Offside:
How Football and Fútbol Confound Our Expectations

Benjamin David Arnstein
Submitted for Distinction in International Comparative Studies, April 2011
Advisor: Prof Michael Newcity, Slavic Studies
# Table of Contents

**Acknowledgements**  
3

**Glossary of Terms**  
4

**Introduction: A Tale of Two Sports**  
5

**Chapter 1: Market Ideologies of the United States and Europe**  
21

**Chapter 2: The Ways Soccer and Football Confound our Expectations**  
31

**Chapter 3: How This Happened**  
47

**Conclusion: Superteams and Lockouts**  
61

**Bibliography**  
70
Acknowledgments

My first week of college as a chemistry major was the best and worst week of my life. I knew with 100% certainty that in just eight to twelve short years I would be Dr. Arnstein. I had no idea what a thesis was, let alone any plans to write one my senior year. However, my plans to spend my professional career in a white coat quickly dissolved and I began a winding search through what felt like every possible area of study at Duke. It was not until the end of sophomore year that I found my true academic home in the International Comparative Studies Department. My time at Duke has passed far too quickly. In just a few short months I will be part of the real working world. I will have a plethora of fond memories of my undergraduate education, but after this past year I will also have a tangible piece of academic work to be proud of. Without the support, guidance, and encouragement from my professors, advisors, classmates, friends, and family I would not be where I am today.

To Marcy, thank you for challenging me. I came into this process unsure of what to expect. I think back to our first meeting junior year and my incoherent ramblings of wanting to write about soccer and football. During my senior year you believed in me, even when I did not necessarily believe in myself. You have pushed me to improve my analytical thinking and greatly improve my writing. Most importantly, you have put up with me. I am always amazed at how patiently you are able to deal with my incessant e-mails and questions. Without you there is no way I would have been able to finish my thesis. However, more importantly, you have challenged me to mature and develop not just as a student but as a person.

To Jehanne, thank you for all of your advice and help over the past three years. I was nervous when I was assigned to a new academic advisor sophomore year, but could not have imagined a better faculty member to have in my corner. I am sad that I never had the opportunity to take a course that you taught, but am privileged to have you as my major advisor. I always look forward to our meetings and appreciate your interest in not just my academic performance but also my life as a whole.

To Michael, Thank you for agreeing to be my thesis advisor. You stepped up to fill a vital role for me on extremely short notice. This last year has truly been a pleasure.

To my ICS thesis classmates, thank you for all of the help along the way. I left class each week inspired by all of the amazing work going on by each one of you. Although there were few sports fans at the beginning of the year, I hope that all of you are more inclined now to turn on a football game on Sunday or watch the big soccer match the next time its on.

To my closest friends and family thank you for all of the love and support. I absolutely could not have accomplished this without each and every one of you. My greatest hope is that I have made you proud.
### Glossary of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFC</td>
<td>American Football Conference</td>
</tr>
<tr>
<td>Big Five</td>
<td>England, France, Germany, Italy, Spain</td>
</tr>
<tr>
<td>Big Four</td>
<td>MLB, NBA, NHL, NFL</td>
</tr>
<tr>
<td>CBA</td>
<td>Collective Bargaining Agreement</td>
</tr>
<tr>
<td>FIFA</td>
<td>Fédération Internationale de Football Association</td>
</tr>
<tr>
<td></td>
<td>(International Federation for Association Football)</td>
</tr>
<tr>
<td>MLB</td>
<td>Major League Baseball</td>
</tr>
<tr>
<td>NBA</td>
<td>National Basketball Association</td>
</tr>
<tr>
<td>NFC</td>
<td>National Football Conference</td>
</tr>
<tr>
<td>NFL</td>
<td>National Football League</td>
</tr>
<tr>
<td>NFLP</td>
<td>National Football League Properties</td>
</tr>
<tr>
<td>NFLPA</td>
<td>National Football League Players Association</td>
</tr>
<tr>
<td>NHL</td>
<td>National Hockey League</td>
</tr>
<tr>
<td>UEFA</td>
<td>Union of European Football Associations</td>
</tr>
</tbody>
</table>
Introduction: A Tale of Two Sports

“Some people think football is a matter of life and death. I don’t like that attitude. I can assure them it is much more serious than that.”
~Bill Shankly, in Sunday Times (UK)

I love sports. So do billions of other people worldwide. Mostly we don’t think about it, but sports transcend fun and games. They carry cultural significance and become part of people’s identity, both individual and collective. From foot races in ancient Rome, to ball and stick games played by the Native Americans, virtually every culture has placed significance on competition and sport. Sports are also industries. They drive billions of dollars of revenue each year. In the twentieth and twenty-first century these simple games have become extremely important to the global economy.

Today, the global sports market is estimated to be just under $63.5 billion or €45 billion (Gelles). To put this number in perspective, in 2010 the worldwide music industry revenue was estimated to be $15.861 billion or €11 billion (2011, IFPI). This means that worldwide the music industry is roughly one-fourth the size of the sports market.

For nearly a century football2 has been emblematic of the United States and its society. Despite baseball being dubbed “America’s pastime” in the early part of the twentieth century, in the latter half football was truly America’s game. This change can be seen when looking at historical television ratings. Below is a chart that graphs football’s Super Bowl viewership against baseball’s World Series viewership beginning

---

1 This includes digital music revenue.
2 For the entirety of this paper the sport of ‘football’ will be used to refer to the American version of the game. European ‘football’ will be referenced by its common American name of ‘soccer’. Additionally, because of the dominance of the NFL, ‘football’ and the NFL will be used interchangeably at times. This will not be the case for FIFA and Soccer as this relationship is much more complicated.
in the early 1970’s.

![Championship Game Viewership](chart)

The increasingly widening gap in viewership over time is reflective of the widening gap in the sports’ overall popularity in the United States. Thus, this is the basis for using football and specifically the NFL as the sport that is currently most representative of the nation. This will be compared against soccer, which is far and away the most popular and important sport in Europe.

While living in Barcelona for six months during the first semester of my junior year (September – December, 2010), I was able to see firsthand that the Barcelonans were not only interested in soccer, they were passionate to the point of obsession. I grew up in Northern Virginia as a “die-hard” Washington Redskins fan. Sundays were reserved for watching the Burgundy and Gold fight it out on the field – unfortunately

---

3 These are the championship games for football and baseball respectively.
4 There was no World Series in 1994 due to a strike in baseball, explaining the viewership dip to 0 in this year.
5 There are leagues in other locations such as Canada, but they do not have anywhere close to the following or popularity of the NFL.
losing far more often than winning. My family and I watched the games on T.V. with friends, sharing conversation and food. At Duke I go to a local sports bar and do the same with college friends. We are devoted fans, but the sport does not dominate our lives. In many ways despite my love for football and my team, the games are almost a complement to the environment. The choppy flow of play allows for frequent trips to the bar to get more refreshments. Frequent commercial breaks give reasons to begin conversations and get more food. In Barcelona, soccer was religion. No matter how unimportant the game might be for league standing, or how bad the other club was, the city stopped for games. Bars were packed, and everyone sat hanging on the edge of their seat, anxiously watching every minute of play. There was an eerie silent intensity, only broken by the eruption of joy for a Barcelona goal, or angry mutterings at an obviously biased call against the home team. In Camp Nou, Barcelona’s soccer stadium, the atmosphere during the game is very much the same. Instead of the boisterous rumblings of an NFL stadium that are highlighted by music clips and PA announcements, there is an intense silence; every set of eyes glued to the field waiting for a reason to explode with emotion.

The purpose of this paper is not to explore the cultural significance of these sports in their respective societies; it is to explore the economic structures and rules for the two and their immense global economic consequences. As will be explained in greater detail in chapter two, the United States economy is theoretically a free-market system. In contrast, Europe’s economic system is rooted in regulated and interventionist principles. But, interestingly, the economic policies of soccer and football as industries do not follow the economic philosophies predominant in their respective home regions; in many ways
they actually operate directly to the contrary. In this thesis, I will delve into these differences and try to explain some of the reasons behind this paradox.

As the old adage goes, to find the answer to a complicated question, it is often most useful to follow the money. In both soccer and football the inflow and outflow of capital are derived primarily from the same three sources: media and televisions rights, merchandising and sponsorship rights, and player salaries. In my thesis I will explore these three areas of cash flow to see if they can help us to unravel the paradox. In chapter three, I will highlight the sharp differences in how soccer and football have economic structures that confound our societal expectations. In chapter four I will historically trace the origins of these structures and illustrate the specific reasons for why they have developed the way that they have. However, it is not enough to merely show that differences are present, but I will also explain why they occur. I will show that the four primary reasons behind this paradox are: the different structures of the governing bodies, the different ownership structures of the teams/clubs, the different levels of competition between teams in each region, and the difference in length of outlook for economic decision making by those in charge of the two sports.

**Different Structures of Governing Bodies**

I propose that several key differences between the governance structures of soccer and football have caused the divergences in economic policies. First, there is a major difference in the top level of oversight and control. Soccer has a three-tier structure that was established in 1904. Representatives from soccer clubs in Switzerland, France, Denmark, Belgium, the Netherlands, Sweden, and Spain met in Paris to discuss the
formation of an international governing body to “oversee soccer’s development and standardize the games’ rules and regulations” (O’Keefe, 39). At the conclusion of the meetings, the Fédération Internationale de Football Association (International Federation for Association Football), more commonly known, as FIFA was established as the controlling body for soccer worldwide. Today, FIFA is an international organization with “more members than the UN” (2010, Dubois). The organization seeks “the ‘control of every type of association football” meaning it claims responsibility for, among other things, rule setting and regulating all soccer played throughout the world. (FIFA statutes).

Currently, under FIFA professional soccer, the world is divided into six geographically delineated secondary governing bodies, which have the oversight of assigned geographies as follows:

1. UEFA- Europe
2. CONCACAF – North America, Caribbean, and Central America
3. CAF – Africa
4. AFC – Asia
5. OFC – Oceana
6. CONMEBOL – South America

Each of these six organizations acts as a secondary level of governance below FIFA, and has authority over the lowest level of professional soccer – the clubs.

Throughout the world, thousands of clubs compete in organized national leagues. This level includes well-known squads such as Manchester United in the English Premier League and Real Madrid in the Spanish La Liga.

---

6 When discussing organizational structure, I will use controlling and governing interchangeably.
7 FIFA includes 208 national authorities as members compared to 192 member states in the United Nations.
8 UEFA will be the relevant subdivision for this paper.
In contrast the NFL only operates within the United States and the league is solely responsible for the oversight of all franchises.\(^9\) There are only two levels of organizational structure and vastly fewer teams within this sport.

There are many consequences to these different structures. In soccer, the three levels of oversight all have different primary business concerns and each produce revenue from different sources. On the highest level, FIFA is primarily concerned monetarily with the World Cup and all the television, merchandising and sponsorship opportunities produced from that event. In Europe the second level of governance, UEFA, is primarily concerned with revenue produced from the UEFA Champions League, an invitational league for the top teams from Europe and has a culminating tournament at the end of each season. This leaves the lowest level of professional soccer, the clubs, to produce revenue streams independently from the governing organizations. Neither of the two higher bodies, individually or collectively, function in an oversight role in the same or similar way as the NFL. FIFA and UEFA are preoccupied with producing their own revenue streams affording the clubs much greater freedom over their own financial well being and henceforth leaving the clubs to operate in a marketplace with limited intervention from the governing bodies.

