

# The Other Side of League Organization

## Efficiency-Aspects of Basic Organizational Structures in American Pro Team Sports

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**Abstract:** This paper analyzes the institutional setup of major league sports. In particular, it looks at reasons for the organization of leagues as cooperatives of team-owners, the specific employment relation of a commissioner as enforcement mechanism for rules of the league, and the centralized marketing of television rights as an important and controversial example thereof. Conventional wisdom portrays the existing league organization as a cartel that exploits market power, the commissioner as an institution to enforce cartel stability, and the centralized marketing of television rights as a profit maximizing device. In contrast, this paper shows that the existing institutional structure can be explained by efficiency arguments: It reduces shirking in teams, protects specific investments, and provides insurance against quality uncertainty.

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