A Socio-Economic Approach to the Competitive Balance in Professional Team Sports

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ABSTRACT

The present paper is organised around the notion of competitive balance in team sports, its unique approach lying in an ownership-based analysis. While the concept of economic ownership is here understood as rent, the author takes pains to point out how this approach differs from the concept of economic rent, as it is framed in neo-classical economics. The paper sets out to sketch out a socio-economic perspective from which to view the area of team sports in general, and the important issue of competitive balance in particular. The lynchpin of that perspective is constituted by the notion of economic ownership. While the latter is understood as rent, the author takes pains to point out that the latter notion sharply differs from the concept of economic rent HELD by conventional economics. The paper demonstrates the merits of the perspective which CASTS new light on many hitherto either unrecognised or misrecognised phenomena.

Keywords: economic ownership; economic rent; uncertainty of outcome; competitive balance; labour power; Bosman law

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ECONOMIC OWNERSHIP

It should be made clear at the very outset that the question of ownership, if it is considered in the context under examination at all, is commonly framed in terms of ownership or property rights,\(^1\) which is not the perspective of the present study, as illuminated below in more detail.

To put it in a nutshell, in our view, the essence of economic ownership should be considered as benefit. This view is similar to what Berle and Means call beneficial ownership (1969, 8). What needs to be emphasised in this connection is the fact that the benefits inherent in the ownership of the factors of economic activity always are, to a lesser or larger extent, gratuitous. It is precisely for that reason that, referring to the economic notion of rent as an unearned income, our whole approach to property could be described as a rent-based one. As another user of that concept explains. This income is often referred to as a “rent” because a component of the payment obtained from using the [individual’s] asset is obtained independently of the effort and past actions of the person who has the right to that income (Soørensen, 1996: 1338).

It is along those lines that Marx proceeds in Capital (Vol. I, Ch. 7), using a number of examples from modern capitalism, though it has to be stressed that the basic nature of economic ownership is universal, i.e. present in other economic formations of society as well. This is, incidentally, emphasised by Marx in, amongst others, the following statement:

> The soil (and this, economically speaking, includes water) in the virgin state in which it supplies man with necessaries or the means of subsistence ready to hand, exists independently of him, and is the universal subject of human labour. All those things which labour merely separates from immediate connexion with their environment, are subjects of labour spontaneously provided by Nature. Such are fish which we catch and take from their element, water, timber which we fell in the virgin forest, and ores which we extract from their veins. (Marx 1976)

It is true that this extraction of ores, coal, crude oil and other mineral deposits always requires some expenditure of human labour power. But can even the greatest effort of a worker equate with millions of years required for the natural processes to produce these forms of wealth? If the crucial aspect of economic property is apparent in the case of even transhistorically understood work, the more this is the case in the most developed system of production and labour, including exploitation of nature itself, as Marx points out:

> … that the productive forces resulting from co-operation and division of labour cost capital nothing. They are natural forces of social labour. So also physical forces, like steam, water, etc., when appropriated to productive

\(^1\) This distance toward property rights theory stems from its inherent legal underpinning, irreconcilable with our socio-economic approach, according to which legal norms are merely reflections of the real economic property relations, although the former are of course able to influence the latter. Therefore, we feel justified in leaving out an otherwise interesting topic of the relevance of the famous Coase theorem for team sports: "market failures which the Coase Theorem addresses refer to situations where property rights are very difficult to define precisely or in a way that that is legally enforceable" (Szymanski 2006). Contrariwise, our own position is in line with that held by Austrian, Weberian and Marxian political economy, stressing an abstract and formal nature of legal concepts.
processes, cost nothing. But just as a man requires lungs to breathe with, so he requires something that is work of man’s hand, in order to consume physical forces productively. A water-wheel is necessary to exploit the force of water, and a steam-engine to exploit the elasticity of steam. Once discovered, the law of the deviation of the magnetic needle in the field of an electric current, or the law of the magnetisation of iron, around which an electric current circulates, cost never a penny. But the exploitation of these laws for the purposes of telegraphy, etc., necessitates a costly and extensive apparatus. The tool, as we have seen, is not exterminated by the machine. From being a dwarf implement of the human organism, it expands and multiplies into the implement of a mechanism created by man. Capital now sets the labourer to work, not with a manual tool, but with a machine which itself handles the tools. Although, therefore, it is clear at the first glance that, by incorporating both stupendous physical forces, and the natural sciences, with the process of production, modern industry raises the productiveness of labour to an extraordinary degree, it is by no means equally clear, that this increased productive force is not, on the other hand, purchased by an increased expenditure of labour. (Marx 1976)