In contrast, the NFL\(^{10}\) operates as a single unit, maintaining strict control over the ways in which individual franchises function, and intervening and setting standards that

---

\(^9\) Currently there are 32 franchises that comprise the NFL.
\(^{10}\) During the first half of the 1960’s the NFL and AFL (American Football League) operated independently. However, for this paper the NFL will be referred to as representative of all football. The NFL was the older of the football organizations into which the AFL was incorporated. The economic decisions that have produced the issues that this paper will examine stem from decisions made by the NFL and the NFL leaders.
aim to benefit the League as a whole.\textsuperscript{11} This different structure can partially be explained by the scope in which the organizations operate. The NFL, at present, is the only major football body in the United States and is only concerned with controlling their league, not the sport of football as a whole.\textsuperscript{12} The limited scope of the NFL’s oversight allows for it to run the League in a much more controlled and regulated fashion. The NFL has consciously developed League policies in order to maximize wealth for the collective group as a whole. By narrowing its focus of oversight, it has concentrated power. In contrast, FIFA much more loosely oversees an entire sport worldwide; this consequently diffuses the organization’s overall power and control.

**Different Ownership Structures of Teams/Clubs**

There are vast differences in the ownership structures of the individuals clubs in soccer compared with teams in football. The NFL since its inception has been a league whose teams have been run by individuals.\textsuperscript{13} This is not just practice, but rather policy. “The public was not allowed to own the [teams]. Instead, ownership of a [team] by a few individuals was encouraged, with at least one individual to own 51% of the [team’s] shares” (Samuels, 71). During the early development of the league, the owners of NFL franchises were a “hidebound and tightly knit fraternity” (70).

\begin{flushright}
Additionally the AFL only operated independently for six years and operated a structurally identical league.\textsuperscript{11} When diagramming the organizational structure of the sports, ‘clubs’ in soccer and ‘franchises’ or ‘teams’ in the NFL are virtually analogous for the purposes of this writing.\textsuperscript{12} Rival leagues have been formed in the United States. The most recent example was the XFL. The head of the World Wrestling Federation (WWF) Vince McMahon founded the XFL in 2001. The XFL operated for one season and no longer exists.\textsuperscript{13} The Green Bay Packers are the one anomaly. Since 1923, Green Bay has been the only publicly owned, nonprofit major professional sports team in the nation (2011, Hruby).
\end{flushright}
There is no similar policy for soccer clubs, in fact, some soccer clubs are owned by individuals. One notable example is Chelsea from the English Premier League. Russian oligarch and multi-billionaire Roman Abramovich purchased this club in 2003. However, this is not the norm and there are a great variety of ownership structures. It is common for soccer clubs to be owned by corporations; more recently many soccer clubs have chosen to become public companies, meaning that they are owned by a collective group of shareholders. During the 1990’s many of the elite clubs, such as Liverpool in the Premier League, “took advantage of new capital by launching themselves as public companies on the stock exchange” (Brazier, 57). The club was traded on the London Stock Exchange (LSE) (Samuels, 94). Because of the nature of public companies, the ownership structure influences how economic decisions are made. This will be discussed in detail later in this paper.

In addition to the publically traded companies and conglomerate/corporate ownership, there are also notable examples of clubs that operate as private and “unlisted plc’s” (93). These clubs are publicly owned companies, which are “tightly controlled,” but whose shares are traded “outside the main stock market” (93). Arsenal in London is an example of one such structure of ownership. As can be seen from these examples, even within the Premier League in England there is a wide variance in forms of ownership.

---

14 This club has since fallen back into private ownership of the Fenway Sports Group, but other elite clubs have since been listed on the LSE such as Tottenham.
15 Referencing the requirements for financial transparency of a public company and concern for shareholders interest, among other factors.
16 Public Limited Companies (abbreviated plcs) are a common business organizational structure in the U.K. that functions similarly to a public company but with different rules for stock offerings.
This complexity has consequences on how the overall sport is regulated and structured. In the NFL, the thirty-two owners can sit together at one table and make decisions collectively for the League; as has been done since the early days of football in the United States. Pragmatically, this is not possible for a league in one European country, let alone all of the hundreds\(^{17}\) of teams that comprise UEFA.\(^{18}\) This incredible complexity has led to less control and regulation, and has allowed free-market principles to control the economics of the clubs.

**Different Competitors**

Football and soccer share similarities in their origins as professional sports. At the beginning, both were played in local communities with relatively little formal league structure. In the 1870’s they both began to be introduced on a collegiate level, which brought more formality and organization.\(^{19}\) In the late 1800’s football in the United States and soccer in England began to form teams that paid players to compete, i.e. the emergence of the first professional leagues (Samuels, 69-70). But in the twentieth century the two sports took divergent paths. One reason for this difference in paths is the nature of the competition.

From the time of its inception as a professional sport, football has been entrenched in an extremely competitive environment. In the 1920’s and 1930’s for “most

---

\(^{17}\) There are over 1300 licensed professional clubs across Europe (UEFA Club Licensing Benchmarking Report).

\(^{18}\) The large number of teams is a compounding factor that exponentially increases difficulty of collective action.

\(^{19}\) In Europe, England was one of the first countries to organize professional soccer leagues and thus will be used as the example for historical development when juxtaposed against American football.
sports fans, pro football still seemed a ragtag affair closer to the grunt-and-groan pro wrestling circuit than to big-time college football” (Oriard, 1). It took several decades for professional football to gain market share over the collegiate level of play. However, once professional football overtook the college game, it faced competition from other sports. Football is just one of four major sports in the United States, competing for fans and revenue against baseball, basketball, and hockey. Football as a sport does not have the overwhelmingly dominant cultural support the way soccer does in Europe and must compete for fan loyalty with both domestic and international competitors.

This reality of outside competition is even expressed in the legal system in the United States. The law “sees the main economic competition in football as being between one league” and another – not between the teams in the league” (Samuels, 67). Because of this intense competitive environment the NFL operates and imposes stringent economic controls to maintain its competitive position in relation to the MLB, NBA, NHL and to a lesser extent collegiate football. This stringent control is also necessitated because football lacks a strong role in the identity formation of local fans. In Europe, there are clubs in virtually every locality and people grow up as fans of their home squad. It is unthinkable that a soccer club could pick up and move cities “in the middle of the night” as the Baltimore Colts did in 1984 when they moved to Indianapolis (2007, Fleming). This move illustrates a key difference in the importance of teams and clubs to the local community; clubs in Europe are connected much more closely to their home areas. However, a second key point that this anecdotal story illuminates is the consequences of the vastly different number of teams in each sport. The NFL structurally

---

20 Meaning the MLB, NBA, etc.
21 The NFL.
is not set up to support a team in every individual’s hometown. Thus, the league must operate to augment interest in the collective unit of teams, rather than seeking to have fans develop extremely strong identity ties to specific teams. “The NFL could never have franchises everywhere, viewers willing to turn on pro football every week in much of the country would have to be fans of the league, not just of the New York Giants of Los Angeles” (Oriard, 12). These key differences spurred much of the stringent control and decisions, which will be discussed in the following section.

Soccer on the other hand, is able to capitalize on the lack of competition from other sports leagues within its territories by expanding its presence internationally. In Europe, as well as many other parts of the world, soccer is far and away the most popular sport. Soccer is “unique among sports because of its truly international appeal” (O’Keefe, 36). This is the underlying condition that has allowed for FIFA and UEFA to earn their main revenue separate from the club level. FIFA creates virtually all of its revenue as a result of international competition, specifically the World Cup. UEFA benefits from international competition between the elite clubs in the UEFA Champions League. Given this, the clubs in domestic leagues are free to essentially operate autonomously.

The ability to expand competition internationally is due in large part to the sports’ cultural significance on the local level. Soccer is different in that it is “not like other businesses” because of its tremendous “social relevance” (Samuels, 287). In one study it was discovered that “62% of men believe their team’s results had an impact on their

---

22 Now relocated to St. Louis.
23 The most recent World Cup finale in 2010 drew an estimated viewership of 700 million people worldwide (2010, Roxborough).
approach to work, thus increasing their motivation when their club was successful” (Samuels, 8). On the local level, clubs capitalize on the tremendous importance that individuals place on their local club teams. Many top tier clubs such as Real Madrid and Manchester United “remain ‘ethnocentric entities,’ sustaining vital symbolic and strategic ties to their ‘home’ cities and regions” (Giulanotti, 84). This focus on local identity affects ownership in some cases.

For Real Madrid, the maintenance of its local ownership is paramount to remaining not simply symbolically, but also quite literally tied to its home city. According to Real’s commercial director, Begona Sanz, Real Madrid benefits from its local ownership and has no plans to sell itself to high-bidding foreign investors: ‘From grandparents to grandchildren, our club is run by 80,000 members who are a big part of our history. We would lose much of our personality and grandeur. We are a social entity…. I think we are successful enough without the need for foreign ownership’ (O’Keefe, 23-24).

In 2003, the consulting and audit firm Deloitte Touche did a study titled ‘Review of Football Finance’ in which they explored the purpose of a soccer club. Part of the conclusion they expounded was that “its purpose is ‘to provide a unique focus for local pride, to provide entertainment for this generation and future generations’” (Samuels, 18). Because of the multiple levels of competition, the cultural importance of local clubs and the engrained support and love for the sport itself, soccer is situated in such a way that it is almost destined to succeed and does not need strict regulation for the purposes of increasing market share and viewership relative to other sports options. Coupled with the tri-partite, fragmented governance structure, the clubs are left to make autonomous decisions focused on maximizing profits for the individual units rather than the necessity to organize collectively to succeed, as is the case in the NFL.
Difference in Length of Outlook

During the second part of the twentieth century some crucial decisions were made that have greatly affected the way in which economic policies have developed in both soccer and football. The 1960’s were a crucial decade for the National Football League. The overall direction the League took during this time period is crucial to explaining why the League’s economic policies run counter to the predominant economic ideology of American society. In the first half of this decade, under the leadership of the newly installed commissioner Pete Rozelle, the NFL made several decisions that embodied what journalist David Harris has termed “League Think” (Oriard, 12). In essence, “League Think” is the overall policy that that all actions, policy and decisions are made for the overall benefit of the League as a whole, not for the individual teams. The specific actions that illustrate this principle will be discussed in chapter three, but here I want to focus on the underlying concept that teams’ “individual interests were best served by sharing, not competing, financially” (12). This became a crucial ideology that is the basis for many of the decisions made by the leadership in the NFL to this very day.

Additionally, many of the rules passed and codified by the League stem from this ideology. For example, the League sets the total number of franchises allowed and is instrumental in the location of these franchises. As mentioned before, the League put into place geographical restrictions to create NFL fans as opposed to fans solely loyal to their home team. The NFL allows only a “limited number of teams to compete in the league” which in turn provides each organization with “something of a regional monopoly” (Oriard, 66). This is just one example of many decisions made by the League

---

24 American is used interchangeably with the United States.
in the interest of increasing financial success for the League as a whole through practices and policies that “were not based on the principles of a free-market system” (66).

On the club level of soccer, there is no ideology similar to “League Think.” There are many practical reasons why this is the case. First, the sheer number of teams, across numerous countries is much harder to collectively unite. Complicating matters further is the ownership structure. Currently there thirty-two professional football teams in the US, the greatest numbers of teams in the history of professional football. This means, that only thirty-two individuals need to meet to make a decision. As shown previously, the thirteen-hundred soccer clubs in Europe have a wide variety of ownership structures making it nearly impossible to unite publically traded companies, privately traded companies, corporations, and individuals in a similar way.

