University of Zurich[UZH]

Department of Business Administration

UZH Business Working Paper Series

Working Paper No. 362

A comment on the newly revised "2015 version" of the UEFA Club Licensing and Financial Fair Play Regulations

Egon Franck

18 February 2016

University of Zurich, Plattenstrasse 14, CH-8032 Zurich,
http://www.business.uzh.ch/forschung/wps.html

UZH Business Working Paper Series

Contact Details

Egon Franck

University of Zurich

Department of Business Adminstration

Affolternstrasse 56., CH-8050 Zurich, Switzerland

egon.franck@business.uzh.ch

Tel.: +41 44 634 28 45

Fax.: +41 44 634 43 48

A comment on the newly revised "2015 version" of the UEFA Club Licensing and Financial Fair Play Regulations[1]

Abstract

UEFA has revised its Club Licensing and Financial Fair Play Regulations in June 2015 (*new* FFP). Based on a conceptual analysis of the main components of *new* FFP – the Break-Even Requirement (BER), the Fair Market Value Principle (FVP) and the concept of Voluntary Agreements (VA) – this comment arrives to the following main conclusions: *New* FFP follows *old* FFP in creating hard budget constraints for football managers and in discriminating against "payroll gifts" and therefore against benefactors that are willing to inject money in exchange for "pure" sporting success. But *new* FFP is now less vulnerable to the allegation that it discriminates against true entrepreneurs wishing to develop mismanaged football clubs into sustainable businesses. The new concept of Voluntary Agreements (VA) gives them more flexibility to invest, particularly in such environments where quality is only slowly remunerated by the football markets.

[1] This comment was prepared for a discussion in a seminar at the University of Zürich. During the preparation, I have received input from many people. In particular, I would like to thank Paul Madden, Helmut Dietl, Marc Brechot, Max Rüdisser, Stephanie Leach, Sefton Perry and Michael Franck for their repeated and highly valued input. I am very well aware of the fact that my views are not entirely shared by all my discussion partners.

1. Introduction

UEFA has revised its Club Licensing and Financial Fair Play Regulations (FFP Regulations) in June 2015[2], which gives rise to a new debate[3] on the purpose and potential effects of the entire regulatory intervention called Financial Fair Play (FFP).

This comment can be seen as a new attempt by the author[4] to make sense of FFP after Franck (2014) and Franck (2015). It builds strongly on the former two attempts[5], but advances several new ideas and tries to integrate all elements in one framework.

A conceptual analysis of the main components of *new* FFP – the Break-Even Requirement (BER), the Fair Market Value Principle (FVP) and the concept of Voluntary Agreements (VA) – suggests that the *new* FFP regulations simultaneously tackle three different issues:

- they create hard budget constraints for football club managers with incentives to overinvest
- they handicap benefactors willing to inject money in exchange for "pure" sporting success
- they give more flexibility to football entrepreneurs wishing to develop mismanaged football clubs into sustainable businesses

Why are these issues relevant at all and how do the *new* FFP regulations tackle them?

Sections 2, 3 and 4 try to provide answers for each issue, while Section 5 closes with a brief conclusion.

---

[2] See UEFA (2015a).
[3] For example, Vöpel (2011), Madden (2014, 2015) Szymanski (2014), Peeters/Szymanski (2014), Franck (2014, 2015), Sass (2016) and Andreff (2015) have contributed to the FFP debate. The interrelated discussion on soft budget constraints in football has for example been influenced by Andreff (2007, 2011), Storm (2012) and Storm/Nielssen (2012).
[4] The author currently serves as a member of the UEFA Club Financial Control Body Investigatory Chamber (CFCB IC). The CFCB determines whether licence applicants are in compliance with the UEFA Club Licensing and Financial Fair Play Regulations. As a consequence, the author is involved in **the application of the rules** only. Since he is not involved in the process of **making the rules**, he feels free to participate in the broader academic discussion on the potential impact of FFP.
[5] I will (re)use segments of Franck (2014) and Franck (2015) in this comment, as it seems exaggerated to reformulate all my former thoughts. However, I will indicate exactly where I rely on these previous sources.