As if proceeding on the basis of the definition given above, Marx illuminates this ownership effect:

Machinery, like every other component of constant capital, creates no new value, but yields up its own value to the product that it serves to beget. In so far as the machine has value, and, in consequence, parts with value to the product, it forms an element in the value of that product. Instead of being cheapened, the product is made dearer in proportion to the value of the machine. And it is clear as noon-day, that machines and systems of machinery, the characteristic instruments of labour of Modern Industry, are incomparably more loaded with value than the implements used in handicrafts and manufactures.

[...] the machinery, while always entering as a whole into the labour-process, enters into the value-begetting process only by bits. It never adds more value than it loses, on an average, by wear and tear. Hence there is a great difference between the value of a machine, and the value transferred in a given time by that machine to the product. The longer the life of the machine in the labour-process, the greater is that difference. It is true, no doubt, as we have already seen, that every instrument of labour enters as a whole into the labour-process, and only piece-meal, proportionally to its average daily loss by wear and tear, into the value-begetting process. But this difference between the instrument as a whole and its daily wear and tear, is much greater in a machine than in a tool, because the machine, being made from more durable material, has a longer life; because its employment, being regulated by strictly scientific laws, allows of greater economy in the wear and tear of its parts, and in the materials it consumes; and lastly, because its field of production is incomparably larger than that of a tool. After making allowance, both in the case of the machine and of the tool, for their average daily cost, that is for the value they transmit to the product by their average daily wear and tear, and for their consumption of auxiliary substance, such as oil, coal, and so on, they each do their work gratuitously, just like the forces furnished by Nature without the help of man. The greater the
productive power of the machinery compared with that of the tool, the greater is the extent of its gratuitous service compared with that of the tool. In modern industry man succeeded for the first time in making the product of his past labour work on a large scale gratuitously, like the forces of Nature. (Marx 1976)

Having defined economic ownership, we may try to apply it to one key aspect of economic relations constitutive of team sports.

OUTCOME UNCERTAINTY AND COLLECTIVE OWNERSHIP

It is now widely accepted that to maintain interest in a sporting competition a degree of “outcome uncertainty” is necessary. Recall that the proposition in question was stated in one of the first mathematical treatments of a sports league to the effect that “As the probability of either team winning approaches one, gate receipts fall substantially, consequently, every team has an economic motive for not becoming too superior” (El-Hodiri, Quirk 1971:1306).

The sports economics literature distinguishes three different types of uncertainty of outcome (Szymanski 2003, García, Rodríguez 2009) – match uncertainty (how certain the result of one specific match is), seasonal uncertainty (how certain the competition winner and other similar outcomes are), and championship uncertainty (whether there is a long-run domination by one team). Instead of seasonal or championship uncertainty, some authors use the term competitive balance; however, Scarf et al. (2008) make a useful distinction between competitive balance, which is defined as relative strengths of competing teams, and uncertainty of outcome, which also depends on tournament design. Of course, all these concepts are related; higher competitive balance (more evenly matched teams) leads to higher match uncertainty, seasonal uncertainty, and championship uncertainty. Similarly, a shorter competition with fewer matches would typically lead to higher seasonal uncertainty; this would redistribute prize money and other types of revenues to weaker teams, reduce teams’ incentives to invest into stronger players, and thus potentially increase competitive balance.

It has to be mentioned that the relationship between match uncertainty and attendance has a mixed empirical support. Owing to its extensive empirical base, Biner’s (2011) study is particularly worth noting in that regard. The researcher has managed to establish that “Reduced form regression results indicates that TV viewers are more interested in close games, on the other hand stadium attendees are more interested in home teams dominance”.