In the NFL the owners as a unit decided – despite “the temptation of the nearby, largest capital markets in the world” – that teams would remain privately and individually owned (Samuels, 94). This was done so that the individual owners could retain full control and make decisions based on the beneficial interests of the group as a whole, action that is “not possible in a public company because of directors’ responsibility to outside shareholders” (94). This is a key practical difference, but it has several secondary implications. First, and most importantly is the effect on long-term vs. short-term prospective on profit and wealth generation. “Private companies can take a long-term view; the owners of the NFL clubs did just that” (94). The decision to keep ownership privately held in the hands of a small group of individuals meant that all of the owner’s could align their collective interests and make decisions as a single collective unit, without regard for shareholders and little dissention between the franchises themselves.
In turn, this allowed the NFL to impose the regulations and financial controls that the League’s leaders saw as most beneficial for collective long-term success.

In Europe, the clubs “squabble with each other over the league structure that will maximize their individual [club] wealth,” specifically oriented in short-term profit creation (Samuels, 61). Having clubs that are publicly traded adds structural pressure for the short-term perspective of the sport as a whole. Publicly traded companies are required to have their financial statements available to the public and shareholders and thus there is great pressure from shareholders to increase revenues, profits, and returns on a yearly basis. The tangible effects can be seen by looking at the valuations of teams in the NFL, which operate under the long-term outlook, in contrast to clubs in soccer who operate in a system that forces short-term focus.

In the controlled system of the NFL, there is a fairly consistent ratio between franchise valuation and annual revenue production. Generally, an NFL franchise is valued at four and one half times annual club revenues. For example, the most valuable NFL team in 2004 was the Washington Redskins. This club was valued at $1.1 billion based on the year-end revenue of $245 million – virtually an exact 4.5x multiple (Samuels, 62). In soccer there is a much greater fluctuation and variance. For example, Aston Villa in the Premier League had annual revenue in 2005 of £51 million but was sold for a valuation of just under £63 million, not even a 1.5x multiple (62). At the other end of the spectrum Manchester United, one of the most profitable clubs in all of soccer, was purchased for roughly a 5x multiple (62). Just as a free-market ebbs and flows based on many factors, so too do the valuations of the soccer clubs. This is indicative of how
the clubs operate in a free-market system as opposed to the controlled marketplace in the NFL.

**Conclusion**

A wide variety of tangible structural differences have caused the NFL to create a regulated and interventionist set of monetary rules for football teams while soccer clubs lack such intervention, allowing these clubs to operate in a free-market system. The structure of governance for the two sports, the structure of ownership of the individual teams/clubs, and the nature of outside competition are all key factors in explaining why these principles confound our expectations. The planned and regulated economic model for the NFL has served to create a generally even long-term wealth generation model. Just as free-markets tend to be inefficient, so too are wealth generation ratios for individual clubs in soccer. I will show the key structural economic differences in the two sports as well as highlighting the specific historical reasons for development of the structures. Finally, I will show how these differences are having tangible effects on the sports currently.
Chapter 1: Market Ideology

“The historical debate is over. The answer is free-market capitalism.”
~Thomas Friedman, American Economist and author

Introduction

Behavioral economics is a relatively new field that combines sociological theory with traditional economic theory. Duke undergraduates are lucky enough to have a course in this emerging subject. After a recent lecture I decided to run an experiment based on what I learned in the class. I asked several friends to play a game of free-word association, a game in which I would say a word or phrase and they would respond with the first thoughts that came to their minds. I started off with some generic terms such as ‘dog’, ‘house’, and ‘class’. I then switched to more economic terms such as ‘leverage’, ‘deficit’, and ‘budget’. The final two items I asked were always the same, ‘American economics’ and ‘European economics’. I received a wide variety of responses to most of the questions, but there were also some overwhelming commonalities. For the question regarding the United States, besides the name of the economics professor whose course we were enrolled in, the most common responses were ‘freedom’, ‘capitalism’, and ‘entrepreneur’. For the question about Europe, the most common responses were ‘socialism’, ‘bankrupt’, and ‘controlled’. The purpose of this anecdote is not to argue that this ad hoc study proves anything, but rather to illuminate the idea that there is a perception of stark differences between the underlying economic ideologies of the two regions. In the following pages I will examine the validity of my fellow students’ perceptions.
Theoretical and Historical Frameworks

The theoretical role of government (the authority) in and on the marketplace is what differentiates free-market economic theory from a regulated or interventionist system. What people believe the role of government should be—a mediator, intervener, or somewhere in between—is the key to understanding the ideology of a particular locality. In his American macroeconomics course at the University of Michigan, Professor Mark Perry discusses both the historical development of economic theory and the theoretical role of government in the United States marketplace. He asserts that economic theory moving forward from as early as 1776 was based on a classical theory, which “favors non-interventionist, passive approach for policy” (2005, Perry). This overlaps with the teachings of Adam Smith who has been called by many the ‘father of capitalism’. Smith believed that for economic success “there must be no impediments to free trade both within a country and among countries” (Parkin, 54). Furthermore, “when each person makes the best possible economic choice, that choice leads as if by ‘an invisible hand’” (55).

This perspective holds that “self-correcting mechanisms of a market economy” create the best outcomes, i.e. the economy of the United States would function best with limited government intervention (2005, Perry). From this perspective the government exists primarily as a mediator to enforce some degree of fairness. Perry describes the role of government as a “referee” or “umpire” whose job is to “enforce the rules, settle disputes, [and] penalize those who violate the rules” (2005).

25 There are always examples of actual actions being counter to underlying ideologies. The focus of this section will be on the general economic theory as opposed to focusing on specific historical actions and policies.
This well-known graph represents the relationship between the producer (supply) and the purchaser (demand) in the free-marketplace. The quantity of goods available is charted on the x-axis and the price for the goods produced on the y-axis. It shows that when there is a high demand for a product but there is a low supply, price will be higher. Conversely, when there is a surplus of a product the price will be deflated. The crossover point is the state of equilibrium where the available product exactly matches the demand. Both the producer and the purchaser act as independent agents free to make autonomous decisions. Under these conditions the market as a whole, theoretically, will function smoothly.

The historical development of economic ideology in Europe is quite different. As opposed to the relatively hands-off approach of American regulation, European economic theory emerged historically from the idea of mercantilism. Economics professor John McDermott states, “mercantilism, as a theoretical system, has been impossible to define. It becomes more intelligible as a system of fiscal expediency by which the government and certain favored organizations jointly extract income from the population” (McDermott, 56). The government doesn’t just referee; in a mercantilist

\[\text{Supply and Demand Chart (2007, Nolet)}\]

\[\text{Price} \quad \text{Supply} \quad \text{Demand} \quad \text{Quantity}\]

---

\[\text{26 Because of the historically changing borders and current diversity of European governments, conservative generalizations will be made. I acknowledge that some countries have policies similar to the United States (such as the U.K.) but when speaking about ‘Europe’ it will be in reference to overall trends with specific examples provided when relevant.}\]
system there is direct government intervention. It becomes an active participant in managing the economy and uses various means, such as “monopoly creation,” to create a “stream of government revenue” (McDermott, 55). Examples of this can be seen dating back to the sixteenth and seventeenth century in England and France.²⁷

Historically mercantilism is associated with Europe only until the nineteenth century. However, the legacy of this system has had far reaching effects that have laid the foundation for current economic ideology in Europe. During the transition of the nineteenth century “there were still clear indications of mercantilist thinking in economic policies” in Europe (Hansen, 154). Although no longer “mercantilism” in the traditional sense, ideology of the twentieth century favored strong government intervention that is directly at odds with the concept of a free-market system. During the twentieth century the interventionist ideology began to manifest under the name of socialism.²⁸ This ideology first became evident with the rise of “socialist parties in the late nineteenth century” and has increased through the twentieth century (Heaton, 390). The name given to the different ideologies are less important than what they both represent – active government intervention in the economic marketplace.

Some scholars propose that individual and cultural values are related to the economic ideology of a region.²⁹ David Ralston from the University of Connecticut

---

²⁷ For example, “during the administration of Colbert (1662–1683), the French state procured roughly one-half of its yearly revenues from the granting of monopoly and cartel rights” (McDermott, 64).

²⁸ Socialism and mercantilism are both complex and nuanced terms. However, for the purposes of this writing the most general interpretations are used to illustrate the larger point regarding government intervention in the economic system.

²⁹ There are problems with using the word ‘region’ to describe Europe in comparisons to the United States. The United States is a single political entity while Europe is comprised
argues that levels of individualism in societies are the important variable correlated with economic theory. In this breakdown, individualism is representative of those who believe that they are in charge of providing for their own economic welfare and well-being. Collectivism is representative of the opposite end of the spectrum favoring government intervention. His 2007 study titled “The impact of national culture and economic ideology on managerial work values” Ralston provides a graphic representation of the underlying argument:

Cultural Values in Relation to Economic Ideology (Ralston, 10).

From an ideologically standpoint the United States falls in line with the western end of the culture scale and the capitalism end of the ideology scale. Ralston explains the best way to interpret the diagram below:

Thus, the individualistic or collectivistic influences of national culture and economic ideology may reinforce each other, as is the case in cells 1 and 4. In cell 1, both national culture and economic ideology encourage or reinforce an individualistic value system, while in cell 4, both support a collectivistic value system. One might think of this in terms of Venn diagrams. Western culture and capitalistic ideology intersect on their individualistic orientation in cell 1, while Eastern culture and socialistic ideology intersect on their collectivistic orientation in cell 4 (Ralston, 10).

of many political entities in loose confederation with one another. However, for the purposes of this paper, I will use the term ‘region’ to describe Europe.
There are some practical takeaways from this. Concrete examples will be discussed later in this chapter, but the general idea is that policies implemented stem from the reinforcing of cultural and social values and economic ideologies. Given Ralston’s framework, I assert that the United States would fall into box one and Europe would fall into box three. The placement of a country in Ralston’s grid also has implications for entrepreneurialism. Countries in box one have conditions that are beneficial to entrepreneurial activity because the greater importance of the individual and the ability of the individual to shape his or her own destiny. On an empirical level it seems that entrepreneurialism is built into the fabric of American society. The concept of the “American dream” where an individual can start with nothing and through hard work and perseverance become rich is strongly tied to the idea of the individuals’ freedom to be entrepreneurial. The Horatio Alger success stories of the 1800’s have helped to instrumentally shape American thinking as a whole. American ideology gives “the largest possible scope to entrepreneurs, who risk capital to allocate resources so as to satisfy the future desires of the mass of consumers as efficiently as possible” (2008, Murray).

Some economists argue that it is not just in theory or past generations that America fostered the entrepreneurial spirit, but rather that it is still the case that America fosters entrepreneurialism in a way that Europe does not.

---

30 This is meant to provide the ideological basis. In actuality, economies are dynamic and in general act as hybrids, not strictly following any one ideological principle in all cases.
America has found the transition to a more entrepreneurial economy easier than its competitors because entrepreneurialism is so deeply rooted in its history. It was founded and then settled by innovators and risk-takers who were willing to sacrifice old certainties for new opportunities. American schoolchildren are raised on stories about inventors such as Benjamin Franklin and Thomas Edison. Entrepreneurs such as Andrew Carnegie and Henry Ford are celebrated in monuments all over the place. One of the country’s most popular television programmes, currently being recycled as a film, features the USS Enterprise boldly going where no man had gone before (2009, The Economist).

