition, insights gained from the overriding similarities are offered concerning competitive balance, life after the Bosman decision, broadcasting, and league structure in Europe. European sports are far from any tragic end, but directors of sports organizations have seen the handwriting on the wall, economically speaking. They are about to live in lively times.

I INTRODUCTION

I'm happy to contribute a paper to this symposium, even though it isn't the usual kind of paper. Typically, one is trying to show what one knows about a topic, rather than what one doesn't. This paper can be read as questions posed primarily to European sports economists and fellow travellers about the differences between European and North American sports. It's human nature to avoid looking stupid, but I'll take that risk and just put the questions on paper. Perhaps as I lay out these puzzles, it will spur further communication and scholarly development along comparative sports lines.

I'll grant right up front that the professional variety of football in North America (referred to as pro soccer, and played in a league named Major League Soccer), is dramatically different from the professional variety played in Europe. The North American variety is a syndicate with all teams owned by the league, operated by individuals, with profits shared by the operators. All talent choices are made centrally by the league. The special case of syndicated leagues, and their differences with all other structures (European or North American) is covered in Quirk and Fort (1992).

But why is it that European pro team sports (football, basketball and hockey) are viewed by so many as so different from pro team sports (American football, basketball, hockey and add baseball) in North America? Some even claim the

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differences are so dramatic that North American sports offer no insights into the European variety.

As I can best piece together, the purported differences lie along three major lines—fans are different, sports organizations are different, and team objectives are different. This view puzzles me because the similarities between North American and European pro sports, along these three lines, appear to vastly outweigh the differences. And if the college variety of US sport is allowed into the comparison, and I think it should be since it is a revenue generating activity, the similarities actually become striking. Either my perceptions are completely out of whack, or there is plenty of room for future comparative study of the similarities between European and North American sports.

The paper proceeds to pose questions along the three lines of purported difference, one at a time. The aim is to lay a foundation for future dialogue on the issue of comparative sports studies between Europe and North America. After that, the usefulness of a focus upon similarities is demonstrated with a few examples. Conclusions round out the paper.

II FANS ARE DIFFERENT?

Why would it be the case that fans are any different in Europe and North America? But I have seen and heard this stated by many different organizers of European and international sports. Whether by Richard Pound, IOC Vice President, or Fekrou Kidane, IOC Executive Office of the President (both speaking at the EPIIC Symposium in Boston this past February), or from the many FIFA, UEFA, and national association directors (speaking and writing at the recent CIES conference in Neuchatel, Switzerland), the view is remarkably consistent. In Europe, so the view goes, preferences follow local, national, *and international* dimensions and favour 'sport for the sake of sport.' Of overriding importance is success at the international level of competition.

The comparison that is made draws attention to the international championship aspect of European pro team sports, and then compares it to national championships in North America. Of course people feel differently about league play, and national championships, than they do about international competition and world championships. But to draw inferences about differences in fans in this comparison seems invalid. Instead, one can only discover how fans (and possibly different fans) feel differently about different types of competition, national versus international.

In the US, even though we claim to crown World Champions in the pro leagues of American football (NFL), basketball (NBA), baseball (MLB), and hockey (NHL), these are actually just national championships. There, fans care as all fans do about absolute and relative competition and winning. But what reason would there be for preferences in North America to vary from those in Europe over national championships? For example, why would it be the case fans in Manchester feel differently about their team and its chances in the EFL championship than fans in Cleveland feel about their team and its chances in the

MLB World Series? Once apples are compared to apples, that is, national championships, fans would appear to be fans the world over.

And when there is international competition, North American fans wrap themselves in the flag with the best of them. Among fans who care about international competition, why would North American fans feel any differently about their teams and their chances than do fans from Europe? Willingness to pay to watch international competition, measured in terms of the value of broadcast rights to the Olympics, or the recent US fan fervour over their women's World Cup team make this abundantly clear. North American fans are just like all other fans in the world when comparing their preferences toward the sports that matter to them, in this case international sports.

Attendance demand studies for European football (Rivett, 1975; Peel and Thomas, 1988, 1992; Bird, 1982) and for pro team sports in North America (a review is in Fort and Rosenman, 1999) produce strikingly similar outcomes. Demand slopes downward, income effects are operative and typically negative, travel cost matters, demand is less elastic for higher-level play, TV doesn't appear to depress live attendance, and changes in league structure that impact competitiveness also alter attendance (on this last, see Cairns, 1987). Peel and Thomas (1992, p. 232) offer the following statement about European football fans that is just as true of North American fans:

Home fans, who normally account for a large proportion of any match attendance, apparently like to see their own team win in a high-scoring game which is not too one-sided.

Now, perhaps fans do differ around the world. But if they don't, then at least one more question is raised. What are the motivations of proponents of this 'difference?' Perhaps the following statement by Primault and Rouger (1999, p. 192) offers one answer:

Depriving the clubs of all control over their sports policy (players sign a contract with the league which *de facto* becomes the company) leads to a system which destroys real sports competition and turns it into nothing more than a show.

Maybe so. And this clear value judgment, contrasting 'real sports competition' with 'nothing more than a show,' is a telling comment at least on their preferences. But in North America, it has long been recognized that fans of pro sports really do want a show. In fact, North American teams continually struggle against all other forms of live entertainment in their quest for fans and the revenues they bring. Given fan obsession with their football teams in Europe (even including the problem of hooliganism, I suppose) and with particular star players, it would seem that their preferences aren't much different than those in North America. This may grate on those interested in 'real sports competition' but fans will have it their way, despite what other people think fans *ought* to get.

Future discussion and research on any differences between fans could follow along the lines of these questions. Is there any theoretical and empirical justification that European fans differ from North American fans? What are the

motivations of those who argue that fan preferences are different in Europe than they are in North America? And what are the implications for policy makers of the answers to these questions?

III SPORTS ORGANIZATIONS ARE DIFFERENT?

What are the differences in European and North American sports oversight organizations, if any? And how do these differences generate different sports market outcomes? Analysts of European sports organizations tout three important differences compared to the North American variety. First, since European play is both national and international in scope, different oversight organizations have evolved to handle them. Second, North American sports have no system of relegation and promotion like the one that characterizes European football. Finally, there is no cascade of funding from high revenue, premiere-level and international play to the lower levels of sport in North America.

In addressing organizational differences, let's remember just what it is that all sport structures are about. First, sports organizations fill the cooperation required by the 'peculiar economics' of sport (Neale, 1964). In order for matches or games to occur, there must be scheduling, rules, officiating, an appeals process, and a championship structure. Sports organizations facilitate the production of team sports in the first place.