2. The creation of hard budget constraints for football club managers with incentives to overinvest through the Break-Even Requirement (BER)

There is broad consensus[6] that European club football was a classical example of the "soft budget constraints phenomenon" as described by Janos Kornai (1980a, 1980b, 1986). Many football clubs were either "too big to fail" or "too glamorous to fail" or "too interconnected to fail". Their managers could rationally expect that in case of a deficit some form of "supporting organization" (Kornai/Maskin/Roland, 2003, p. 5) – either the state or a private benefactor[7] – stepped in with a sufficiently high probability and relieved the club from the pressure to "cover its expenditures out of its initial endowment and revenue" (Kornai/Maskin/Roland, 2003, p. 4).

Franck (2014) devotes extensive room to the explanation and analysis of the detrimental managerial incentives resulting from such "soft budget constraint expectations": They dull the drive to innovate and to develop the football business and they encourage managerial moral hazard and rent-seeking. A well-known consequence[8] of rational bailout-expectations is risk-escalation: If managers no longer fear that a gamble on success could go wrong, they have incentives to take more risk and overinvest. The more "soft budget constraint expectations" spread in the football industry, the more overinvestment becomes the norm. One could argue that this state of affairs had been reached in the financial year 2010: 56% of the 734 European top division clubs were loss-making, total expenditures exceeded total revenues by almost € 1.7 bn and 36% of the clubs faced a situation with debts larger than reported assets (UEFA 2012, p. 16-18, 54-90).

With the introduction of the Break-Even Requirement (BER), defined in Articles 58-64[9], bailout expectations became irrational. The BER requires clubs to live within their own means by and large.[10] More precisely, clubs are in compliance with the BER if "relevant expenses"[11] do not exceed "relevant income"[12] in the reporting periods combined to one so called

[6] See e.g. Andreff (2007, 2011), Storm (2012), Storm and Nielsen (2012) and also Part 2 of Andreff (2015), Franck (2014, 2015) or Kuper (2009).
[7] See the detailed discussion of this mechanism in Franck (2014, p. 197-201).
[8] The phenomenon has been extensively studied in the banking industry where some institutions are considered "too big to fail".
[9] See UEFA (2015a).
[10] The following description of the rule follows closely Franck (2014, p. 3).
[11] Annex X of the FFP Regulations (UEFA 2015a) clarifies the notion of relevant expenses.
[12] Annex X of the FFP Regulations (UEFA 2015a) clarifies the notion of relevant income.

“monitoring period”[13] by more than the “acceptable deviation”[14] of € 5m. On top of this “normal” level of € 5m, the “acceptable deviation” can currently[15] go up to a level of € 30m, provided that equity participants are willing to inject the respective funds.

Franck (2014) discusses extensively why the BER creates harder budget constraints for football club managers. Knowing *ex ante* the size of the maximum “external rescue package” taken into consideration by UEFA for licensing purposes, football managers have no more options to soften their clubs’ budget *ex post*. There is no more “hope for bailout” once payroll expenditures drive relevant expenses to a level that exceeds relevant income by more than the “total acceptable deviation”. The existence of – public or private – benefactors that would be willing to inject additional money in order to cover the deficit from excessive salary and transfer payments becomes irrelevant in the licensing process, once the maximum “external rescue package” has been reached.

And indeed, in a very short period of time after the introduction of the FFP Regulations a significant improvement in club finances took place.[16] A serious reaction of the 700+ European top division clubs applying for a license to enter the UEFA Champions League and Europa League could be expected from the reporting period 2012 onwards, since this reporting period was the first one to enter the BER assessment. More precisely, it entered the BER assessment twice (for the license seasons 2013/2014 and 2014/2015). Clubs that did not control their expenditures in 2012 carried over a break-even deficit to 2013, when the total result for 2012 and 2013 was not allowed to exceed the “acceptable deviation”, and they carried it over to 2014, when the total result for 2012, 2013 and 2014 was not allowed to exceed the “acceptable deviation”. From the license season 2015/2016 onwards the reporting period 2012 drops out, since a new monitoring period consisting of the reporting periods 2013, 2014 and 2015 becomes relevant. It was therefore reasonable to expect an even clearer club reaction from the reporting period 2013 onwards, as this period and the following periods are included in three BER assessments before they will drop out.