The connection between the United States and entrepreneurialism is not limited to the days of Benjamin Franklin. After World War II a new wave of entrepreneurship “exposed the shortcoming of the old industrial corporation” (2009). In the late 1970’s the United States was the first country in the world to “ditch managerial capitalism for the entrepreneurial variety” (2009). Between 1996 and 2004, an average of 550,000 small businesses were created each month. Currently, America has the “world’s most mature venture-capital industry” (2009). The chart below shows how much more well developed this industry is in America as compared to Europe:

Venture Capital as % of GDP (2009).

European countries do not foster or embody entrepreneurialism in the same manner. The article notes that:
The other two of the world’s three biggest developed economies—the EU and Japan—are far less entrepreneurial. The number of innovative entrepreneurs in Germany, for instance, is less than half that in America, according to the Global Entrepreneurship Monitor (GEM), a joint venture between the London Business School and Babson College. And far fewer start-ups in those countries become big businesses. Janez Potocnik, the EU commissioner for science and research, points out that only 5% of European companies created from scratch since 1980 have made it into the list of the 1,000 biggest EU companies by market capitalisation. The equivalent figure for America is 22% (2009).

One reason given as a potential explanation for lagging in this practice is Europe’s cultural “egalitarianism” (2009). This egalitarianism seems to be virtually synonymous to what Ralston labels as collectivism. Semantics aside, it is evident that there is a clear difference between the United States and European societies. These differences in economic and cultural ideologies manifest themselves tangibly through different rates of entrepreneurialism.

**Some Other Ways the Differences Manifest Themselves**

In the United States, referring to a politician as a socialist or policy as socialistic is often an attempt to delegitimize the politician or policy. These terms are intensely charged with negative emotions and connotations. The intensity of emotion surrounding these ideological positions came to a head during McCarthyism of the 1950’s. Currently there is no socialist party or movement to speak of in the United States. In Europe however, virtually all countries have some form of socialist organization represented in the political spectrum. In France the Parti Socialiste (PS) or Socialist

---

31 Although McCarthyism concerned specifically with communism, the ideological opposition to economic ideologies outside of a free-market (“United States”) system are the main point of the example.
Party is the second largest faction. It controls roughly 25% of the total seats in the
French National Assembly (2007, Parties and Elections in Europe). Domestic labor laws,
including mandated amounts of vacation time and limitations on the hours in a
workweek, are tangible manifestations of the underlying socialistic leanings.

The different ideologies concerning the role government should play in business
can be illustrated through an example from Italy. Italy is home to Eni, the world’s sixth
largest oil company in 2005 and “Italy’s only truly successful big multinational” (2005,
The Economist). In May of 2005, Prime Minister Silvio Berlusconi replaced the head of
Eni, Vittorio Mincato with Paolo Scaroni, the head of the large electricity firm Enel. The
state is the “controlling shareholder of both firms” (2005). Writers from The Economist
stated that they believed the removal of Mincato in favor of Scaroni was made because
“the government apparently did not want to risk him [Scaroni] leaving Italy for a top job
abroad” (2005). They continue and note that the appointment of Scaroni is potentially
unsettling because it indicates Italy’s propensity to “use state-controlled companies to
advance its political goals” (2005).

In the United States, situations like this do not readily occur because it goes
against the fundamental ideology of the country. In theory, the government does not seek
to take controlling interests in large businesses. Additionally, it does not actively and
publicly manipulate leadership structures of business. It is expected to step in if there are
legal improprieties, but overall to act in the officiating role that Perry describes
previously.

---

32 Again, this is the theoretical basis, not what always occurs. There are
counterexamples, such as the role the United States government took during the financial
crisis with General Motors.
Conclusion

The United States and Europe operate under two fundamentally different economic ideologies. European ideology stems from a historically mercantilist economic theory. The United States is historically rooted in free-market principles and the teachings of Adam Smith. Although these ideologies are not always perfectly reflected in reality, it is what a large proportion of people believe should generally happen. The exploration of the underlying ideologies has a tangible effect on entrepreneurialism. In the United States the free-market system, when combined with individuals who have great amounts of autonomy, fosters entrepreneurial behavior. Lack of intervention and stringent regulations allows for greater opportunities for new actors, the entrepreneurs, to create new businesses and enter into the marketplace.
Chapter 2: How the NFL and FIFA Confound Our Expectations

“Nobody is thinking they're going to come out here and put a team here and become a multimillionaire. I don't know anybody that comes into the NFL like that.”
~Jerry Jones, Owner of the Dallas Cowboys

Introduction: Areas of Focus

Imagine two industries in closely related fields with different business structures and rules; let’s say one for juggler’s performances and one for mime performances. Within the two industries there are localized companies, think Boston Juggling Troup, etc. Each industry is run by one central authority, similar to a trade organization that all members must belong to in order to participate. In the juggling industry there are strict rules in place regarding compensation. Jugglers, as prescribed in the bylaws, are only allowed to receive a certain fixed percentage of the overall revenues. They collectively negotiate this contract and collectively strike if an agreement is not met. In the mime industry, however, salaries are determined on a purely supply and demand basis. The best and most notable performers generally earn the highest wages and they usually move to the group and city that pays them the best salary that the market will bear.

The performances of both of the industries are broadcast and their merchandise is sold. For juggling, the rights to the merchandise, songs, and performances are controlled by the trade organization. The profits are then evenly distributed to all local groups, regardless of size, popularity, or contribution to revenue. In the mime industry however, each local group controls their own rights to revenue from performances and merchandise. If I told you that one of these industries only existed in Europe and the other only in the United States, how would you assign them? Based on the economic
ideologies outlined in chapter one, you might assume that the juggling industry belongs in Europe, because there is profit sharing and strict organizational controls on expenditures. On the other hand, miming as I described it seems to reflect the free-market ideology more characteristic of the United States. Supply and demand control how much players are paid and how much individual groups can make by selling their merchandise and performances.

But you would be wrong.

**Media Rights: Watch Me!**

The last fifty years have seen phenomenal technological advancement. Travel has become easier, computers have become smaller, and television has become much more widely accessible with hundreds of channels to watch. This last advancement in technology is especially important to the business side of sports. As the media have expanded coverage of sports and augmented their ability to broadcast events to a worldwide audience, different sports have adopted varying strategies to capture a share of this viewership. Currently soccer and football take different approaches to how the monetary aspects of media rights are handled.

In America, the NFL “has never existed in any meaningful way without the media” (Oriard, 255). The television contracts for the NFL between 1987 and 1989 amounted to roughly $1.4 billion in total revenue produced. Between 1994 and 1997 the amount of revenue had increased greatly bringing in a total of $4.4 billion for the League (169). The NFL truly became a major player in the United States between 1998 and 2005

---

33 The context of this statement implies that “exist” refers to the NFL as a business and a brand, judged by the revenue and profit making potential.
when income from television rights “totaled nearly $18 billion, roughly half of the League’s total revenue” (167). This amount is roughly seven times the Fox media contract with the MLB during the same time period. Major League Baseball sold its 2001-2006 television rights to Fox Broadcasting Company for a total of $2.5 billion (Mihara, 2). What differentiates the NFL from European soccer is how the League as a whole handles the revenue produced from the media and television rights contracts.

The media rights for the thirty-two teams in the NFL are some of the most coveted and most expensive in all of professional sports. Inevitably, not all teams in the League contribute to this demand equally. Year to year a far larger audience desires to see teams like the Dallas Cowboys, whose publicists have dubbed “America’s team,” as opposed to those like the Kansas City Chiefs. Many factors affect the desirability of a certain team’s games, including quality of play, geographical location and history of the franchise. As mentioned previously, the NFL made the decision to structure the league with a series of “regional monopolies” in order to maximize league viewership as a whole throughout the United States (Oriard, 66). This means that inevitably some teams will be located in less densely populated areas (regions) and are theoretically at a financial disadvantage. For example, the Green Bay Packers’ home audience is around 100,000 people while the New York Giants play in an area that is populated by millions. To

---

34 Major League Baseball has different policies than the NFL for handling media rights, and allows some teams to negotiate certain separate contracts, such as the New York Yankees. Thus, this revenue number is not totally analogous to the revenue given for the NFL, but rather is meant to give a general comparison.

35 This can be shown through overall ticket sales, ticket sales for specific teams away games in comparison to other games at the stadium, and overall viewership of the team throughout the season.

36 This was intentionally done, based upon statements and actions of Commissioner Pete Rozelle in 1961 (Oriard, 12).
protect against economic disadvantage to certain teams and in line with the concept of “League Think”, there is a policy of revenue sharing. What this means is that the total revenue from media rights are shared equally among all teams, regardless of difference in projected contribution to the overall revenue. This allows for teams like the Packers to compete and succeed despite having a small home market. The geographical spread is in place to capture viewership from the entire country and the equalized distribution of wealth is in place to ensure that teams throughout the entire league are able to compete at a similar level and in turn increase the overall quality of games played in the NFL.

The League\textsuperscript{37} made the decision to share revenue equally because it aims to do what is best for the League as a whole. It seems pretty clear that if the teams were left to their own devices, a handful of lucky franchises would be able to garner a lion’s share of the media revenue based in large part on the relative size of their local populations. But the League intervenes and plays an active role in the marketplace to ensure all franchises receive an equal share in order to increase the overall quality of competition and offset geographically created economic disadvantages. “Richer or poorer, all NFL clubs [make] money because of television” and the sharing practices of the League (Oriard, 167). The League acts on behalf of the collective and in this way instrumentally controls the most significant money making piece of the business. The NFL’s Rules and Regulations state:

\footnote{When referencing the League as an actor, it is in reference to actions taken by the collective group of owners. Depending on the action taken different proportions of votes is required. However, the NFL is structured where league policy is decided by votes of the owners with the League commissioner acting as an impartial intermediary and overseer of the entire NFL.}
Resolved, that the National Football League be hereby authorized to continue to receive network television revenues and postseason game proceeds as agent for and on behalf of the member clubs of the League and to disburse such funds on their behalf, without further action on their part (NFL Rules and Regulations).

The importance of media in revenue generation is just as important in soccer, but the way it is distributed among clubs differs greatly from the practice in the NFL. The first major difference stems from the tri-partite governing structure of soccer. On the highest level, FIFA controls and receives all of the revenue from its “cash cow” which is “international competition” and most importantly the World Cup (O’Keefe, 39). In 2006, a cumulative world audience of roughly 26 billion watched the World Cup; a viewership 7 times larger than the 2004 Olympics (Samuels, 5). This in turn had large financial implications for FIFA. The organization earned over $1 billion from the media rights for the 2006 tournament, a 40% increase from the 2002 competition (5). Given this huge revenue flow, FIFA’s leaders feel no need to extract revenue from local soccer clubs.

Like FIFA, the second level bureaucracy, UEFA, creates its own revenue streams outside of club play in national leagues. UEFA’s media-based revenue comes through rights to the UEFA Champions League\(^{38}\) games. UEFA does make some money at the club level, but these funds do not come from media rights. The revenue stream from the club level comes from club licensing fees (Oriard, 140).\(^{39}\) Thus, the rights to broadcasting and the appropriation of associated revenue on the club level are left for the clubs to handle on their own.

\(^{38}\) An invitational league comprised of the top finishing European clubs.