But, since Adam Smith, we have been warned that cooperation between producers may take an ugly turn from the standpoint of consumer welfare. For example, think about the simple idea of scheduling. Implicit in scheduling choices is a conflict between economic welfare and league survival. So strong teams must be forced to play weak teams, even though there's less money in it than scheduling only the strong teams. Further, in deciding where to place teams, fan interests may not be taken into account. This is especially true in major megalopolis areas that could support more than one team, but only hold one franchise. Whether it is because league revenues are greater that way, or because league politics fail to override the interests of the single existing megalopolis team, fans are shortchanged. They receive less sports output at a higher than competitive price.

Beyond the determination of play on the field, what role is there for further cooperative behaviour by teams through sports organizations? No cooperation actually is *required* in order to do any of the rest of what leagues do! In particular, think of the behaviour of leagues toward its own large market members, rival (or potential rival) leagues, players, media providers, and host cities. In all of these situations, it is possible for individual teams to carry on alone. But the league can act to curb individual team competitive impulses and obtain or enhance a market power position for members acting together. And it is much better, from the league and team perspective, to limit competition since there simply is so much more money in that accomplishment. Every 'love of the sport' or 'competitive balance' or 'good of the game' argument for league action is also consistent with gaining or enhancing market power.

With this note on function in mind, let's compare the structures in Europe and North America along the lines of the first question in this section. For example, European football oversight structure is as follows. FIFA is the governing body of world football. UEFA governs Europe. And national associations take care of their own members. When comparing FIFA to North American sports leagues, it is difficult to see any similarity since there is no international-level championship competition in the latter. There is no 'world champion' in American football or baseball, only national champions. In hockey and basketball, there are world champions, but they are handled by existing international structures, including the IOC. But to end the comparison at this level runs afoul of the same apples to apples problem in the last section. So, let's break it down to comparisons of similar entities.

At the next lowest level, is there a comparable UEFA structure in North American sports? There is a way that North American pro sports leagues are like UEFA in coordinating continental championships. In MLB, the American and National Leagues actually are separate entities overseen by MLB. In the NFL, the American and National Conferences maintain this same type of separation. In crowning a national champion, both MLB and the NFL play the same role that UEFA plays for Europe. The only difference is that divisions fall along international boundaries. Rivalries and league and conference identification don't reach the level of national patriotism that appears to drive European championships, but they can be very intense in North America. And the outcome is the same—overall champions are crowned.

Further, MLB and the NHL compare quite closely in form and function to the national associations in European sports regarding the training of young talent. In MLB and the NHL, a formal legal structure of agreements exists between the so-called minor league baseball system and junior hockey, respectively. I'm much more familiar with the MLB setting. There, the Professional Baseball Agreement (PBA) governs the complete relationship between all levels of baseball, from the lowest 'rookie leagues' all the way up to MLB. Territorial disputes between leagues, vertical ownership, player movement, and even the quality of ballparks in the minor leagues all are covered in the PBA. Under this agreement, MLB and Minor League Baseball function jointly to oversee the sport just as national associations do in Europe.

So, it appears that the differences between European and North American *professional* sports organizational structure actually reduces to an absence of international governing bodies like FIFA, in *some* team sports. But form follows function. Sports that do participate internationally participate through existing international bodies. And sports without an international component shouldn't be compared to anything like FIFA in the first place. But at the continental level for MLB and the NFL, and at the national association level for MLB and the NHL, there are striking similarities between European and North American sports structures.

Only the NBA appears to be left out of the comparison. But similarities can be found here, as well, if the structure of US college sports is allowed into the picture. College structure also covers significant portions of a comparison

concerning American football. In basketball and American football, US colleges control the lower levels of play pretty much independently from the pro leagues. There are informal cooperative agreements with pro leagues (the next step up after college), but no official hierarchy of oversight.

There are striking similarities between the UEFA/national association-type organizational structures in Europe and the structure of US college sports. College championships are determined in two steps. The first step generates a ranking of the best teams at the highest level of play during regular season conference play. Teams move in and out of this ranking according to their success in a given season. And the ranking changes during the season. Typically, a conference spans around ten geographically proximate teams. Conferences also exist at a variety of different levels of play. Division IA is the top level and quality proceeds down through Divisions II and III. The rivalries among conference members, while based on not much more than a hundred years of history, and very little actual warfare, are intense and heated! Thus, at the first step, each conference performs the same job as a national association in Europe.

And the organization that ranks teams according to the outcome of conference play is similar in outcome to UEFA. Continuing on with American football, the highest ranked teams are seeded by the Bowl Championship Series (BCS) organization to decide a national champion. If the conferences are like national associations, then the BCS in American football is like UEFA in European football. The BCS sets up the structure where a champion of champions is crowned. [At lower levels of competition, there is a post-season tournament of conference champions to decide the national champion, but the National Collegiate Athletic Association (NCAA) governs these levels. More about basketball, directly.] And the BCS and UEFA accomplish the same ends. Fans see the very best and the BCS/NCAA/conference linkage produces amazing payments to successful college athletic departments (Table 1). Payments per team in this scheme were about \$3.2 million, with a minimum of \$750 000 and a maximum of \$12.6 million. Some of that revenue is shared with other conference members, but the vast bulk of it goes to the participating teams.

In basketball, there is a similar analogy to the UEFA/national association model. Again, conference play produces a ranking of 64 teams that then move into a post-season tournament that has come to be called 'March Madness' to determine the national champion. Once again, conferences are very similar to national associations in form and function. At the national champion level, the NCAA plays the role of UEFA. And the results again are what the fans want and produce large revenues. March Madness is worth \$6 billion over the 11 years commencing 2002–3 (about \$545 million per year). The conference distribution of the basketball fund for 1997 is in Table 2. The division of the spoils is heavily weighted in favour of teams that actually play in the tournament, but all Division I teams get a share (Zimbalist, 1999).

The second reason that one might doubt there really is much difference between the organizational structure of European and North American sports concerns relegation and promotion of teams. As we have just seen in US college

TABLE 1
Post-season bowl revenues by college conference, 1999

I-A Conferences	No of teams	Tot. rev.	BCS payment	Additional BCS revenue	Conference net
SEC	8	\$28.8	-\$1.1		\$27.7
Big 10	5	\$25.2	-\$1.1		\$24.1
Big 12	7	\$19.4	-\$0.6	\$2.5	\$21.3
Pac 10	5	\$14.7	-\$0.4	\$2.5	\$16.8
ACC	5	\$16.4	-\$0.9	\$2.5	\$18.0
Big East	4	\$13.8	-\$0.6	\$2.5	\$15.7
WAC	4	\$3.7	\$1.6		\$5.3
Conf. USA	3	\$2.6	\$0.8		\$3.4
Big West	1	\$0.8	\$0.5		\$2.0
Mid-Amer.	1	\$0.8	\$0.5		\$1.4
All I-AA			\$1.2		\$1.2
<i>Totals</i>	43	\$126.2	\$4.6	\$10.0	\$136.9

Source:
 Washington State University Department of Intercollegiate Athletics.