Overall, however, this central for the sports literature proposition is only one axis around which the present paper is organised, another being that of economic ownership. And precisely in terms of the socio-economic implications of The aforementioned proposition, the uncertainty of outcome hypothesis appears to be accepted also by many competition organizers, who implement various mechanisms purported to redistribute resources and increase competitive balance, such as TV and gate revenue sharing, payroll caps, or giving weaker teams earlier draft picks. To be sure, sports economists have thoroughly scrutinised these mechanisms and are by and large quite skeptical about their efficiency and true goals (Vrooman 1995, Szymanski 2001, Szymanski 2003, Szymanski and Késenne 2004), which from our socio-economic standpoint is not surprising at all; for it comes as no surprise that the principal reason underlying the measures in question is to be found in the pursuit of profit by club owners rather than the more nebulous goal of competitive balance; if anything, the
owners seek to restrict rather than enhance competition—cf. e.g. "Sharing revenues diminishes the incentive to invest and therefore gets the team closer to the collusive solution. [...] revenue sharing of the conventional kind actually reduces competitive balance" (Szymanski 2001). And the same researcher argues that "increased gate revenue sharing will in fact lead to a reduction in competitive balance. [...] As gate sharing increases teams get closer to adopting the planner’s solution, and the planner’s solution entails less competitive balance than the noncooperative Nash equilibrium. In a noncooperative model, teams impose externalities on each other through their choices. Both teams over-invest, but relatively speaking it is the weaker drawing teams that over-invest most; revenue sharing eliminates the externality, and this therefore produces a more uneven talent distribution. Full revenue sharing is equivalent to joint profit maximization, so it follows that a league planner will choose a less balanced distribution of results than at the noncooperative equilibrium" (Szymanski, Leach 2006).

Team owners have typically sought to control the market for players, most notably, by establishing monopsony rights over the labour power of players. The rationale presented by the owners for the Reserve Clause of baseball (or its counterpart in the British soccer—the Retain and Transfer System (Sloane 1969) has been that the reserve rule is necessary to assure an equal distribution of playing talent among opposing teams, which in turn is necessary for the uncertainty of outcome to exist, which again is an indispensable precondition for the interest and attendance of the public.

This defense implies that if the players' market were free, the rich clubs would outbid the poor for talent, taking all competent players for themselves and leaving only the incompetent for other teams." (Sloane: 246), causing the competitive balance to deteriorate. Meanwhile, Simon Rottenberg (1956) argued that the Reserve clause did nothing to prevent the migration of talent to the big city teams and so would not affect the distribution of talent and that by establishing monopsony power over a player throughout his career the team owners were able to hold down wages and raise profitability.

It has to be added that in a more nuanced interpretation of TV income which constitutes an interesting case, if only because of the preference of many competition authorities for the centralised collective selling, One could argue that in theory, collective selling and the distribution of TV income purely on merit (e.g. on the basis of league ranking) should enhance competitive balance by giving small market teams equal access to the TV market. A club with a small local market can finance a successful team if TV income is the dominant source of finance" (Szymanski 2001).

For our present purposes, the latter contention is of particular interest, as it clearly shows that the leagues that make use of the aformentioned mechanism are by the same token based on the common ownership, each club belonging in the league being a co-owner of a given collective property composed of contributions provided by particular member teams. Such facts as those referred to below testify to the practical relevance of the question that at first sight may appear to be merely a matter of academic concern: " In the recent Premier League Broadcasting case, heard in the UK Restrictive Practices Court, the court decided that selling broadcast rights collectively (and preventing clubs from selling any broadcast rights individually) was in the public interest, [...] because the collective sale enables the league to extract rents, then all teams may prefer collective to individual sale"
(Szymanski 2001), which promoted financial equality, and by the same token competitive balance/uncertainty of outcome for the present purposes, the most pertinent aspect of the above statement is its stress on the rents—the core of economic ownership. As is well known, similar views underlie the US Sports Broadcasting Act of 1961 (which exempts the collective sale of broadcast rights on national TV from antitrust prosecution), and the comments of the Advocate General of the European Court of Justice in the Bosman case a concretisation is in order, which only underlines the rent-based nature of the transfers involved; as Szymanski recalls, "In practice collective TV revenues tend to be distributed equally (as in the US NFL) or only partly on the basis of merit. In the English Premier League only 25% is distributed on the basis of league ranking, while 50% is allocated as an equal share and the remaining 25% is awarded on the basis of the number of TV appearances" (2001).