\(^{39}\) These fees refer to money clubs pay to register with UEFA as a recognized club organization.
With the top two levels of oversight primarily concerned with proprietary tournaments and leagues, the clubs are given the autonomy to freely contract out their own media rights for league play. “Free-market policies have facilitated the rapid growth of the pay-TV sector, which in turn has multiplied revenues within elite [soccer], most particularly in the Big 5 Leagues” (Giulianotti, 72).\(^{40}\) Different leagues have chosen to handle this freedom in a variety of ways. Some of the Big 5 have chosen to follow a model similar to the NFL and sell their rights collectively. Historically, “German, and French leagues have practiced the collective selling of broadcasting rights” (O’Keefe, 21). However, unlike the NFL the leagues that choose to do this do not split the revenue equally, rather it is divided proportionally based upon popularity of the teams.

Teams in leagues that do not sell collectively, have had the opportunity to garner disproportionately large contracts for the rights to broadcast their matches. In 2006, Real Madrid from the Spanish La Liga agreed to a “€1.1 billion deal with the Mediapro agency for their TV rights for the seven years until 2012-13 season” (2006, “Real Madrid Signs Massive TV Rights Deal”). This equates to roughly €160 million per year. Earlier in the same year, Mediapro reportedly signed a similar deal with Real Madrid’s in-league rival F.C. Barcelona for a similar amount. The next largest television contract in La Liga was Atlético Madrid, which earned roughly 40% (€62 million a year) of the amount of the Real Madrid contract (2011, Deloitte). This disparity is not unique to the Spanish teams. “In Italy Roma and Florentina each generated around €70m from broadcasting in 2009/10, €60-70m less than each of the ‘big three’” (2011).\(^{41}\)

---

\(^{40}\) Spain, Germany, Italy, France, and Germany comprise the Big 5 Leagues.

\(^{41}\) The three clubs referenced are Internazionale, A.C. Milan, and Juventus.
By allowing clubs to individually sell media rights, soccer as a sport allows the free-market to function. For example, in England the four most popular clubs are Arsenal, Chelsea, Liverpool and Manchester United. In 2006 these clubs earned roughly three times the amount from media rights than the other clubs in the same league (Giulianotti, 68). Consumer demand to watch top-tier clubs play is extremely high and this demand has only increased with greater global access. Satellite TV contracts, among other things, “make the club brand more accessible to the international audience” and thus expose the clubs to even greater amounts of demand (O’Keefe, 30). With such a high level of demand and with the clubs controlling the supply, the conditions are in place for individual clubs to garner significant amounts of income for themselves. This has a cyclical effect. The clubs that generate vastly more revenue have a greater ability in turn to get top players from around the world. The better players create all-star like teams, which helps to augment the team brand worldwide and in turn garner even greater revenue influx. This cycle eventually leads to receiving another disproportionately large media contract.

**Merchandising and Sponsorship: Buy Me!**

The second main revenue producer for these two sports is merchandising and sponsorship rights. The sponsorship market in sports was valued at $43 billion at the end of 2006 (Viscusi). Soccer and football differ greatly in how the sports regulate merchandising and sponsorship.

For merchandising, the NFL goes through “obsessive efforts” to manage its brand (Oriard, 186). This means the League exercises direct control over logoed products,
including jerseys, hats, glasses and everything in-between. The first line under the heading “Merchandising” in the League’s constitution and bylaws asserts the League’s authority over the teams and their teams logos. It states that a “[team’s] rights to use its Club Marks within its Home Marketing Area shall at all times be subject to: (i) League agreements, including with manufacturers of licensed products” (Constitution and Bylaws of the National Football League). The League actively controls the teams’ merchandise for the purpose of exercising quality control over the overall League brand and product line.

In soccer, the landscape is very similar to the situation for media rights. FIFA concerns itself primarily with the World Cup and UEFA with the Champions League, leaving the clubs to manage for themselves. However, this does not mean the upper-levels have become complacent about making money or protecting their own interests. For the 2002 World Cup, FIFA “sold licensing rights that enabled more than 280 companies to manufacture and sell over 500 products which in turn generated worldwide retail sales of approximately $1.5 billion” (Giulianotti, 95). The organization also went through great lengths to protect these rights. After the Cup was completed, FIFA won 1900 legal cases in 88 different countries “against those manufacturing or selling around 3.2 million counterfeit goods” (95). FIFA and UEFA are just as “obsessive” about managing brand image as the NFL, they just have a more limited and defined rights of control.

It is almost an identical story with sponsorships. In soccer, the three levels act autonomously. Generally, on the international level global corporations are chosen as sponsors. Recently FIFA signed an extended sponsorship deal with Coca-Cola, spanning
from 2007-2022, for roughly $500 million. On the club level, sponsorship is a huge business opportunity that produces disproportionate amounts of revenue based on club popularity. In the early 2000’s Siemens paid an estimated $12 million per year just for the sponsorship rights to place a logo on Real Madrid’s uniform shirt (Giullianotti, 94). Teams in the NFL do not have this same opportunity to capitalize on team popularity as the League handles official sponsorships. For example, Visa is the official credit card of the NFL. At NFL events “don't bother reaching for your MasterCard or American Express” because they only take Visa or cash (2008, Azcentral). There is no official credit card of the Washington Redskins nor does the team have the freedom to make MasterCard its credit card if the League wants it to be Visa.

The differences in merchandising and sponsorship create several tangible and visible differences at the team and club level of competition. The most noticeable manifestation is with team uniforms. Below are some examples from soccer and football.

(thesocceruniform.com).

Any guess what soccer club sports this jersey? It is worn by Real Madrid with their new sponsor bwin.com prominently displayed on the chest.

---

42 Teams are allowed to have limited individual sponsors, which primarily take the form of stadium naming rights. For example, the Redskins play in FedEx Field. However, the details of stadium naming rights and fees for stadium use for other functions will not be discussed in depth in this paper. There is an extremely complicated interplay between public finance, stadiums frequent use for auxiliary events, and a complicated legal interplay between municipality, team, and the League.
This Washington Redskins jersey and helmet differs from the soccer jersey. The only writing on the uniform is the team name, the player’s name and number, and the NFL logo. The helmet is strictly reserved for the team logo.

Pictured below are the jerseys for four of the top earning sports franchises in the world.\(^4^3\) At a quick glance can you tell which Jersey belongs to which of these franchises?

\(^4^3\) As ranked by Forbes’ ranking of all sports.
Unless you are an avid soccer fan the answer is probably not. The first jersey marked with ‘AIG’ is worn by players on the 2010 most valuable franchise in all of sports, Manchester United, whose valuation at year-end was calculated by Forbes at $1.87 billion (Van Riper). The yellow Jersey is worn by another billion-dollar soccer team, English Premier League’s Arsenal, valued at $1.2 billion. The red ‘Carlsberg’ sponsored uniform is that of a second team from the Premier League, Liverpool, valued at slightly over one billion. The final jersey is the F.C. Barcelona squad.44

The contrasts become extremely apparent when looking at further examples of uniforms from the National Football League as seen below.

There are a couple of readily noticeable and key differences between the NFL Jerseys and the soccer uniforms. First, is the presence of the NFL logo on the football jersey. It appears in two prominent places, the collar and the bottom of the shirt. In contrast, the only sport-related logo on the soccer jerseys is the seal of the individual

44 All numerical data from the 2010 Forbes article.
club. The second major difference is conformity. All of the NFL jerseys look virtually identical with the exception of color. Each has a solid background, a stripe on the sleeve, and a large number on the front and back and the player’s name on the back. The helmets have a stripe down the middle and a team logo on each side. The largest amount of space on all the Jerseys is the number. This helps to increase conformity across all thirty-two teams. Symbolically, it is reflective of “League Think.” Uniforms in the NFL are not a place for individual clubs to create distinctive designs. They are meant to look more or less identical, a symbol of the League as whole rather than the specific team. In soccer the only similarity is in the placement of the clubs’ seal. Even sleeve lengths are not the same; nor does the same manufacturer produce them all. If you look at any NFL helmet you will see that Riddell made it. You would also notice that every jersey is short sleeved.45

The lack of regulation has allowed soccer clubs to act entrepreneurially in making money from sponsorship and creating proprietary merchandise. Clubs have “not only been compelled by market demands” but also have shared an entrepreneurial spirit to place “endless signs of sponsorship” on uniforms and the playing field (O’Keefe, 34). This onslaught of corporate logos is hard to miss. One author notes that when watching games there is an extremely “cluttered landscape of logos, brand names, trademarks and website addresses that [are] layered on shirts, shorts, hats, socks, dugouts, bags, players’ tunnels, tickets and balls” (Goldblatt, 683). The NFL’s overall control is evident in merchandising and sponsorships. This is most obvious when looking at the

45 National Football League Properties (NFLP) is responsible for choosing which company will handle the apparel of the league as a whole. In soccer, there is no regulation with the exception of differentiating home and away colors to ensure teams can be distinguished during games.
overwhelming conformity of team uniforms, but is more subtly present in the inability of individual teams to make proprietary sponsorship deals.

Salaries: Pay Me!

Athletes are the most fundamental component of any sport. As obvious as this might seem, it often gets lost amid discussions of sponsorships and television contracts. Without the players competing on the field or pitch there is no game to broadcast or jerseys to sell. Taking a bottom up approach – looking at how players interact with the teams and leagues – is a valuable way to show the stringent economic controls present in the NFL and the free-market system in soccer. You should not be surprised by now to learn that soccer and football function in radically different ways economically in regard to players.46

A couple of key differences stand out. The NFL has codified rules set forth in the Collective Bargaining Agreement (CBA).47 This agreement provides a strict framework for a wide range of player related issues. Article XVII sets a “League-wide limit on the total amount of salary to which all of the NFL Clubs may contract for in signing Drafted Rookies” (NFL Collective Bargaining Agreement, 51). Article XXIV establishes “guaranteed league-wide salary, salary cap, & minimum team salary” (NFL Collective Bargaining Agreement, 82). This document, which exceeds 300 pages, goes into excruciatingly detailed regulations and restrictions about player’s salaries. It leaves

46 This paper is using the club/team level as the basis for comparison. Because the FIFA World Cup is comprised of national teams and the UEFA competition are select club teams out of the club leagues, the two organizations will not be included in my analysis; I will focus solely on the club level.
47 The historical development of this and other current policies will be addressed in chapter 4.
almost nothing open to interpretation and functions to strictly regulate the marketplace for talent in the sport.

In soccer there is no analogous codified set of rules. Teams are free to pay players anything they wish. There are no limits to expenditures and teams with greater access to capital take advantage of this fact. For example, “because of the strength of Real [Madrid’s] brand and the club’s importance in Spanish history, the club is allowed by Spanish banks and government authorities to operate with a massive debt” (O’Keefe, 57). This has two effects. First, it means that the organization can leverage virtually infinitely; it can borrow heavily against limited actual tangible assets or capital. As a consequence of this extremely high ability to leverage itself, Real Madrid is able to spend exorbitantly on players. Because there is no salary cap in place, the only real limit on the team’s access to players is how much it can pay them in comparison with the other teams in the league, an almost textbook example of supply and demand determining the market. The lack of regulation also leaves room for entrepreneurial behavior on the part of club owners. Since acquiring Chelsea in the Premier League, Roman Abramovich has “funded the purchase of top stars from all over the world” from his own deep pockets and disproved the notion that “footballing [soccer] success cannot be easily bought” (Brazier, 58). The club “routinely runs with a massive operating deficit” due to indulgent player contracts, but the owners’ immense personal wealth is used to subsidize these losses (59).

