

What Can European Sports Leagues Learn From The Major Leagues? Why Professional Sports Leagues Should Be Organized As Cooperatives

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Abstract

Professional sports leagues in Europe and the United States exhibit many differences. Among others such as the existence of mechanisms providing disincentives for spending (e.g. salary caps) the fundamental difference is the organizational arrangement of clubs and the governing body of the league. The U.S. Major Leagues are organized in a manner similar to cooperatives in which team owners make decisions by majority voting. In Europe however the leagues themselves are legally and economically independent entities which buy team-output from the clubs. We claim that due to the specificity of investments in sports clubs any governance between teams and the league that occurs via the marketplace will lead to inefficiencies partly because clubs will use resources to protect their investments. This paper consists of a theoretical comparative institutional analysis. The model derived in this paper shows that a change from a market-governed organizational regime to a cooperative is accompanied by an increase in welfare. Thus, there is something European sports leagues could learn from their American counterparts.

JEL-Classification: L83, L14, D23