[13] The first “monitoring period” assessed for the license season 2013/14 covered the reporting period ending 2013 and the reporting period ending 2012. From then onwards the three previous reporting periods were and will be assessed for every new license season. For example, in the 2014/15 license season the assessment was performed based on the three reporting periods ending 2014, 2013 and 2012.

[14] The notion of “acceptable deviation” is defined in Article 61.

[15] See Article 61(2) of the FFP regulations (UEFA 2015a).

[16] See Franck (2015), p. 233-234, for the original and somewhat more in-depth analysis. I closely follow the original source here. However, in the meanwhile data for the financial year 2014 has become available, which I have added here.

Table 1 shows the annual growth in wages and revenues for the 700+ top division clubs applying for a license to participate in European competitions.

Table 1: Annual Growth for the 700+ top division clubs

Year	Wages	Revenues
2008	14.0%	7.3%
2009	6.0%	3.2%
2010	9.1%	9.0%
2011	5.2%	3.2%
2012	6.9%	6.7%
2013	4.3%	6.7%
2014	3.0%	5.8%

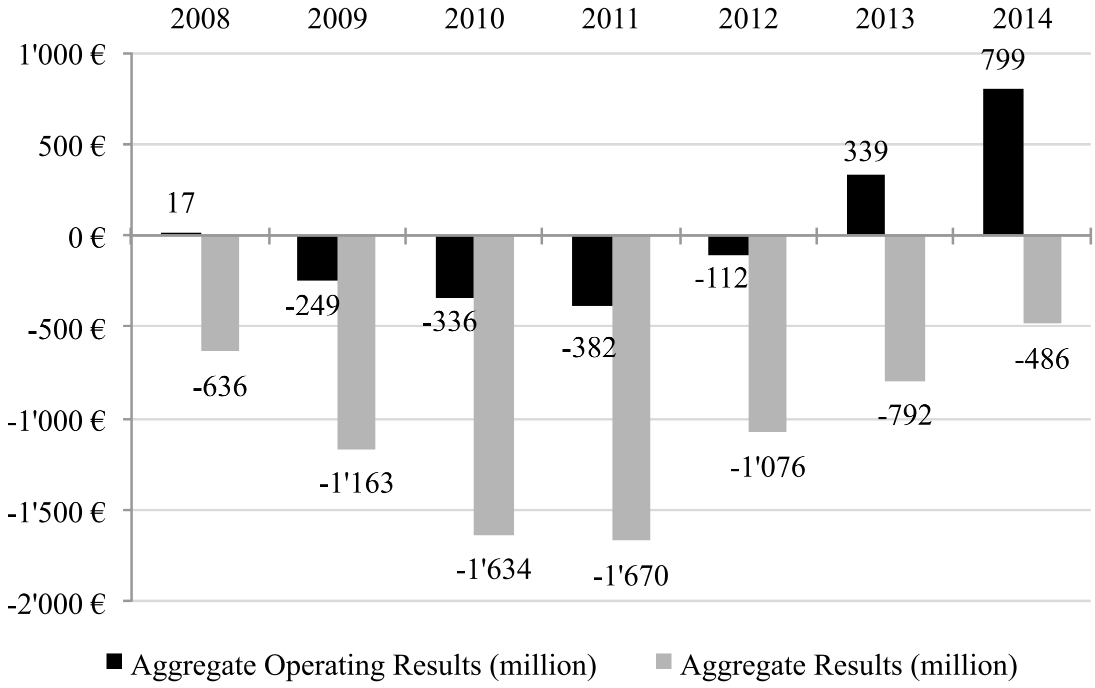
Source: UEFA[17]

Wage growth has slowed down to 4.3% in 2013, and for the first time revenues increased by a faster rate (6.7%) than wages. Wage growth slowed down even further to 3% in 2014, a level significantly below the revenue growth of 5.8%. Given the significant growth of TV revenues in the Premier League and also in other markets it cannot be expected that future wage growth will stay at such low levels. However, it remains to be seen if it will remain below revenue growth.

Graph 1 shows the aggregate operating results and the aggregate results for the 700+ top division clubs.

[17] The data for this graph has been kindly provided by UEFA.

Graph 1



Source: UEFA[18]

Operating results refer to losses/profits after salary costs and all operating costs but before transfer activity, financing and investment/divestment. For the first time since 2008 clubs have reported aggregate operating profits in 2013 and 2014. Moreover, since the reporting period 2012, a clear downwards development in the aggregated losses is apparent. These went down by more than 70% in 2014.