Besides, one has to take into account national differences that to an extent are counterintuitive, as they fly in the face of the conventional picture of the U.S. free-market, unbridled capitalism, as distinct from the regulated social economy of European capitalism. For, contrary to the conventional wisdom, "there is much less revenue sharing of any kind in Europe compared to North America. Gate revenues are not shared in any major league, and while broadcasts rights are collectively sold and redistributed in England and Germany, this is not the case in Italy and Spain". (Szymanski 2001) On the other hand, there are some peculiarities to the respective capitalist systems that fit the well-known distinction between shareholder and stakeholder capitalism; it has been pointed out that the impact of redistribution on competitive balance depends critically on the objectives of the teams and on the type of redistribution scheme. The standard models of team sports in the United States assume clubs are profit maximisers, while researchers in Europe (e.g. Sloane (1971) have presented evidence that, at least traditionally, clubs have been 'win maximisers' (or some variant of this). Win maximisation implies all surplus income is reinvested in talent. Under these circumstances, income redistribution from large to small clubs will tend to improve competitive balance.

But our analytical lens should be even more fine-grained than that. The assumption that clubs are profit maximisers is in line with the US literature, but it is also deemed increasingly plausible as far as English soccer is concerned—now that the largest clubs are quoted on the stock market.

The fact of the matter is, however, that even if clubs are profit maximisers, schemes that raise income independently of playing success (e.g. collective selling of TV income), and then redistribute that income on the basis of playing success, will tend to improve competitive balance. In a sense, our central point, drawing—as it does—ownership-relevant conclusions from the kind of statements such as that cited above only spells out in another way the consequences of what has been long considered in the literature in connection with the question of competitive balance.

It has been argued that in particular "in North America, professional sports leagues operate mostly as cartels. They employ certain policies such as revenue sharing, salary caps to ensure that teams get high revenues and players get high wages" (Biner 2001). And more broadly, it has been pointed out that the aforementioned paramount objective implies, for all intents and purposes the integration of the teams in the league into a single enterprise, or a single entity, (cf. e.g. Roberts (1984) since each the “product” is the league competition, rather than any particular games played in the league. It follows that in fact anti-competitive, monopolistic mechanisms need to be accepted on the grounds that teams must cooperate in
order to produce “the product” defined as the league competition, even if the single entity
defence is rejected. In this view, leagues are treated as a joint venture (Flynn and Gilbert
(2001). In the US, redistributive mechanisms are supported in the name of competitive
balance, and are generally established in order to redistribute resources from strong teams to
weaker teams).

**COMPETITIVE BALANCE AND OWNERSHIP OF LABOUR POWER**

As noted earlier, It has been the repeated claim of sports leagues across the world that
unrestrained competition between teams will result in a situation where the stronger teams
become “too good” and the weaker teams “not good enough”, and that this will lead to a loss
of interest in the sport. As has been noted as well, this argument has been used to justify the
adoption of a range of competitive restraints. Most notably, Major League Baseball in the
USA repeatedly justified its reserve clause, a system introduced in 1879 which effectively tied
a player to his club in perpetuity, on the grounds that it was necessary to maintain competitive
balance. As early as 1889 the League issued a statement claiming that the Reserve Clause was
instituted to protect the weaker teams and that the need to equalize playing strengths of teams
was widely recognized.

The need to maintain competitive balance was also cited in the notorious Federal
Baseball case which handed organized baseball an antitrust exemption. According to the
submission of the owners, “If the reserve clause did not exist, the highly skillful players
would be absorbed by the more wealthy clubs, and thus some clubs in the league would so far
outstrip others in playing ability that the contests between the superior and inferior clubs
would be uninteresting, and the public would refuse to patronize them.” (Court of Appeals,
1920).

A similar restraint, called the “retain and transfer system” was adopted by the English
Football League, in 1889, one year after its foundation. The rule was justified in 1906 thus by
one former player: “I think it will be admitted that it is not for the good of football that the
cream of players shall be in half a dozen teams. No matter how strong a club may be, it cannot
play matches with itself. It must have opponents, and it is well that it should have plenty of
able opponents… Without the restriction which the transfer system imposed no poor club
could have held its players long”.

The system is of considerable theoretical interest, as it is concerned with the restriction
of ownership of a given player’s labour power. The situation of the player in question
becomes similar to that of the feudal serf who was ascribed to the land As opposed to the serf,
the worker under the capitalist mode of production freely disposes of her labour power, and
hence owns the latter.