TABLE 2
 NCAA basketball tournament distribution, 1997

Conference	Basketball fund	Total distribution
Atlantic 10	\$3.0	\$6.7
ACC	\$6.1	\$11.7
Big East	\$4.9	\$10.6
Big 10	\$5.0	\$13.2
Big 12	\$5.0	\$11.5
Big West	\$1.0	\$3.8
Conf. USA	\$4.1	\$7.6
Northeast	\$0.4	\$2.1
Pac 10	\$3.2	\$9.0
Patriot Lg.	\$0.4	\$2.3
SEC	\$5.0	\$11.4
WAC	\$1.8	\$8.0
<i>Totals</i>	\$39.9	\$97.9

Source:
 Calculated from *NCAA News*, September 29, 1997, p. 6.

football, relegation and promotion is an essential feature. Continuously during the season, entire teams are relegated and promoted based on their ranking for post-season championship play! This actually is a relentless type of relegation and promotion, relative to the European variety.

In addition to the continuous ranking of teams for national championship chances during the season, the ability of teams to move between divisions also extends to US college sports. The NCAA allows teams to move up and down the ladder from Division III to Division II, and from Division II to Division I, and between the levels in this topmost division. Teams regularly are allowed to move into Division IA (the highest level) as long as they meet requirements in terms of

the size of their athletic department and its financial viability. So, the only difference between US college relegation and promotion and the European variety is that it happens continuously during the season, by rankings for post-season play, as well as between seasons.

In order to compare North American pro team sports to Europe along the relegation and promotion dimension, the following question is posed. Why does it matter *how* quality eventually reaches the fans willing to pay the most for it, just so it gets there? Rather than compare the two regions by method, let's focus on outcome. From the outcome perspective, the movement of teams between different levels of play, even though the teams remain in the same location, is no different than moving teams across locations in the same division or expanding play to new locations in a given division. The outcome is identical—fans willing to support the topmost level of play, financially, enjoy that premiere level of competition whether it happens under European-style relegation and promotion or under the North American style of team movement and expansion.

A reasonable speculation from this idea is that the talent distribution resulting from the European relegation and promotion approach probably isn't much different than the one that results from team movement and expansion. The reason is that it is all driven by fan willingness to pay in the first place. When fans in a given location pay enough so that their team is in contention at the top level of play, European sports organizations promote that team. When fans in a given location pay enough in North America, they get the level of play that they will support. There is no difference in outcome. As Primault and Rouger (199, p. 185) put it:

Thus, there is continuity between the roots—sports for all—and the top-professional sports, since, as we have seen, the leagues are not closed.

But what hasn't been noticed is that this statement is just as true of North American sports, both pro and college!

Quirk and Fort (1992, 1999) document the history of pro sports team ownership, migration, and expansion. In the NBA, NHL, and NFL, teams have moved with regular frequency seeking out those fans willing to pay the most for the highest level of play. While not technically the same as moving a given team up from a lower league, moving up to the major league level does occur for the fans of these teams. But more importantly, since they are willing to support play at the highest level that is precisely what they receive. In MLB, where no team has moved since 1971 (when the Washington, DC Senators moved to Texas to become the Rangers), almost every city that has received an expansion franchise was, originally, host to a team at a lower level of play. Again, fans willing to support teams financially at the highest level of national play get a team in the highest league.

And the stability characteristics of leagues in European and North American sports actually clinch the organizational structure comparison. As with observations about relegation and promotion, this is an outcome comparison. Remember, sports structures act in the economic interests of their member teams. In the European national associations, the leagues are locked up tight.

No entry can occur and only strong teams that bring financial support move up the ladder. Stability only is relaxed when financial exigency requires it. For example, the Scottish Football League was reorganized in 1981–1982 in the face of dramatic financial problems (Cairns, 1987; Jennett, 1984).

In North American sports, the NFL, NBA, NHL and MLB have been ‘locked up’ for years, but teams move and expansion occurs to enhance financial viability. And even when rival leagues have formed, the result is always reorganization or merger into monopoly pro leagues (Quirk and Fort, 1992, chapter 8). Leagues have also been restructured in North America through conference, league, and division rearrangements. There are more similarities between Europe and North American than differences, here.

And what of the cascade of training funds from top to bottom, the last purported difference between European and North American structures? In MLB and the NHL, lower levels are integrated, either through direct ownership or contractual arrangements, in a hierarchical structure with the major leagues. And the whole point is to train future major leaguers. A similar type of cascade happens in college sports from the conference champions to the rest of the teams in a given division. But, as Szymanski (1999) and Moorhouse (1999) remind us, the ‘cascade’ actually is more like a trickle. And, here, the similarity with US sports becomes complete. Minor league teams make nearly nothing, except for a very few of the most entrepreneurial and those with some short-term location advantage. The trickle in college is even slower (Zimbalist, 1999).

As a general summary of the organizational comparison, methods may vary, but the outcome is the same in Europe and North America. Fans get to see the best in the places where it pays the most and the rest of the fans get to enjoy the level of play that they are willing to support, financially. The long-term integrity of European leagues, by and large, is spiced up occasionally by an upstart promotion. And, occasionally, small revenue market teams win in US leagues. In the long run, I think we’d all put our money on large revenue market teams. In Europe, they are almost never demoted. In the US, they are the historical dynasties. And, thanks to their sports organizational structures, the revenues are larger than they would be if teams competed over location, TV rights sales, and facilities.

For future research and comment, the lesson is that form typically follows function. If the motivation of governing bodies is no different in Europe than North America, then how different are structure and outcomes? Perhaps it would be interesting to look for those differences where they seem most likely, namely, comparing European pro sports leagues and North American pro football and pro basketball. They appear to have defining differences in terms of oversight and integration of lower levels of play. And the remaining question is whether there really is any difference in sports league outcomes that depends on *how* fans get the level of playing quality they are willing to support, financially.

IV TEAM OBJECTIVES ARE DIFFERENT?

With few notable exceptions, there is nothing more pervasive in the literature on European sports than the idea that teams do not pursue profit (Sloane, 1971; the

review in Cairns, Jennett, and Sloane, 1985). According to that literature, utility maximization yields winning per cent as the objective of European team owners. Kesenne and Jeanrenaud (1999, p. 2), state:

The most important difference between the US and Europe is that American clubs are business-type companies seeking to make profits, whereas the only aim of most European clubs so far is to be successful on the field.