In football, the players interact with the teams through a union. The CBA is an agreement between the National Football League Players Association (NFLPA) and the

---

48 For example if I own a house that is worth $200,000 and I borrow $10 million against that asset, I would be highly leveraged because I only have 1/50th of the money in tangible form to pay back the loan should I need to.
collective group of owners – the League. All negotiations and agreements take place under the strict rules defined by the CBA. Players are given individual contracts by teams and once these contracts are established, the player and the contract in essence function as a unit. When a player is traded his contract goes with him to the new team. In a sense players become contract workers bound by the rules of a trade organization.\textsuperscript{49} When teams negotiate a trade for a player under contract, it is in the context that the new team will honor the existing contract – players do not have the ability to renegotiate the terms of the agreement.

In soccer, players have much more freedom. During a trade the player individually negotiates a new contract with the team, often receiving a large financial increase. Teams wishing to acquire a player pay a fee\textsuperscript{50} to the team that currently holds the desired player. This payment, called a transfer fee, pays for the right to negotiate and sign the player. This right does not come cheap. Because this system functions as a free-market, players in high demand will create immense transfer fees. For example, in 2009 Real Madrid paid £80 million ($131.6 million or €93.9 million) to Manchester United for the rights to sign Cristiano Ronaldo (2009, “Manchester United Accept Real Madrid’s £80 Million Bid for Ronaldo). This came “at Cristiano's request - who has again expressed his desire to leave” at the time of the transfer (2009).\textsuperscript{51} A single player in soccer has the power to move hundreds of millions of dollars internationally, whereas in football a player is essentially a commodity subservient to union and League regulations.

\textsuperscript{49} Specific player contracts can vary in terms of trade clauses, this is meant to show how the system generally functions.
\textsuperscript{50} Negotiated between teams dependent on desirability of the player.
\textsuperscript{51} The player as the active agent causing the trade occurs somewhat frequently, especially if it is a high profile athlete who desires to be traded. However, it is not always the case that a player can orchestrate a trade.
Conclusion

Soccer clubs have the freedom to sell their own broadcasting rights and create merchandise independently. They can choose sponsors and sell advertising space virtually everywhere, including on team uniforms. In paying players they have nearly unlimited freedom to spend what the market will bear. All of these freedoms leave room for entrepreneurial behavior such as personally financing player acquisitions that the team as a business entity could not otherwise afford. Individuals and teams have the ability to determine their own destiny within the free-market system. The contrasts of monetary characteristics between soccer and football are very telling. For example, with player salaries in the NFL all teams are limited by the salary cap which regulates how much can be spent on players. In soccer the free-market allows for an entrepreneurial owner, such as Roman Abramovich, to capitalize on surpluses of talent in the marketplace without regulatory limitations by the governing bodies. Consequentially, players have the ability to leverage trades into new higher-paying contracts based on the amount of demand for their services currently in the marketplace. The restrictions and regulations of the NFL do not allow for either freedom or entrepreneurialism. The rule-establishing documents codify intervention in the name of “League Think”; making sure every piece of the sport is carefully constructed to better the League brand as a whole rather than to allow individual teams, owners, or players to benefit disproportionately at the cost of others.
Chapter 3: How This Happened

“You have to know the past to understand the present.”
~Dr. Carl Sagan, Astronomer and Author

Introduction

In Chapter 2, I outlined the ways in which soccer and football operate counter to the prevailing economic ideologies of their home countries. Understanding the ‘what’ so to speak is important, but equally important is understanding the ‘why’. I will explain the latter by tracing the historical development of the NFL in the United States and soccer in Europe, identifying the key moments in time and addressing some of the decisions that have resulted in the modern structures. Specific decisions and actions made on both sides of the Atlantic have directly impacted the current structures determining the way media rights, merchandising, sponsorships, and player salaries are handled in the two sports. And these structures determine how the money flows.

Media Rights

Soccer and football both began serious professional play at the beginning of the twentieth century. It was not until nearly fifty years later that media, specifically television, would become a key issue. In the beginning, faced with competition from other sports, the NFL struggled mightily to gain popularity. The League had an “image problem” in comparison to collegiate football (Oriard, 1). The early perception of professional football was that its players were “bloodthirsty and bloodless, brutal on the field but lacking in ‘die-for-dear-old Rutgers’ spirit” that was an integral part of the college game (1). Additionally, college games provided “pageantry and spectacle,” with
marching bands and cheerleaders; they gave the fans entertainment as opposed to brutish struggle (1). Not until the mid to late 1950’s did the same qualities that originally turned people away from professional football become the sports greatest assets. Some scholars postulate that a combination of historical factors led to the rise in popularity. The NFL provided a forum for “true professionals, who played the game at the highest level of technical and physical skill” being brutal “in a manner governed by rules” (2). In the context of the Cold War, “pro football provided an antidote to a civilization grown soft through prosperity and threatened by a Soviet enemy ready to exploit every American weakness. Football’s ‘sanctioned savagery’…offered ‘an escape from or a substitute for the boredom of work, the dullness of reality’” (2).

The NFL also grew along with the expansion of television in America. In 1950 there were fewer than 10 million televisions in American homes, but by the end of the decade there were more than 67 million. The collegiate level of football viewed the rise of television as a monetary threat. Colleges made the vast majority of their football revenue from ticket sales. “National Collegiate Athletic Association fought” to keep games off of television in order to “protect gate receipts” (2). In contrast, the NFL saw television as a great business opportunity and “embraced it [television] to expand its fan base” (2). One of the first crucial moments marking how far the professional sport had come was the NFL championship game in December of 1958. “More than 30 million Americans watched, enthralled on television. TV was the key” (1).

However the key turning point, the moment to which virtually all of the modern policies can be traced, came in 1960 when Pete Rozelle took over from Bert Bell as League Commissioner. Rozelle foresaw the future importance of television and
embraced this technology to an even greater extent as a means to grow the League.

Chuck Day, former NFL employee and author of The Making of the Super Bowl, notes that “Rozelle certainly had a vision of what television could do for the National Football League” and that “he could see, ‘for us to get from number three on the sports spectrum, we need[ed] to cultivate the media to get higher’” (Davis, 130). Michael Oriard, an American author and former NFL player and League employee, describes Rozelle’s first major act as commissioner and how it showed his dedication to a link between football and television:

Rozelle’s first official act-moving league offices the short distance from Philadelphia to Rockefeller center in New York- had both actual and symbolic consequences. Through its alliances with Madison Avenue, Wall Street, and the TV networks in its new neighborhood, the NFL had fully escaped its low-rent roots to become a Fifth Avenue sort of operation model for ever major professional sports organization (Oriard, 12).

With that move, Rozelle “took Bert Bell’s folksy, mom-and-pop National Football League operations in Philly and blew into New York with a round-the-clock three ring circus” (Davis, 123). At this point the League had showed potential for great success with the large viewership of the 1958 championship game. Concurrently, Rozelle’s long-time friend Pierre Salinger had risen to the rank of presidential press secretary during the Kennedy presidency. Rozelle enlisted Salinger’s help to get legislation passed that would facilitate signing TV contracts on behalf of the League as a whole. On September 30, 1961 the Sports Antitrust Broadcast Act was passed and immediately signed by “America’s number one football fan, President John F. Kennedy” (Davis, 130). This legislation allowed the NFL to “sell its games as a ‘package’ to television on one or more networks” (130). In 1962, less than a year after the legislation
was passed, Rozelle pulled off what would be one of his defining acts by signing “the first national TV contract” which he did “on behalf of all NFL [teams]” (Oriard, 3).

“More than any other single factor, that first national TV contract made the NFL what is has become” (Harris, 171). This is the action that laid the foundation for the idea of “League Think.” This national television contract, along with all subsequent contracts, stipulated that revenue be equally shared among teams, regardless of popularity or estimated amount of individual team contribution to the contract as a whole. It set up a monopoly and directly limited the ability of more successful teams to leverage that success into greater television revenues for the individual franchise. The first contract Rozelle signed was for two years with CBS worth $4,650,000 a year beginning in 1962 and giving each team $332,000 a year. With the roster during that time period set at 36 players, each team would receive the equivalent of roughly $9,000 per player, exceeding almost all of the payrolls of that era. What this meant was that “every team started the 1962 season, and has played every season thereafter, with the assurance it would earn a profit” (Davis, 130).\(^{52}\)

This initial contract laid the groundwork for the future of the NFL. In 1970, Monday Night Football debuted with three important consequences. It increased overall revenue from television, expanded viewership and marked the first “decisive shift from treating football as a sport to treating it as an entertainment product” (Oriard, 25). The NFL was no longer only concerned with filling the relatively uncompetitive television landscape of Sunday afternoons. It was entering primetime, competing against network broadcasting. This transformation of the NFL into part of the entertainment market has

\(^{52}\) All numerical data from this paragraph is from (Davis, 130).
persisted with the passing of time. On July 12, 1994 the NFL announced the hiring of Sara Levinson, the former co-president of MTV, as the new president of NFL Properties. The significance of this hiring was “perhaps mostly symbolic,” but it did confirm a fundamental point: “that the NFL now openly regarded itself as a ‘brand’ and pro football\textsuperscript{53} as a ‘product’ to be marketed” (Oriard, 175).

No leaders in soccer had the same intuition or foresight during the 1960’s or 1970’s that television would become of immense financial importance. It was not until the late 1980’s that the first movers began seizing this economic opportunity. For the first 80 years of FIFA’s existence the organization “strove to be a rule-making body that enforced such rules as field sizes and a regulatory body that settled disputes between clubs” (O’Keefe, 40). The emphasis on rule-making first was different than the NFL’s practices that indicate money-making was the paramount concern. The most influential and well-known FIFA president was the Frenchman Jules Rimet.\textsuperscript{54} He served from 1921-1954. He considered the sport to be an “international force for good with the potential to unite people and promote progress” (40). The founders and early leaders of the UEFA similarly saw their role as regulatory and ideological.

With those in charge of the two levels of authority over the clubs not concerned with controlling media rights, the clubs gained almost total freedom. However, this was not important until the late 1980’s. Until this time period soccer was primarily a source of local and national pride. Viewers were primarily “cultural ‘citizens’ served by free-to-air public broadcasting” with networks not locked into large exclusive contracts with the clubs or leagues (Giulianotti, 67). Starting in the late 1980’s, however, there was a large

\textsuperscript{53} The NFL collectively as opposed to individual teams.
\textsuperscript{54} The World Cup began during his tenure.
acceleration and development of subscription-based satellite, cable, and digital networks in Europe (67). Before this time almost all televised soccer matches were broadcast by local public companies. In the late 1980’s, the Canal Plus channel in France “started offering live football and bidding wars began” (Brazier, 60).

This time period also saw technological changes. Satellite analog systems first came into use in the 1990’s followed by cable television’s expansion to a more universal level. In the late 1990’s the “switch from analog to digital television multiplied the number of possible outlets again. With the arrival of broadband internet and G3 mobile phone systems, the number of bidders for new media rights and thus their value rose too” (Goldblatt, 689). The financial implications were staggering. For example in Germany, “the value of annual TV rights rose from 23 million Euros in 1990 to €84 million in 1995 and €168 million in 2000” and up to €288 in 2007 (Brazier, 60). On a macro level, what resulted was a shift similar to that which took place in the United States, with fans being re-categorized as “entertainment ‘consumers’ paying premium fees for live football” (Giullianotti, 67).