In 1976 major league baseball players won the right of free agency (or free disposal of
their labour power) after completing six years service (during which they still are
dispossessed of the ownership concerned), and this practice rapidly spread to the other sports.
As far as the objective of outcome uncertainty is concerned, the advent of free agency in MLB
in 1976 for six year veterans constitutes a rare occasion for a natural experiment. The owners
claimed that as a result of this limited free agency the best veterans would migrate to the big
city teams and competitive balance would be undermined. Most of the studies testing the
effects of the change concerned find either no change (seven cases) or an improvement
in competitive balance (nine cases), contrary to the claim of the owners that free agency would reduce competitive balance (four cases only). Some other studies have tried to establish whether the distribution of labour power (the sports literature commonly uses the term talent instead, which seems largely ideological—it arbitrarily belittles the role of social or environmental forces (coaches, physicians, etc.) as shaping players' skills) in the league has been affected by the introduction of free agency. George Daly (1992) observes that at the dispossession stage, i.e. under the so-called Reserve Clause top line players were seldom traded, a situation that has been affected by free agency where the top stars have a choice after six years leading to increased mobility. Timothy Hylan, Maureen Lage and Michael Treglia (1996) in a study of pitcher movements find that these players have become less mobile since free agency, a surprising result. However, Donald Cymrot, James Dunley and William Even (2001) examined player mobility in 1980, controlling for possible selection bias and found that, for that season at least, there was no evidence that restricted players (with less than six years service) enjoyed more or less mobility than unrestricted free agents, or owners of their labour power after controlling for player characteristics.

Daniel Marburger (2002) considered the matter from another angle. If trade is possible between two independent leagues then it should be more profitable to hire a player from the same league than the rival league. Intra-league trade raises the winning probability of the buying team by more than an inter-league trade, since in the former case not only does the buyer have a larger share of talent, but the seller now has a weaker team. Under the Reserve clause this effect will be built into the seller’s price, but under free agency it will not, since the free agent is indifferent to the adverse effect on the team he is leaving. Thus with free agency the relative price of intraleague trades should fall and their share of total trades increase. Marburger found a statistically significant increase in the share of intraleague trades, from 60% to 73%, in MLB 1964 and 1992.

It is also worth recalling that in 1995 The European Court of Justice struck down the transfer system for football players then operating within the European Union since it was ruled incompatible with Article 48 of the Treaty of Rome (which guarantees free movement of labour). The pertinent Opinion of Judge Advocate Lenz in this case stated “it should be noted that I share the opinion...that a professional league can flourish only if there is no too glaring imbalance between the clubs taking part. If the league is clearly dominated by one team the necessary tension is absent and the interest of the spectators will thus probably lapse within a foreseeable period...However, I am of the opinion that the transfer rules in their current form cannot be justified by that consideration”.

There are a host of additional considerations, however, that complicate the picture of ownership relations in the field of players' labour power. For instance, NFL players' mobility was limited by the so-called "Rozelle Rule", named for the commissioner who first implemented it, which allowed the commissioner to "compensate" any team who lost a free agent to another team by taking something of equivalent value, usually draft picks, from the team that had signed the free agent and giving it to the team the player had left, the consequence being that fear of losing several future high draft picks greatly limited free agency as understandably enough, no team wanted to sign a veteran player only to learn that it would lose, for example, its next two first-round draft picks. The Rozelle Rule was eventually replaced by "Plan B", which allowed a team to name a thirty-seven man roster the reserve clause would apply to, and all players not included on this list were free agents. Again it is obvious that few top-echelon players were left off this thirty-seven man roster unless they
happened to be injured. Courts eventually ruled this plan to be an antitrust violation, and something resembling true free agency came to pro football. As the things stand now, exclusive rights to a player are only for the first three years after his selection in the college draft. At the end of the first three years, a player can be a "restricted free agent", and thereby an equally restricted owner of his labour powerthe allowing his former team to match any offer made to him by another. After four years in the NFL all contracts end with the player becoming an unrestricted free agent without reserve.

In addition, there is a Franchise tag option that is similar to the reserve clause; however, teams can only tag one player each year, although they can tag the same player for consecutive years. Franchised players are eligible to receive at least 120% of their previous year's salary, and players tagged "non-exclusive" can accept offers from other teams; if the original team does not match the offer, they receive draft picks as compensation. It should be added that in recent years, many teams have opted not to exercise their right to designate the Franchise tag.