In the analysis of North American pro sports, it is generally accepted that profits drive outcomes (see the review and analysis in Fort and Quirk, 1995). This is not to say that there are not some owners with different ambitions. But profit maximization has served analysts of the North American sports scene very well, indeed. But let's not forget that winning takes centre stage in the profit maximization world, as well. In fact, all of the theoretical development has teams choosing winning per cent in order to maximize profits, subject to production constraints and league structures.

In part, so the story goes, the European difference is due to the relegation/promotion institution covered in the last section. And this is because team owners desire to be associated with the highest quality teams in order to move up the ladder of promotion, eventually to premiere leagues. Primault and Rouger (1999, p. 183) state this plainly:

Thus, in contrast to Europe, there is no vertical competition with the top-ranked team in the lower division in addition to horizontal competition (in US sports). This being so, it is not surprising that clubs are more inclined to be profit rather than win maximizers.

It is instructive to paint a 'big picture' summary of this prevalent belief that European teams maximize winning per cent. First, in addition to national championships, fans focus on international competition. The structure of European sport moves teams up the ladder according to their success through the promotion and relegation system. Thus, winning takes centre stage. To top it off, analysts of team accounting statements report that there are no profits to be found. Taking this as given, theoretical treatments paint European leagues comprised of winning per cent maximizing teams. But let's go ahead and investigate the elements in this big picture.

First, why does the structure of team movement in any way determine the objective function of team owners? Let's examine this question by going to the outcome, and then working back to the method. As argued in the last section, the result of the relegation and promotion structure is that fans in a given location end up with a team at the highest level of competition for which they are willing to pay. But precisely the same result occurs through team movement, expansion, and, in the case of college sports, seasonal rankings and literal relegation and promotion according to NCAA rules. The result is that fans in a given location end up with the best team they are willing to support, financially. So, the idea that relegation and promotion is a driving force behind winning per cent maximization runs headlong into the observation that relegation and promotion also characterizes the profit

maximizing world of North American pro sports and college sports, albeit by a different method.

The second element of the big picture concerns the findings by Sloane (1969, 1971), Wiseman (1977), Vamplew (1982), and Szymanski and Smith (1997) that balance sheets show little to no profit in European football. All argue that this outcome lends support to the view that teams maximize winning per cent. But this finding raises a question, based on years of analysis in North America. Why, given that the object of analysis should be *economic* profit rather than *accounting* profit, would any analyst take any sports team account sheet at face value? For pro teams, such reports have as their primary purpose the minimization of reported accounting profit for tax purposes!

Thus, there is no reason that team balance sheets would reflect the economic profit to be had from team ownership (Davis and Quirk, 1975; Quirk and Fort, 1992, chapter 3; Zimbalist, 1992, chapter 3). Here is my favourite quote on this subject (Paul Beeston, owner of MLB's Toronto Blue Jays, quoted in Zimbalist, 1992, p. 62):

Anyone who quotes the profits of a baseball club is missing the point. Under generally accepted accounting principles, I can turn a \$4 million profit into a \$2 million loss, and I can get every national accounting firm to agree with me.

Further, for US college sports, balance sheets provide an interesting example of the relationship between incentives and profit reporting. Again, since these ideas appear to be ignored by European analysts, let's examine them.

Team owners (and members of boards of directors in Europe) gain access to influential business people and politicians, which can enhance profits in other non-sport businesses. In addition, balance sheet revenues and expenses can be misleading. For example, some team revenues may actually be counted as lower costs on another balance sheet controlled by the team owner or board of directors. This mechanism especially is bothersome to the analyst for media provider ownership of teams. Broadcast rights fees may be below market, making the team look less valuable than it really is. And, as with all corporate structures, some expenses may actually be profit taking. This is true of payments to other businesses of the team owner or board members (it is very common to buy accounting, legal services and 'consulting' from owners' other firms). But it can also be direct salary to the owners or their families (although this won't matter for European teams since they typically are organized as limited liability companies and members of the board take no salary). Finally, at least in the US, there are very interesting tax advantages to team ownership, especially in the early years of an owner's tenure. To the extent that the same is true in Europe, then I'm sure that European accountants are just as adept as their US counterparts at minimizing accounting profit for tax purposes.

US college sports offer another example of incentives and profit (see Fort 2000b, or Zimbalist, 1999). College sports directors and their NCAA minions have always claimed college sports are primarily just for the joy of it, as European observers continue to claim about their sports. And, just as the

balance sheet analysts find for European sports, it appears that the top level of US college athletics, Division IA, have a difficult time breaking even (Fulks, 1997). But, as with pro sports, things are seldom as they seem on balance sheets.

Imagine yourself in a meeting, as a director of college athletics at a US college. You have a 'budget' in front of you that was adopted at the beginning of the decision period. But at the time of your meeting, revenues exceed expectations when the budget was set because your teams have done much better than anticipated. What do you do with the excess revenue? The answer depends upon who has claim to those excess revenues. If there are no residual claimants, nothing stops you from spending the excess on yourself, your administration, or coaches and programs that you want to see progress. And that is exactly what happens in college sports. Expenses simply rise to meet revenues in an ongoing adjusted budget process.

European sports balance sheet analysts often point out that financial disaster often is averted only because of donations from boosters, social clubs, and pools. 'Boosterism' also is significant in US college sports. Donations often make up as much as 20% of an athletic department budget. These boosters seek the same thing as European boosters. Sloane (1971, p. 134) notes that they have an 'urge for power, desire for prestige, propensity to group identification, and the related feeling of group loyalty.' And any firm would be happy to be so admired that individuals gave it money just for association value! But, again, it would be incorrect to say that college athletic departments would founder without this injection of funds. There already is plenty of money there, even though it is difficult to ferret out of balance sheet reports. Whether or not the same holds true in European sports requires first that the actual economic value of team ownership be determined.

There are excess revenues in college athletic departments, but no profit reported or paid, because there is no residual claimant to monitor the system. The academic part of the college allows this to continue, presumably due to the political power of athletics. But the academic branch takes its share in terms of full tuition that must be paid by the department for all of the athletic scholarships that it offers. At my Division IA university, there are roughly 350 athletes. Not all receive a full scholarship, but the university does collect from the athletic department, and at full tuition rates. The athletic department's scholarship payments run about \$2.5 million in total, so that there are about 280 full time scholarship equivalents paid for by the athletic department.

