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**Organizational Differences between U.S. Major Leagues and European  
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# Organizational Differences between U.S. Major Leagues and European Leagues: Implications for Salary Caps

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## Abstract

This paper outlines and compares the organizational structure of major sports leagues, explores the reasoning behind their formation, and derives implications for salary caps in European football. To understand why sports leagues have developed a specific organizational structure, one must take the economic peculiarities of team sports leagues into consideration. For this purpose, we analyze the production process and illuminate its major peculiarities. For example, we present the difference between economic competition and competition on the pitch and discuss the consequences of this distinction for an attractive final product. Furthermore, we show that a hold-up problem exists between the two stages of the production process and demonstrate how these problems are overcome by the organizational structure chosen by sports leagues. We also outline the differences between the U.S. major leagues and European leagues and document recent developments in that context. Finally, based on this comparative institutional analysis, we derive implications for the introduction of salary caps into European football.

**Keywords:** Sports leagues, organization, salary cap, hold-up problem

**JEL Classification:** L83

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The full paper is available upon request from the corresponding author.

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