**THIRD PARTY OWNERSHIP**

There is a particular type of restrictions on the ownership of football players, though, that merits special attention. To anticipate the conclusions of the analysis in the present section, if earlier one could-referring to what could be framed as a partial dispossession of labour power, compare the situation of the players to that of feudal peasants, in the present instance the comparison that springs to mind is rather one of slavery. Indeed, the answer to the question why England was one of few countries (alongside France and Poland) that banned 'third-party ownership' of players is well encapsulated in the Premier League chief executive Richard Scudamore's comparison of the practice of investors buying stakes in players to 'indentured slavery' (Conn 2015).

What from the standpoint of a given club may look primarily as a regular financial transaction-after all, an individual or corporate investor only provides finance to acquire a presumably needed player, getting in return a corresponding share in the future profits from his transfers, looks very different from the opposite end of the transaction, as exemplified below.

Radamel Falcao was bought by Atlético Madrid from Porto for €40 million with another potential €10 million coming from performance-based clauses -making him the club's most expensive transfer ever. This transfer was bound to raise some eye-brows, as Atlético were poor and very much in debt. So of course, there was a deeper story. Since they could not afford the entirety of Falcao's price tag, Atlético Madrid made bedfellows of Doyen Sports Investments, a company that identifies itself as a private fund, dedicated to providing an alternative financial source for football clubs and football PLCs. Doyen agreed to pay for the fees that the club could not afford for Falcao and in exchange received 50 percent of the player's rights. This meant that Doyen was from now on entitled to a significant cut of the money from Falcao's subsequent transfer, which is precisely how the mechanism of TPO works.

Ninety appearances later, Falcao went on the move again. This time round the nature of the transaction was decidedly different, though; the third-party group has decided to sell the
player to the highest bidder for profit with little, if any, regard for the player's or the club's wishes.

The fact of the matter is, "Doyen Sports Investment owns Falcao. They have shopped him around, using his past and present prowess to advertise his value, waiting for bids from numerous suitors and licking their lips at the amount of cash placed before their eyes as the numbers pile up. And Falcao himself can have no say in what happens, because he effectively does not own his own person. Nor does the club he played for have a majority claim to him. When a player is sold by the club, it's at least a contractual issue and still humane in the sense that the player knows about it and most of the time has discussed the issue with the manager and higher-ups. Many times, the player can ask for his own sale or release if he feels uncomfortable. All of this third-party ownership business though, has [...] the feel of a modern day slave trade". There has been nothing from the player or the club that has ever indicated that Falcao was not at peace at Atlético Madrid. He's won trophies for the club and has helped them qualify for the Champions League competition" (Madu 2013).

The most common defence of the practice under consideration is related to one of the two main topics of the paper: "TPO enhances competition in football by allowing smaller clubs to compete with greater equality against financially superior clubs. Jorge Mendes, who represents the likes of Cristiano Ronaldo, Jose Mourinho, and Radamel Falcao, believes banning TPO would kill all competition: "What do they want, to have a competition between only Real Madrid, Barcelona, Bayern Munich and Manchester" (Krishnan 2015). The businessman Kia Joorabchian, heavily involved in the third-party ownership of players, defended the arrangement, calling it "the South American model; in his view third-party transfers are "a way of bringing outstanding players to clubs that would not be able to afford them ordinarily. So they increase the competition", further explaining: "What happens, in Brazil particularly, clubs cannot afford to buy a player. So they go to a business, a bank, a major supermarket, an individual, a person, a wealthy individual and say: 'We want Mr X. You put up 70, 80, 100 per cent of the money, let him play here.' It is a little bit like a loan deal between two clubs, except it is a loan deal between the club and a third party" (Castles 2008). Indeed, as far as the geography of the TPO is concerned, "TPO is common in South America, namely Brazil and Argentina where 90 per cent of players’ economic rights in the Brazilian top flight are partly owned by third party investors" (Mangit). Meanwhile, according to audit firm KPMG, investors and 'third parties' have acquired stakes in the transfer rights of up to 1,100 professional footballers in Europe.

High profile clubs including Atletico Madrid and Porto have sold part of or all of the economic rights to a number of their talented players as a preferred method of raising cash.