But, from the athletic department's perspective, the tuition funds were already in the total of budget expenses *at the beginning of the period*. So the excess revenue really is excess and goes back into the athletic department either as salaries or investment in future success (training, facilities, and recruiting). By the way, since college athletes cannot be paid according to NCAA rules, none of the excess goes to players. They receive scholarships, but they were never budgeted at their actual revenue contribution which can be quite substantial (Brown, 1993, 1994).

One last interesting twist on the profit maximization debate is in Jennett and Sloane (1985, p. 44):

League clubs are committed to a fixed number of League championship games each season. Given this commitment, if the addition to total costs of an extra spectator is assumed to be negligible, then a football club which was seeking to maximize its profits would attempt to charge admission prices which maximized its gate revenue. However, the evidence of Bird (1982) suggests that—recent increases notwithstanding—clubs charge prices which are too low to do this.

This clearly follows Bird's (1982) finding that European clubs price in the inelastic portion of attendance demand. Jennett and Sloane then go on to say that clubs are interested in large crowds at the expense of commercial considerations. Now, this same outcome characterizes all demand for attendance analysis in North America, as well (Fort, 1999). But we needn't forsake profit maximization in the face of this kind of evidence. In a predominantly gate revenue world, if there are other revenues to which ownership is entitled that are positively related to attendance, then profit maximizing teams can price in the inelastic portion of attendance demand (Heilmann and Wendling, 1976). And when television is introduced, inelastic pricing also occurs for profit maximizers under reasonable conditions (Fort, 1999).

None of the foregoing proves that there are profits in European sports. It is simply a brief summary of insights offered by the US experience. Some pro sports teams and the entire lot of college teams commonly claim to be in dire economic condition. But when you look for economic profit, rather than accounting profit, it can almost always be found! It may be hidden by tax law, or simply taken out by the owners of the team somehow, but it is there. Furthermore, if there were residual claimants in US college sports, the level of profit would be apparent as well. As one last piece of evidence, as Quirk and Fort (1992, 1999) show, expansion fees and team sale values have increased over time, and often dramatically. Losing propositions do not increase in value. And one is naturally led to wonder if an analysis of team sale prices in Europe might not yield the same observation.

The final element of the 'big picture' concerns the theoretical work on winning per cent maximization. For example, Kesenne (1996, 1999) shows that gate revenue sharing can improve competitive balance in a league of winning per cent maximizing teams. This stands in stark contrast to the case where teams maximize profits. In a league of profit maximizing teams, gate revenue sharing has no impact whatsoever on competitive balance (El Hodiri and Quirk, 1971; for a cogent analysis in the European context, see Ross, 1999). And theory always relates to policy in sports. Here, if winning per cent maximization is correct, authorities can alter competitive balance with gate sharing. Otherwise, if teams maximize profits, motivations for gate sharing must be along other than competitive balance lines. And competitive balance itself would have to be altered some other way.

But two purely theoretical questions arise. First, Fort and Quirk (2000) show that a winning per cent maximization equilibrium has talent hired until a team's winning per cent is equal to the ratio of that team's total revenue to the league's total revenue. In a league of profit maximizing teams, on the other hand, talent is hired until its contribution to team revenue is equal to the price of talent. If teams pursue winning per cent subject to a break-even constraint, then why does talent appear to move from team to team in European leagues according to marginal considerations, rather than relative revenue considerations? All of the literature on the transfer system showed that the value of a player's contribution to revenue determined transfer fees. Sloane (1969), the first Chester report (see Jennett and Sloane, 1985, on the history of Chester reports), and Moorhouse (1999) show that transfer money has primarily been retained at the top levels and are far greater than the amount that recoups training costs. Szymanski (1999) argues that talent earns its contribution to team revenues following the Bosman decision.

The second question concerns the survival of a winning per cent equilibrium. Can a league of winning per cent maximizing teams survive when the power of profits seems so likely to undo it, both from within and from rival leagues? From within, in a given league, turning to profit maximization can raise winning per cent when the rest of the teams follow their break-even approach (Fort and Quirk, 2000). The turncoat team can have both more winning and profits if all other teams pursue winning per cent subject to a break-even constraint. The intuition goes something like this. Even if the most successful teams really did pursue winning per cent maximization, the others would be foolish to follow suit. In any given league, the sum of winning per cent is a constant, equal to half the number of teams. If all teams in the league know the production relationship between spending on talent and winning per cent, and only one team can spend the most, then all know who the ultimate winner will be. It would be economically irrational to spend like you're the team that will gain the highest winning per cent when you can't! If they know they can't generate high enough winning per cent to be promoted, a profit maximization strategy would make the runners up better off. But, in turn, the strongest team knows this, as well. So why should it spend more than it needs to in order to triumph in its league? If the rest of the teams pursue profit maximization, then so should the team that would prevail with the highest possible winning per cent. The net result should be a league of profit maximizing teams.

Essentially, this equilibrium problem actually follows the most basic of economic principles. Unless marginal decision making analysis is abandoned altogether, it should be expected that teams will win just enough to move up but make as much money as possible while doing so. A team moves up by being *best* in the next lowest league, not by winning *all* of its games. Thus, a strategy of maximizing profit will generate the best team that local fans can afford. And if that is good enough, then the team will be promoted and the local fans will enjoy an enhanced level of play. This type of strategy would dominate one where a team chooses to win more than it really needs to, and earns less than it can, in order to move up the ladder of promotion.

But the external threat, by rival leagues of profit maximizing owners, seems even more likely to bring about the demise of a league of winning per cent maximizing teams. It's easiest to see this in the international context. With the Bosman decision, players are free to move between EU countries. And it seems likely that such freedom will spread if non-EU countries hope to be able to compete at the top international levels. In this context, a profit maximizing national association would seem to be the dominant structure. Such an association could impose a lump-sum tax on its members (so as not to distort the distribution of talent, keeping profits at a maximum), buy talent from the rival break-even leagues in other countries, and establish themselves as international powerhouses. If special importance really were placed on international championships, then fan pressure would fuel the change to profit maximization in any given country.

In summary, adherents to the 'big picture' of winning per cent maximizing sports leagues in Europe face the challenge of a few reasonable questions. First, why does the structure of team movement in any way determine the objective function of team owners? The outcome is that fans get the highest quality they can support, financially, and this happens in profit maximizing leagues as well. Second, why should teams choose to make less money than they can in the pursuit of winning enough games or matches in order to be considered worthy of promotion? Marginal analysis still dictates that teams win just enough to move up, earning as much as possible in the effort. Third, why would any analyst take any sports team balance sheet at face value? They reflect the attempt to minimize accounting profit and do not reflect the economic profit of team ownership. Fourth, why do players appear to move between teams based on their marginal contribution to revenues, as dictated by profit maximization, rather than a consideration of team relative revenue, as dictated by winning per cent maximization? Finally, why would one expect a winning per cent maximization equilibrium to survive against one where teams maximize profits? Internal and external pressures would seem to suggest such equilibrium couldn't stand.