This had an impact on all three levels of soccer. First, the new revenue from subscription television caused FIFA’s income to grow “exponentially” based primarily on television revenue from the World Cup (66). UEFA restructured the Champions League to its current format in 1992. The changes included expanding the field of teams and including a group stage of the tournament, both of which increased the overall number of matches. The selling of television rights for the Champions League has “multiplied”

---

55 British Sky Broadcasting (BskyB) was one of the most important and notable examples as it not only owns media rights but also shares in a football club, and has made bids for ownership in additional clubs.
UEFA’s earning substantially (66). With FIFA and UE FA occupied with their own television rights, the clubs were able to act opportunistically and entrepreneurially to capture their share of the media riches. As outlined in the previous chapter, this has taken different forms based on the specific club or league. The effect was not limited to just television revenues, as the large contracts “equipped” clubs to capitalize in other areas of the business by “inflat[ing] sponsorship revenues” and merchandising, as will be discussed in the following section (67).

**Merchandising/Sponsorship**

The historical development of these two areas mimics the historical development of media rights. For the NFL the first momentous events occurred in the late 1950’s. In 1959 there were twelve independently owned NFL franchises. The owner’s discussed the idea of creating branded team merchandise and gave a third party a contract to make this idea into a reality. “On October 1, 1959 NFL Enterprises was created as a division of Roy Rogers Enterprises, the merchandising business of TV’s ‘King of the Cowboys,’ with Rogers taking half of the royalties and the 12 NFL owners sharing the rest” (Oriard, 3). This once again shows the origins of the communal revenue policies of the League. It was not the specific teams whose logos were used that would garner revenue based on popularity; it was the League as a whole. The first product line produced was glassware branded with team logos that Standard Oil purchased to give away with fill-ups. Within twelve months “45 manufactures were producing 300 NFL items” (3).

---

56 At this point in time, Roy Rogers still took some of the profit. Eventually the NFL would create NFLP to keep the entirety of merchandising revenue.
Just like he did for the NFL and media, Rozelle played a crucial role in laying the foundation for the modern structure of merchandising. In 1963, with the consent of the owners, Rozelle “brought NFL Enterprises in-house and renamed it NFL Properties (NFLP). NFLP would not produce any significant profit until the late 1980’s. However, in the 1990’s “it would become something like a nerve center for a ‘new NFL’ broadly embracing the Roy Rogers principle that pro football was a product in the entertainment business, competing against not just baseball and basketball but also MTV, blockbuster movies, video games, and everything else vying for Americans’ leisure time and loose dollars” (3). The NFL viewed itself as being part of an extremely competitive battle against all other forms of entertainment. Because of the vast amount of competition, League policies that strictly controlled the teams were seen as a means to keep a strong collective product in relation to the numerous competitors.

For soccer the historical development of modern policies is virtually identical with that of media rights. The key time periods directly correlate to the rise in importance of mass media. The tri-partite system of governance again played a key role. FIFA decided to focus on sponsorship and merchandising for the World Cup and UEFA to focus on the Champions League, leaving the clubs to operate autonomously. Merchandising did not become relevant until media rights exponentially expanded the viewership and created an influx of revenue into the sport. The NFL was creating merchandise with no significant profit until the late 1980’s. This long period of development was the period during which the League established rigid structure for the business. The lack of economic significance during these years allowed for strict regulation and controls to be put in place without much debate. Twenty-five years after
the NFL had begun producing merchandise, Liverpool became the first club in Europe to have a sponsored shirt in 1978 (2006, “Football Shirt Sponsorship). However, because the Premier League games were broadcast on BBC, which was a station that was to be “non-advertising,” the size and prominence was at first limited (2006).

As matches moved onto private television outlets in the later part of the twentieth century, sponsorship of jerseys and advertising in stadiums became more prevalent. Until the media expansion during this period, soccer clubs suffered from a lack of demand; sponsors were not willing to spend large sums of money on advertising. Thus “the unparalleled commercialization of European football in the closing decade of the twentieth century” was hailed as a “victory of capitalism” as it showed that where there is demand there is incredible economic opportunity” (Goldblatt, 684). Today, commercial revenues, those produced through sponsorship and merchandising, are some of “the most lucrative revenue streams for professional soccer clubs” (O’Keefe, 30). Commercial revenue is extremely important for the NFL as well. However, due to the creation of the NFLP and policies of revenue sharing, all teams benefit equally in football as opposed to the disproportionate landscape of the sponsorship and merchandising markets in professional soccer.

**Players and Salaries**

In both soccer and football the current state of how players are paid and their ability for mobility have led to heated conflicts. The history of labor relations in the NFL can be traced through five specific moments in time, 1971, 1974, 1982, 1987 and 1993. In December of 1956 the players first began trying to organize collectively to seek a
minimum level of improved benefits and wages (Oriard, 57). The owner’s functioned as a collective unit, and the players strove to act collectively as well. Bert Bell recognized this collective group, but the union of players was not legally established until 1971 when the United States National Relations Board officially certified the National Football League Players Association (NFLPA) as a “true union” (60). This moment marked a transition from which there would be no return and where all future labor negotiations would take place between the union of players and the collective group of owners.

Disagreements between the two sides have created work stoppages three times, the first of which occurred in 1974. The NFLPA came forward with a list of 63 demands ranging from concerns over minimum salaries to clubs’ authority over curfews and fines (61). The strike was ultimately one in which the players “lost” as they received little of what they asked for; however, it “started a process that would allow a later generation to win everything they fought for and more” (94). This was a key event as it was “the first major battle in a long and bitter labor war that would not end until 1993” (56). What is most significant about 1974 was that the work stoppage began the process that would further increase the amount of economic regulations present in the League.

The second strike in the history of the NFL came in 1982. The underlying dispute that caused this strike was a disagreement over control. The players felt that the owners had undue control over League revenues and decisions concerning players and that they were not considered partners with the owners, but rather were situated in a subservient role. These feelings partially stemmed from the disproportionate amount of total League

57 Because of the individual ownership of each franchise, collective action was much more easily organized.
58 Down from the original list of 90.
revenue produced when compared to the amount of total player salaries.\textsuperscript{59} The players wanted a “wage scale, overseen by the union” (112). The strike ended on November 16, 57 days after it began with the players missing eight scheduled games. The result of the strike was the implementation of an “escalating minimum wage” (112). This league-wide minimum wage is directly at odds with the idea of a free-market where the demands for talent should set the amount players are paid.

The final strike began on September 21, 1987. This strike is attributed to causing the creation of the Collective Bargaining Agreement. The players would return to work just 24 days after it began.\textsuperscript{60} Five years after the brief strike the two sides returned to the negotiating table in November of 1992. The following spring, the NFLPA and the NFL owner’s reached an agreement that included a guaranteed percentage of gross revenue to go to players. Additionally, there would be a “hard” salary cap put into place (142).\textsuperscript{61} The 1993 Collective Bargaining Agreement would provide strict regulations and controls over the labor market in the NFL for the indefinite future.\textsuperscript{62} Additionally, it meant that all parties agreed to submit to regulation to protect common interests.

The history involved in the development of policies regarding soccer players and salaries is much more concise and contains far fewer key moments.\textsuperscript{63} Until the 1990’s

\textsuperscript{59} 30\% of the league gross, while owners took 36\% in profit after 34\% paid in operating expenses (Oriard, 111).

\textsuperscript{60} This strike is what produced scab players, and is the inspiration for the Hollywood film \textit{The Replacements}.

\textsuperscript{61} A specific monetary amount that the percentage could not exceed. This is the only sports league in America with a hard cap.

\textsuperscript{62} The CBA was extended in June 1996, February 1998, December 2000, January 2002, and March 2006. It had kept labor peace for the 17 years, until conflict arose this year Oriard, 145).

\textsuperscript{63} A major reason for this is the structural set up where individual players negotiate contracts with the teams directly. There is no collective action on either side.
there were no major labor disputes to speak of. Each league in each country operated as a free-market, with the teams and players paying and being paid according to the principles of supply and demand. A key moment that would greatly affect the landscape of the marketplace for players occurred with a 1995 Belgian court case.

In 1990 Jean-Marc Bosman, a soccer player for the Belgian club RFC Liège, filed a lawsuit against UEFA and RFC’s Belgian league. The controversy arose when Bosman expressed a desire to transfer clubs after his contract expired in order to play for Dunkirk in the French league. To try to prevent Bosman from leaving, RFC demanded a large transfer fee from Dunkirk. Bosman filed a lawsuit on the grounds that this fee for a cross-border trade “violated European Union citizens’ right to move freely for employment (O’Keefe, 22). The courts sided with Bosman. Several years of legal battles followed, but by the end of the 1990’s players were free to negotiate new across-border contracts independently.64

This was a momentous moment in European soccer. With the restrictions on movement loosened, clubs had a greater freedom and ability to bring in top talent from all over the world. Consequentially, players had a greater freedom to negotiate contracts on their behalf and the system as a whole functioned as a more open free-market. This increase in movement was not only limited to the players themselves. “Some evidence suggests that, at the apex of world football, a growing ‘A-list’ or ‘transnational capitalist class’ is circulating comprising players, coaches, and agents. Thus most Western European clubs in the Champions League especially those entering the later rounds,

64 This is true for players after their current contract has expired. For players still under contract, transfer fees are still required. This was the case for the Cristiano Ronaldo example in the past chapter.
feature a minority of natural born players” (Brazier, 88). In the past decade some top clubs in the UK, such as Arsenal, Celtic, Chelsea and Ranger, have fielded teams “composed entirely of ‘non-national’” players (89). The top twelve richest clubs in all of Europe for the 2005-2006 season fielded 75% foreign players (89).

The Bosman case also created conditions that fostered entrepreneurialism by both the clubs and individual players. In the years following the 1995 ruling, players had much greater freedom of mobility. This gave them a larger pool of demand for their talent and consequentially higher salaries. On the club side, the freedom from transfer fees for players like Bosman meant a greater pool of capital to spend on players salaries as well as an overall larger pool of talent to pull from.

The latter part of the twentieth century, especially during the 1990’s, was a momentous period for labor policy development in both soccer and football. The NFL adopted policies of regulation in the name of protecting common interests of the players and the owners. In soccer, greater freedom was achieved which expanded the free-market for players and teams to operate within.

**Conclusion**

The expansion of television viewership has had a direct effect on media rights, sponsorship, and merchandising for soccer and football. In the 1960’s, the NFL, and specifically its long-time president Pete Rozelle, was forward thinking putting in place a structure to capitalize on the expansion of television in a way that would benefit the League as a whole. Soccer was much slower to act. It was not until the late 1980’s when

---

65 Meaning not born in the same country where the club plays.
66 Players at the end of contracts.
media contracts became significant and consequentially so too did merchandising and sponsorship opportunities. The expansion of media had consequences for players. As more money than ever was being brought in by the sports, greater conflicts arose, as players tried to get a larger share of the profit. For the NFL, the battle lasted over 30 years until the CBA was adopted in 1993. In soccer, lack of regulation resulted in individuals negotiating directly with clubs. The 1995 Bosman lawsuit gave players the freedom to access a wider marketplace for their services. In both sports the 1990’s was the decade where policies were set into place that would shape the economic landscape into the next century. In the United States this meant collective bargaining and in Europe it meant the increase of individual rights.
Conclusion: Superteams and Lockouts

“The old joke about soccer and American sports is that mild, single-payer Europe somehow gave birth to ruthlessly capitalist sports leagues, while laissez-faire America coughed up socialist ones.”
~Brian Phillips, Sports journalist

Introduction: The Current Consequences

Free-markets tend to create winners and losers. Not every actor has the same access to capital, resources or customers. Contemporary European soccer’s free-market economic structure has propelled a handful of teams to perennial greatness while relegating many others to the point of being totally uncompetitive. Clubs with the greatest access to capital and revenue-generation have created “superteams” which perpetually dominate league competition, while smaller teams are left fighting among themselves for the bottom positions in the league.