The report, which was commissioned by the European Club Association, says the practice is most prevalent in Portugal, where as much as 36 per cent of the market value of all players is owned by investors and not the clubs themselves. However, these impressive numbers should not fool anyone into believing in the purportedly beneficial function of the TPO described above. As a direct countererevidence, one may describe the background of the arrival at West Ham United of two TPO acquisitions: Carlos Tévez and Javier Mascherano from the Brazilian club Corinthians in August 2006. One high-ranking English official called it, "an unedifying trade in young people that rips the heart out of clubs which try to develop players" (Winter 2008), which obviously flies in the face of the aforementioned rose-tainted account.
On 22 December 2014 FIFA imposed a global blanket ban on TPO, specifically prohibiting any entity that is not a club from being entitled to any economic benefits arising from player transfers, with the ban coming into force on 1 May 2015; there is a transitional provision that allows existing TPO agreements (signed before 1st January) to run their natural course and those signed between 1 January and 31 April to be valid for a maximum duration of one year from the date of the agreement. This allows every club involved in TPO a reasonable timeframe within which to figure out a way to end their dependence on third parties. The implications of this ban are still unclear, but some believe that it would drive the practice underground, under a different name, making it harder to trace and regulate" (Krishnan 2015).

PLAYERS’ WAGES AND ECONOMIC RENT

The most advantageous from the standpoint of players unrestricted ownership of their labour power or free agency brings into focus the question of the relationship of the economic manifestation of the latter to economic rent. To begin with, one should mention that our own notion of rent laid out earlier is by any means the same as the conventional concept of economic rent, as conceived in neo-classical economics. To see this, let us cite the following standard definition- Soorensen (1996) argued that labor market analysts should explain three different quantities: (1) Ya, actual wages paid in the labor market; (2) Yc, wages that would be paid under perfect competition; (3) rent, defined simply as: rc = Ya – Yc. Then, Sorensen (2000) argued that social class analysts should explain patterns of inequality by accounting for rights to rent-generating assets, conceptualized broadly (and some would argue too abstractly; see Wright, 2000) as structurally advantageous positions.

First and foremost, the definition laid out above sets out to compare an empirical magnitude with one belonging in the Platonic or Popperian ideal world, describing in fact so idealised conditions that nowhere to be found in the real world. All the flaws of this epistemology can be clearly seen from the argument laid out below:

If you ask most football players if they would still play football for $80,000 per year instead of $800,000 or $8 million, they’d say yes. It’s almost certainly a better proposition than whatever else they’d be able to do in the labor market. If Sam Bradford had the choice between playing in the NFL for $80k/yr or looking for an entry level job in Oklahoma City, what do you think he’d do? Every dollar above $80k is icing on the cake (Brown 2010).”

To get the meaning of the concept under consideration in its above-mentioned application it is most useful to cite the following definition according to which economic rent "means a payment over what is required to attract an individual (or capital) into a particular occupation. It is a return above the opportunity cost of an asset or service" (Carew).

The uninitiated reader needs some guidance-the concept of opportunity cost is, as the entire marginalist apparatus, subjectivist through and through, which in practical terms means that we are entitled to ask the author the awkward question: how he could know what Bradford, or every other player, for that matter, is going to do. It does not appear his data have been produced by any survey or other such technique, which by the way, is not treated here as any guarantee of scientificity -quite the contrary, conventional social-scientific surveys are
in fact quite unscientific in grasping merely shallow, epiphenomenal or afterfactual layer of human consciousness. Nevertheless, as the only other option there remains sheer speculation. It is along those lines that another economist takes issue with Brown's position: "why you ignore the market's answer to that question in favor of your own arbitrary $80k? The players have unionized and collectively bargained with their employers to set wage minimums, below which they will not agree to play and will instead collectively strike.

When you say athletes SHOULD gladly play for less you're introducing a moral claim into an economic argument. I could argue that doctors should heal for less, that CEOs should work for less, that stadium owners should charge less to families for a day of entertainment, that dairy farms should hand out free milk on playgrounds, or whatever else. But your feeling on what dollar amount should induce a person to play professional sports is without any economic meaning whatsoever" (Burke 2013). The charge of arbitrariness hits, in our view, the nail in the head, though this characteristic pertains to by no means Burke's claims - e.g. the issue of astronomical executive pay is not exclusively of moral nature and it can be considered on an objective, scientific basis. Let us compare seemingly similar arguments based on an economic-rent APPROACH rent to reveal the drawbacks of THE LATTER'S SUBJECTIVIST METHODOLOGY:

Ronaldo, a superstar soccer player, provides a critical input for Real Madrid, his team. Ronaldo has a salary of $26 (€21) million / year (after taxes). He loves soccer, and would have been willing to play for only $30,000 / year (his reservation price). He is earning an economic rent of $26,000,000−$30,000 = $25,970,000 per year. His reservation price is compensation for the hard work and difficult training that any great athlete must endure. But his economic rent arises from competition for his prodigious talent, which he can use without sacrifice.