Actually, the upshot of this section is that it is reasonable to expect that teams already are pursuing winning per cents that maximize profits in European sports leagues. The revisionist's version of the big picture would go like this. Leagues of profit maximizing teams dominate leagues of winning per cent maximizing teams. In pursuing promotion, it makes sense to choose winning per cent in order to maximize profits. That it is difficult to find profits examining team balance sheets should come as no surprise. Financial reports are the result of accounting endeavours to minimize accounting profit for tax purposes. But all of this really represents a challenge for future analysis, since analysts of European team balance sheets haven't been looking for economic profit.

INSIGHTS

The foregoing suggests that there are dramatic similarities between European and North American sports. Essentially, in both areas, sports organizations facilitate the local monopoly power of teams, extract the highest possible return

from playoff and championship games, fend off rival leagues, and negotiate those things that would be worth less with competition among member teams (especially TV contracts). The following are examples of insights that such similarities can generate.

Competitive balance

Fans like competitive balance, but not perfect balance. Indeed, as long as fans in one location are willing to pay more than fans in another, perfect balance is inefficient. This is easy to see with the use of Figure 1, the Quirk and Fort (1992) representation of a two-team league comprised of a large and a small revenue market team. Winning per cent for the large revenue market team (W_L) is measured from left to right along the x-axis. Winning per cent for the small revenue market team (W_S) is measured from right to left, so that $W_L = 1 - W_S$. At the $W_L = W_S = 0.500$ outcome, marginal revenues for the large revenue market team exceed marginal revenues for the small revenue market team ($MR_L^1 > MR_S^1$). Fans are willing to pay more for winning but it is withheld from them under the equal competitive balance outcome. This is inefficient since talent resources are not moved to their highest valued use.

Geographical placement necessarily creates the distribution of winning for a league of profit maximizing teams. Revenues vary by fan willingness to pay at different locations and so will winning per cent. Competitive imbalance follows from this revenue imbalance. The efficient level of competitive balance is the competitively determined one, adjusted by revenue sharing to handle the externality problem within the league (Fort and Quirk, 1995; Vrooman, 1995). But this may still result in considerable revenue dispersion. And even if revenues

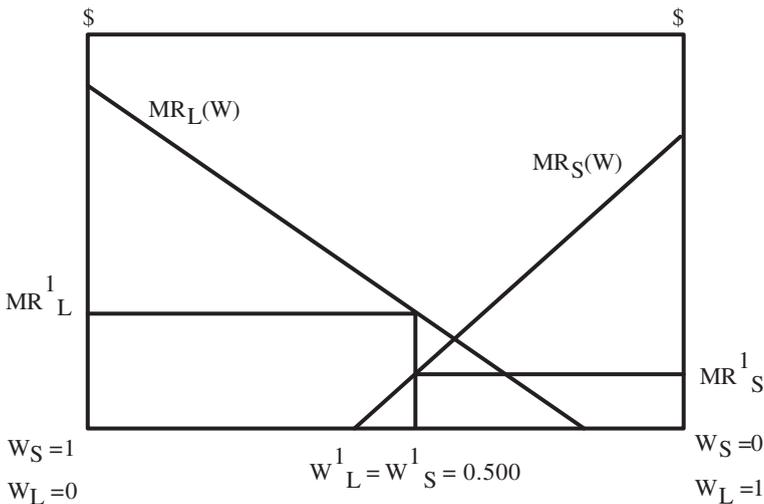


Figure 1. Equally balanced two-team league.

are sufficient for a given team's survival, it may want more, that is, it may find growing revenue imbalance unfair. Given that a sports organization is in place, it should be expected that teams will use it to satisfy their revenue sharing demands. The remedies are more revenue sharing or efforts to restrict labour through entry drafts and salary caps.

If one takes the view that there are more similarities than differences, here is the insight from North America. None of the problems that European sports organizations might pose as justifications for protecting team revenues are actually competitive balance problems, *per se*. They may be framed in terms of spending imbalances, but both competitive imbalance and spending imbalance follow revenue imbalance. And the cheapest way to compensate small revenue market teams for operating below opportunity cost (so they will stay in the league) is to just share all revenues including gate, venue and TV! Gate, venue, and national TV revenue sharing does nothing to change the talent choice by profit maximizing teams (under some conditions, sharing local TV will alter team talent choices), but it is a cross-subsidy that can keep some teams in business.

But sharing can occur regardless of how the league chooses to sell its products! So, for example, joint venture TV bargaining may well generate the most revenue that a monopoly league can capture from its broadcast rights. And sharing will compensate the small revenue market teams that require cross-subsidies in order to survive. But the sharing could have occurred anyway, without the monopoly power in the joint venture of selling rights. The amount would probably have been smaller for the league since competition among league members to be on TV would drive down prices, but the sharing of competitively determined TV revenue could occur nonetheless. Indeed, under a competitive output arrangement, the market would signal the efficient number of teams that fans are capable of supporting.

In addition, the North American experience suggests that structural alterations in labour markets have nothing to do with competitive balance. Restrictions on free movement, such as entry drafts, follow Rottenberg's (1956) invariance principle. The distribution of talent is invariant to changes in labour mobility. Instead, all such mechanisms simply determine who gets the money, athletes or others.

Indeed, there is some evidence that labour mobility actually *increases* competitive balance, counter to both sports organization claims and the invariance principle. In MLB, competitive balance improved after free agency in the mid-1970s (Quirk and Fort, 1992). Perhaps this puzzle can be explained by player location preferences. Before free agency, players certainly went to their highest *money* valued use in the league since owners care about profit. But after free agency, especially with the '10 and 5' rule (10 years in the league overall and 5 years on the same club), players can veto trades. This allows players to exercise non-monetary preferences toward their job. For example, Ken Griffey, Jr. has recently taken a \$32 million pay cut (\$4 million each of eight years) to play baseball in Cincinnati rather than Seattle. There is no reason, *a priori*, to expect that player preferences are somehow different in Europe but a definitive analysis

has yet to be done on the issue of player preference impacts on competitive balance.

Salary caps, on the other hand, will alter competitive balance, but they also pose an enforcement problem for sports leagues (Fort and Quirk, 1995). Again, Figure 1 shows the problem. Suppose a cap equal to MR_S^1 that is designed to push the league to a competitively balanced result, $W_L = 1 - W_S = 0.500$. The design might require all teams to spend the same amount on team talent in total, for example. But, again, at the equal balance outcome, the marginal value of talent to large revenue market teams exceeds the marginal value of talent to small market teams. The former will try to buy talent from the latter, and the latter will take the payment. This helps explain the ineffectiveness of a cap in the NBA (Fort and Quirk, 1995) and the observation that the vast majority of NFL teams have been over the cap, on average, through the 1990s (Staudohar, 1999). Thus, even though they can be designed to drive winning per cents to equality, actual salary cap results depend on enforcement and the US lesson is that enforcement goes wanting.