In football, strict league regulation has helped to maintain the sport’s overall competitiveness. Of course some teams always have better or worse years, but the “League Think” policies in place have generally served their purpose of keeping all the teams at more or less the same competitive level. At the moment, however, this might be a moot point as conflict between the NFLPA and the owners has once again brought competition to a halt. The conflict between the two organized bodies has drawn in a third organization, the American legal system, in the hopes of returning athletes to the field. The work stoppage is a result of a system that is not free to regulate itself and relies on intervention.

67 Smaller as measured by annual revenue produced.
“Parity vs. Greatness”

“Nobody should be surprised by this trend, it results from an increasing inequality between rich and poor clubs and from an industry that is run almost entirely on free-market economic principles” (Samuels, 61).

Since the establishment of the English Premier League, only three clubs – Manchester United, Chelsea, and Arsenal – have won titles. And Manchester United has won three times more titles than the next closest competitor, Arsenal. In the Spanish La Liga, 51 seasons have ended with either F.C. Barcelona or Real Madrid claiming the top spot. A sports writer for Slate Magazine equates winning a title in European soccer to “having fox-hunting experience or standing near Charlotte Casiraghi” in that it is merely a matter of “pedigree” (Phillips).68

For a smaller club hoping to dislodge one of the soccer world's doorstops, the odds are exceedingly grim. Not only do the domestic superpowers have the advantages of tradition and popularity—their fan bases are bigger, they sell more replica shirts, and the top players and coaches tend to fall right into their wallets—but the leagues themselves are often designed to protect their interests. In soccer, money is destiny, and destiny's not distributed equally. The bulk of the game's revenue comes in the form of television-rights income, a sizable chunk of which, in many countries, is handed out according to factors like a club's league standing, the size of its supporter base, and the number of times its games were shown on TV. The clique of ruling teams is guaranteed the largest share (Phillips).

The absence of competitive balance “is not good for the majority of clubs” and is “made worse by a lack of effective leadership” that is more interested in its “own preferences” i.e. the World Cup, and UEFA Champions league, rather than creating competitive league play (Samuels, 1). In contrast, the collective action by the NFL and the introduction of regulation was done specifically “in order to try to protect the weaker

68 Charlotte Casiraghi is the hereditary princess of Monaco.
teams from the stronger teams” (22). It has worked to a large extent. For example, of the final eight teams in the playoffs in 2006 more than half were from small cities\(^{69}\) with no teams representing the largest population areas and centers of wealth in the United States such as New York or California. Since the introduction of the CBA, only one team has won the Super Bowl in consecutive years; in fact, Super Bowl champions commonly miss the playoffs entirely the following year.

More recently there have been some efforts to reform club soccer in order to increase competitive balance. Some club owners have become extremely vocal in expressing dissatisfaction about the lack of parity. David Whelan, businessman turned owner of Wigan Athletic in the Premier League, said that he believed Manchester United and Chelsea’s dominance if continued would “end up killing the game” (Samuels, 75). He proposed a salary cap in 2005 but received support from only four clubs in the entire league. In soccer, those who are trying to bring about parity get surprisingly little support from fans.

Why do fans seem to care little about the obvious imbalance in competition? The answer is two-fold. First, European soccer is much more closely tied to local identity than American football. In Europe, fans of their local club will be fans of those clubs for all of their lives. It is unthinkable that a European soccer club would change cities.\(^{70}\) The long-rooted nature of fandom, closely tied to local identity, offsets frustration from poor performance. A person from Bilbao will be a Bilbao fan forever, even if they lose every single year to Barcelona and Real Madrid.

\(^{69}\) Ex: Charlotte for the Carolina Panthers.

\(^{70}\) One of the most notable examples of this occurring in the NFL was in 1984 when the Baltimore Colts were relocated to Indianapolis, essentially moved during the middle of the night with little notification or warning to the fans.
The second reason fans tolerate uneven play stems from the tri-partite system of governance. The existence of national teams allows for fans to look past imbalanced league play. “Although one or two teams might dominate a national competition they will encounter balanced competition on the international level” (74). Regardless of whether you are a fan of a superteam or a club at the bottom of the rankings, you can always look forward to yearly international matches and the World Cup every four years.

The NFL – Modern Slave Owners

In recent history when disagreements between players and owners has caused a stoppage in play the American public has perceived it as the millionaires club fighting the billionaires club. Once again this situation has arisen in the NFL. Historically, the CBA has been renewed every time it has been due to expire. However, this year, contention over how best to “divide the $9 billion in annual revenue the N.F.L generates” has brought the renewal process to a halt (Battista).

Adrian Peterson is a running back for the Minnesota Vikings who just finished his fourth season as a professional football player. For him, the current labor dispute hit particularly close to home. When talking to a reporter from Yahoo Sports about the dispute between the owners and players, he said “it's modern-day slavery, you know?” (Mickey). Regardless of the fact that at 25 years old he is making a guaranteed salary of $10 million per year, before bonuses and incentives, this comment is reflective of a larger issue in the NFL. The league has done virtually everything in its power to create a system of equality and League first thinking. Strict pay regulations like the salary cap,
and mobility restrictions such as trade rules, have inhibited players’ freedom of mobility and their potential to maximize their personal wealth based on market demands.

Adrian Peterson’s comments are a modern reflection of the seventh Commandment of Animalism, Orwell’s classic description of the rules governing the characters in Animal Farm. Peterson is asserting that in a system designed to create equality between owners and players, some are more equal than others. This paper is not intended to explore the specific minutia of the current dispute, or assert which side is in the right or wrong. The point is that the NFL has intentionally and consistently regulated and intervened in the marketplace of football in America. In some cases this strategy has been very successful judged by financial returns. However, just as the forced equality in Orwell’s Animal Farm led to discontent and conflict, so too do these policies.

In soccer there is no pretense of equality. The sport is set up to be a cold free-market system. There are winners and losers, and players and clubs are both free to do whatever they wish to make it to the winning side. Soccer players are businessmen and entrepreneurs, free to act autonomously in their own best interest. This is a sharp contrast to the “slaves” in the NFL who are bound by the shackles of stringent rules and regulations. When a soccer player’s talents are more valuable for another club or another league, he negotiates a new contact and, more often than not, relocates to wherever the highest bidder resides.

At this point in time, the NFLPA and the owner’s cannot come to an agreement. Each wants what is best for their side, but the system is designed to impose what is best for the League as a whole. The rounds of court battles, arbitration and skirmishes in the
media are well underway. It is likely that not all of the players are in favor of a work stoppage, but because their union is, play cannot continue.

Confounding Our Expectations

As I argued in chapter one, the United States is ideologically based in free-market economic theory. Football, as the sport most representative of this nation, should be expected to operate under free-market principles. But, as I have shown this is not the case.

Beginning in the early 1960’s Pete Rozelle’s vision established the underlying concept of “League Think” that has fostered much of the League’s current economic structure. The collective sale of media rights and the equal sharing of revenue from these rights is directly at odds with a free-market system. The NFL’s control and regulation of merchandising and sponsorship again illustrates the interventionist economic policies in football. Finally, the establishment of the Collective Bargaining Agreement in 1993\textsuperscript{71} codified rules and regulations that greatly limit freedoms, of both the players and the teams, thus creating a highly regulated labor market. All of this occurred because of the limited number of team owners and the ability to “sit around the table and reach an agreement.”

One would expect Soccer to have stringent regulations in line with the economic ideology of Europe. Again, this is not what actually occurs. FIFA is primarily concerned with matters regarding the World Cup and UEFA with those concerning the Champions League. Clubs are left to freely operate with virtually no intervention or regulation.

\textsuperscript{71} The CBA was a result of a series of strikes caused by disagreements between the player’s labor union and the group of owners.
Individual organizations can autonomously sell their media rights. Greater demand to watch certain clubs play allows for disproportionately large individual media contracts. Elite clubs are free to build independent brands and sponsors pay exorbitantly to have their name associated with the most popular clubs. In turn, millions of fans purchase merchandise prominently bearing these sponsors’ names. The 1995 Bosman ruling further increased the already loosely restricted player market, creating an even larger and more open free-market for talent. All of these aforementioned freedoms have created an environment that fosters entrepreneurial behavior by both players and owners. Real world examples of the effects of this system include the exorbitant media contracts negotiated by clubs such as F.C. Barcelona and Real Madrid, the excessive spending by Chelsea owner Roman Abramovich, and the actions of player Cristiano Ronaldo concerning his transfer from Manchester United to Real Madrid.

The latter part of the twentieth century caused many structural changes in both sports; changes that were correlated with the expansion of television in the 1980’s and 1990’s. Expanding media coverage brought more sponsorship, merchandising, and overall revenue to the soccer and football markets. The sports have responded in divergent ways; soccer by expanding freedoms and football by increasing control and regulation. The different economic structures are what have created the paradox that lies at the heart of this thesis: the creation of superteams in European soccer and a potential work stoppage in the NFL.
Epilogue: The Final Whistle

I remember attending my first football game. I was six years old and my dad and I sat huddled under layers of sweatshirts and winter jackets during one of the coldest Sundays in November that I can remember. Although I was too young to fully understand the rules or nuances of the game, I was enthralled by the Redskins burgundy and gold jerseys as they streaked across the field. Despite the frigid weather, I was elated when the game went into overtime because it meant more time watching the players throw the ball back and forth and tackle each other. Although the home team was not victorious, I will always look back fondly on that afternoon in D.C. with my dad.

I also remember my first live soccer game. At a slightly more mature age of 21, I left the United States to study abroad in Barcelona, Spain. On a warm September night, a large group of American students, myself included, went to watch a F.C. Barcelona match at Camp Nou. The atmosphere was intense and focused. It was an amazing night as I sat with 100,000 of my new best friends to watch Barcelona thrash a competitor from La Liga 6-0.

It did not matter how close the final score was in either of those games. For me, it was not about who won or lost. I love seeing my team win, but sports are about something more fundamental than that. What I remember about soccer and football games are the people I was with, the feeling of being in the stadium, and the beauty of watching the sport played on a professional level. The economic structures for the two sports have developed through a series of historical events and intentional decisions by the governing bodies. Though they operate according to two different economic
structures, both of which run counter to their home countries’ fundamental economic ideologies, they have one crucial element in common – they captivate us.

Ultimately, whether my team won or lost was immaterial. Sports stir our emotions. They make us passionate about something bigger than ourselves. Whether a league is designed to create level competition between all teams, as is the case in the NFL, or allows for dominance by a few elite clubs, as we see in Europe, every game is played on the field and not on paper. Anything can happen on any given day. I understand the curious nature of the economic structures and how they historically developed. I understand the modern consequences, some of which are negative. Regardless of all of this, I am still watching and I will continue to watch.
Bibliography


Arnstein 71


Arnstein 73