In the second Example: Farmer Jones and his neighbors all grow corn, and sell it at the market price. However, Farmer Jones has better land than all the other farmers do,... and thus lower marginal costs. Because his costs are low, Farmer Jones would be willing, if necessary, to sell his corn for less than the other farmers do (his reservation price is lower. But he can and will sell at the market price. The difference between the market price and Jones’ reservation price is an economic rent. His economic rent arises from his own high-quality land and will be reflected in his producer surplus (Manove).

The key difference between the two cases reported above is obviously an objective character of the parameters determining the economic rent equation in the instance of farming, which, conversely, highlights the subjective nature of the evidence on which the argument concerning Ronaldo has been based.

Naturally, there are more criticisms to be made against the analytical framework laid out above. Not only one can criticise textbook economic theory in general terms, but some pertinent claims are possible, indicating a number of gaps and shortcomings to the framework concerned at a more concrete level. Thus, it has been argued that "the NFL and other sports leagues are already incredibly distorted markets, aided as they are by exceptions to anti-trade law and a general public (to say nothing of lawmakers and judges) who are fine giving the NFL monopoly power over professional football".

The above treatment of footballers' salaries in terms of economic rent makes a strange reading, the reader's impression being that the former are somehow disembodied beings. It is
at this juncture that the concept of labour power shows its usefulness. One can claim that football players extract rents, but there is no denying that they have little in common with the class of renters, as conventionally viewed—mainly because they earn their wages by their work, and the proposition that the former include an unearned element is the result of a later analysis, independent of the very fact of their performance on the pitch. And this is relevant because of an inevitable wear and tear of players’ labour power. "According to the NFL Players Association the average career length is about 3.3 years" (Statistics Portal 2015).

This very short lifespan of an average NFL player makes a world of difference; Bradford's other career, mentioned above, while bringing him a considerably lower income on the monthly or yearly basis, would last far longer, and as a result his income would be much smoother. And it is extremely difficult, if not impossible, to prove that, from a financial perspective, making around $400,000 a year for three or even four years and then having no career prospects at all is better than starting in a $70,000/year job with growth potential and stability. Another important lesson that flows from the above is the necessity of taking into account a specific position in the structure of societal differentiation occupied by a given individual; one cannot compare an NFL player’s salary with the salary of an office manager or a teacher, for that matter. As far as the former's income stream is concerned, it bears more resemblance to that of "an artist, or even an entrepreneur — variable with their success, with great opportunity to be set for life, with also a high likelihood of bust". As a matter of fact, "78% of NFL players file for bankruptcy". As this NY Times article points out, But the aforementioned peculiarity has also another important consequence; if one makes one's money at once one ends up paying more in taxes than someone who earned the same total amount, in smoother fashion, over the same period. "To use an example of an entrepreneur, imagine the there are only two tax rates: 40% if you make over $200,000 and 20% if you make over $45,000. If two neighbors both make $500,000 over five years, with neighbor 1 making $100,000 every year while neighbor 2 making $250,000 twice and zero in the other years, neighbor 1 will have paid $100,000 in taxes while neighbor 2 will have paid $200,000" (Brown 2010).

This kind of considerations cannot but impinge on the players' ability to make a living and does not square easily with an idea of rent extraction as the purported source of their livelihood. All the more that their specific labour power exposes football players to the well-documented health risks, including brain injuries.

The preceding does not mean that the said salaries do not include any elements of rent, only that—according to our perspective—the above attempt to pin those down is utterly misplaced. From the standpoint of our notion of rent, its aspects are engendered by the social production and social reproduction of players's labour power—encompassing not only training, but also medical care, etc. In addition, the ownership of labour power in question is socialised insofar as, e.g. Ronaldo's value, and thereby compensation hinges on the quality of labour power and performance of the rest of the team; should he transfer to some 3d division club, he would certainly be less able to show off his enormous talent.

CONCLUSION

The paper has two main strands to it—one, more conventional one, concerned with the question of competitive balance in the market for team sports, and another one, less familiar,
concerning economic ownership, conceived of as rent, and extended onto the labour power. May be it is not merely the author's hubris to believe that the latter perspective was capable of shedding interesting light on some aspects of the former processes.

References


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