The Bosman decision

All expectations about the impacts of international labour mobility are based on the fact that players will earn closer to their contribution to the value of team revenues with increased mobility. As best I can determine, the European transfer system was once much more restrictive than the one that existed at the time of the Bosman decision. The so-called 'retain and transfer' system (Jennett and Sloane, 1985, p. 40), sounds a lot more like the original North American version of labour restraint under the reserve clause. Under the reserve clause, the flow of player value was pretty much controlled by the owners holding player contracts. And, under the reserve clause, contracts could be bought and sold and extended indefinitely at the discretion of contract holders.

In the evolution of free agency in North American sports, many subtle variations of transfer payments (usually called 'Rozelle Rules' in honour of the former Commissioner of the NFL, where transfer payments survived the longest) were tried after players obtained free agency. None survived and it is highly unlikely that the transfer system in place at the time of the Bosman decision will either. It should also be expected that salaries would fall for sport organization executives, from international organizations on down to national levels, and for team owners (mainly stockholders in Europe). After all, they have been enjoying part of the result of the remaining labour immobility caused by transfer payments.

It should also be expected that training functions in European sport would be redistributed. If national associations were spending transfer payments on training, then they will reduce youth training once labour becomes mobile and transfer payments disappear. But this does not mean that training itself will suddenly disappear in European sports. If the North American example is instructive, as long as there is a big prize for both teams and players at the end of years of hard work, then training will happen. Formal minor league

arrangements can be made between top level teams and lower level teams. Further, young players will pick up part of their own training or seek important sponsors to help pay for it.

A revised system of training may not be the most preferred method for current sports organization directors, but training will occur as long as the money is there to prompt it. For example, 'feeder clubs' similar to minor leagues of baseball in North America already are forming in Europe (Will, 1999). Clubs at higher levels of competition see the efficiency of paying clubs at lower levels to train talent for them. In North America, this has been the role of MLB farm systems for over 50 years. And it also underlies the athletic training happening on college campuses in all sports. And leagues for the very young thrive in all sports on the strength of volunteer training in North America.

If new leagues, including 'super leagues' at the international level (Hoehn and Szymanski, 1999; Noll, 1999), are currently in the planning phase, then increased labour mobility will facilitate their arrival. It's now just that much easier to get the labour required to gain major league status in the eyes of fans. Players are free to move without harm, subject to any existing contract. Along North American lines, some sort of separation into different divisions of cross-national elite teams would be expected. Perhaps leagues would form along the lines of common language, for television purposes.

Finally, there is one last overriding lesson from the North American experience. The new international leagues will almost certainly eventually form themselves into conferences of a mega-league. The merging of multiple leagues into a new, single monopoly league is exactly what has happened in every instance in North American sports. The returns to a single joint venture in the sale of TV rights, stances toward labour, and the treatment of host cities are just too valuable to pass up.

Broadcasting

In North America, there is tremendous competition between over the air, cable and satellite TV broadcasters. And this explosion in competition has created competitive demands for sports rights. In Europe, on the other hand, there is a light pattern of cable and/or wireless pay TV superimposed upon a strong free-to-air government broadcasting system (Cave and Crandall, 2000). Wholesale pay TV is dominated by single suppliers (Sky in the UK, Canal Plus in France and Spain, Telepiu in Italy and Premiere in Germany). Broadcasting in Europe is much less competitive and more tightly controlled by individual country governments.

But if the same type of media provider explosion happens in Europe, as technological advancement and fan demand suggest it will, the same outcome would be expected. Leagues that evolve to maintain monopoly status will earn monopoly rents from TV rights sales. But the rest of the leagues will be on TV much more often and rights fees will be competitively determined. And all leagues will face the same problem plaguing North American leagues. How will these revenues be shared? For league and team viability, labour-management

harmony, and fan satisfaction, equal sharing would appear to be the way to go. That has been the choice of the NFL while the rest of the leagues squabble and risk damages to cooperation and even work stoppages if disagreements interfere with labour relations.

This type of conflict is already beginning to confront European sports. *USA Today* (August 24, 1995, p. 1C) reported the beginnings of a FIFA/UEFA power struggle. Essentially, UEFA wanted FIFA's reach reduced, World Cup play reorganized with final rounds rotating between the continents in a more balanced way, and a better negotiation of TV and sponsorship rights. This type of pressure can tear sports organizations apart. And, if Rupert Murdoch ever does find a way in to European sports, or other TV alternatives arise, it is reasonable to expect major structural changes that will challenge the current structure of FIFA and UEFA.

League structure

College sports provide an important insight for European sports. Dramatic changes in the organizational structure of leagues can occur when members find their current structure less useful than another. Some dissatisfied teams broke a previous lock-hold on American college football broadcasting rights by the NCAA. Their dissatisfaction resulted in the most famous of all college sports court decisions, *NCAA v. The Board of Regents of the University of Oklahoma*, 1984, often called the NCAA decision.

The NCAA decision divested the NCAA completely of its monopoly control over the sale of national TV rights to American college football. The result was a dramatic decrease in the market power enjoyed by college football conferences over their TV contracts (Bennett and Fazel, 1995; Fort and Quirk, 1997), but a very favoured few colleges now could appear on TV as often as media providers would show them. For perennial top 10 teams, this meant televised games every week of the pre-season and regular season.

Interestingly, conferences now walk the same tightrope from which the NCAA fell. There already is considerable conference switching (for example, the once invincible Southwest Conference is a shambles) and jumping from the NCAA, entirely, is not out of the question. Indeed, with entry into the top division carefully controlled by the NCAA, any greener pastures will have to be sought by outright bolting and the formation of 'super conferences.'

Thus, once the prize became large enough, conferences abandoned their existing organizational structure, NCAA football rights negotiations, and reorganized. And college conferences are also in flux. If elite teams reach the same conclusion in Europe, once TV rights become valuable enough, organizations like UEFA are not immune to abandonment. Indeed, the threat of a 'super league' has been foreseen by some (Hoehn and Szymanski, 1999).

Alterations in European sports structure already are happening under pressure from the outside. While the rest of the world has the football market pretty well locked up, and American football has yet to catch on internationally, basketball and hockey appear ripe for Americanized international leagues. And

the impetus will be the same as it always has been—the fight for primacy as monopoly leagues. Any type of international competition would drive up the price of talent and threaten existing US pro hockey and basketball. So, given their profitability relative to teams in Europe, the NBA and NHL should be expected to instigate the internationalization of basketball and hockey in an attempt to extend their monopoly league power.

The case of hockey already is proving instructive (Wise and Meyer, 1997, pp. 616–20). Early on, the NHL denied any international intentions. Then came the rise of the International Hockey League (IHL) in the US with teams in the major metropolitan areas of Chicago and Los Angeles, as well as in large cities like San Francisco, Detroit, Cleveland, Atlanta, and Houston. The IHL threatened expansion of seven teams into Europe, and the NHL was practically forced to respond.

Currently, the NHL and IIHF now have a working arrangement for the expansion of the NHL into Europe. Plans include either dual participation in existing leagues with the usual cup-type play, or select European teams would be elevated to a pan-European team. By the way, this move by the NHL appears to have left the IHL expansion into Europe out in the cold (so to speak). Who knows where all this will lead? But it's reasonable to expect a similar arrangement in the future for the NBA and FIBA if fan support for basketball in Europe reaches sufficient levels.

VI CONCLUSIONS

It's safe to say that the work comparing European and North American sports economics concentrates on differences, real and perceived. The argument goes that fans are different, organizations are different, and team objectives are different. The point here, through force of argument, example, and a little data, is that the similarities largely outweigh what few differences there really are between European and North American sports markets and outcomes.

Comparing apples to apples, holding the level of competition constant, it is difficult to envision any differences in fan preferences for sports. Organizational differences are there, primarily at the level of international competition. But at other levels, the differences pale in comparison to the similarities, both in form and in function. Essentially, sports organizations put the highest level of sports quality before the fans that can afford to support it. And the joint ventures undertaken by teams through their organizations make them financially better off than they would be acting alone. Finally, there is every reason to suspect that the assumption of profit maximizing teams will generate the same type of insights in Europe that it has in North America. Indeed, it is reasonable to suppose that teams in Europe *are* maximizing economic, as opposed to accounting, profit.

And there are interesting insights generated from these similarities. The team location function of leagues and national associations leads to competitive imbalance. A variety of mechanisms typically are proposed to alter that outcome. Some won't alter competitive balance (gate revenue sharing) while

some can (salary caps) but may fail due to the cost of enforcement. Others can insure the survival of small revenue market teams (general revenue sharing as a straight forward cross-subsidy) and some have better outcomes for teams relative to players (drafts, salary caps, and the maintenance of transfer fees). But fixing competitive imbalance does not require joint venture approaches or alterations in labour markets. Those approaches can only redistribute sport revenues in favour of teams over players.

The Bosman decision, completely freeing labour across the entire EU and probably pressuring non-EU countries into the same situation, may have dramatic consequences for European sport. There will be payment redistribution away from administrators and coaches in favour of players. Training missions will be discarded by sports organizations in favour of contracting with developmental leagues or other third party providers. But, with the rise in payments to players will come an added incentive for young people to supply training, themselves, or seek it from sponsors.

Finally, dramatic alterations in the relationship between teams and their governing organization can be expected if, as seems likely, broadcasting runs the same course in Europe that it has in North America. Broadcast competition may cause rights fees per game to fall and the number of broadcasts to increase substantially for all but the most concentrated sports leagues. Certainly, the existing structure may be shaken up if the rewards are large enough. Indeed, it already appears that international leagues are forming as US leagues make a move on Europe.

But if there's one thing that really follows from the North American experience it's that, even though it may be hard for outside observers to detect, there's big money in sports. And if one figures out how to track the flow of this money, much will be learned about the behaviour of those in charge of it. For example, Olympic organizers would have it that profits don't matter; 'Citius, Altius, Fortius,' above mere money. But it is clear that the money is there, as witness the Salt Lake City scandals and other allegations of unsavory behaviour in the wake of ensuing investigations. Personal wealth has always been an important motivation. Along these lines, consider the following from FIFA Vice-President Will (1999, p. 9):

The whole structure of football in Europe has been affected (by Bosman) and FIFA and UEFA, who are responsible for the whole of football and not just for the comparatively few top clubs and top players who have financially benefited from the Bosman Judgement, have to find ways of protecting the future of our game.

And 'our game' generates extraordinary sums of money, primarily overseen by FIFA. Now, that massive amount of spending by sports fans guarantees that the games will be just fine, regardless of who is in control. And it is not surprising that FIFA would like to find ways to maintain its control over that money. By the same token, the lesson from North American sports is that all actions by sports organizations simply have to do with the distribution of the money between fans, players, and leagues.

The fuss over what will happen to the training of youth in European sports is the perfect example. Currently, training is guided from the top down in Europe. The North American approach is much different, without centralized control, and the level of training appears, if anything, to be too great rather than too small. So why do organizations like FIFA and UEFA have anything to do with training in the first place? And we know the answer. The administrators of these organizations are paid participants in a very wealthy game of directing the most popular sports entertainment enterprise in Europe.

It's no wonder that European sports organization directors are worried about change. Their individual and organizational welfare is in jeopardy. Make no mistake about it. Except for setting common rules of play, schedules, officiating, and appeals, the only real role of sports organizations is to insure and enhance the financial health of member teams. The 'big money' has always been there and the real problem, from the self-interested perspective of sports organizations, is that changes are reducing their ability to cash in and spend it how they see fit. The money won't just go away because sports organizations control less of it. Different people will just spend the money. And as long as, say, football remains an attractive investment, others will take over the role of sports organizations in a more competitive economic atmosphere.

There are two wild cards that are not addressed in this paper. The success of North American leagues has hinged critically on special treatment under a unified code of laws that shapes competition policy, primarily, US antitrust and labour relations laws (Quirk and Fort, 1999; Fort 2000a). The wider variety of legal codes that governs European sports may produce dramatically different outcomes there. How treatment of leagues across geographical boundaries, and across existing competition policies in many countries, will work itself out remains to be seen. And this includes uncertainty about the potential for unionization of players in European sports leagues.

Jennett and Sloane (1985, p. 50) quote a paragraph from the second Chester report of 1983:

... changes in the social, economic and sporting life of a country cannot be ignored and may require adjustments in long established arrangements. Any organisation which cannot adapt itself to such changes ... sooner or later will find even more drastic changes necessary.

Broadly, the North American experience suggests that sports organizations in Europe are about to suffer that old curse, 'May you live in lively times.' Much of the handwriting is already on the wall. It would be beneficial to taxpayers and fans to pursue the insights garnered from the similarities between European and North American sports with solid economic and statistical analysis.

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