It can be said that the BER almost immediately produced the desired impact on club finances.

But is the BER not an "exaggerated instrument" if the sole purpose of FFP would have been to create harder budget constraints for football club managers?[19] Apparently, the timing of money injections is as important as their magnitude in this context. If, for example, higher

[18] The data for this graph has been kindly provided by UEFA.

[19] Paul Madden has repeatedly attracted my attention to this valid and important question, both in direct communication with me and in his two articles Madden (2014) and Madden (2015). I don't share the view expressed in both articles that in the long-run FFP will cause a reduction in talent expenditure, which will lead to quality reductions, lower salaries, unhappier fans etc. I have explained my reasons to disagree in Franck (2014). "My story" assumes that harder budgets will restore efficient managerial incentives, which leads to more entrepreneurial and more innovative decisions and better governance in football clubs, in the end generating more funds to invest in talent and quality. My view has been influenced by many practical monitoring experiences with clubs that lacked a viable business model and exhibited poor managerial standards after years of being bailed out again and again.

money injections would be allowed under the condition that owners committed the necessary funds ex ante, would then managers not know exactly how much money they could spend in every monitoring period? It seems that the message "Don't gamble on success, because if the gamble goes wrong no ex post bailout is possible for licensing purposes" would remain intact.

Why then did the "makers" of the rules not try to tackle the issue of soft budget constraints by focusing more on the timing question, for example by prohibiting all ex post injections of funds while being more liberal with respect to ex ante financial commitments? It seems that they must have had additional things in their mind when focusing so much on the magnitude of money injections. What other candidates are there?

3. The restriction of benefactors willing to inject money in exchange for "pure" sporting success through the Fair Market Value Principle (FVP)

It is important to note that all transactions between clubs and their owners and/or other related parties must be corrected to their "fair value" for the purpose of the break-even calculation. For example, Article 58 (3) states: "Relevant income and expenses from related parties must be adjusted to reflect the fair value of any such transactions." In order to illustrate the Fair Market Value Principle (FVP) a closer look at sponsoring seems appropriate, as it presumably represents the most important category of transactions where fair value adjustments take place.[20]

Very briefly, the economic logic of football sponsoring can be stated as follows. The media exposure of football clubs is a byproduct of sportive competition. It enables them to sell visibility on the sponsoring market. Sponsors purchase clearly specified rights and services like for example the right to name the stadium, the right to place their logos on the player shirts, the right to use the presence of players at promotion events etc. On the one hand, the sponsor gains direct visibility through the media exposure of the football club. For example, as TV, newspapers, magazines, tabloids etc. broadcast the games and other activities of the club, the logo of the sponsor on the players' shirts will be exposed to all viewers and readers. If not using football player shirt sponsorship, the sponsor would have to rely on other advertising formats like TV or newspaper ads of a certain duration, location etc. to achieve a comparable "amount" of exposure.

[20] This entire section closely follows Franck (2015), p. 237.

On the other hand, the association of the sponsor with the club can be a channel to get access to certain desired image attributes associated with the brand of the club. A club with an image of playing attractive football, located in a prestigious city, appealing to a younger international audience etc. delivers more to its shirt sponsor than mere exposure. On top of buying "units of exposure" the sponsor may augment its own brand by buying "units of transferred image".

In essence, the received "units of exposure" and "units of transferred image" constitute what the sponsor "walks away with" when entering into a sponsorship agreement with a club. Provided that the sponsor is independent, knowledgeable, well-informed at not under compulsion to buy, there is no reason why the sponsor should pay more for what he "walks away with" in a particular football sponsorship than in any other deal offering comparable exposure and image transfer elsewhere on the market.[21] Arm's-length sponsorship contracts between unrelated parties will be at fair value by definition. Clubs are not dependent on any particular sponsor in such a market, where "units of exposure/image" are traded. Indeed, clubs sell certain rights packages, like e.g. shirt sponsorship rights, to different sponsors in the course of time.

However[22], it cannot be excluded ex ante that in some cases owners/related parties of football clubs are willing to pay more than the fair market value for the goods or services received from their club. As long as the club does not try to utilize these generous gifts to cover a break-even deficit that otherwise would be above the acceptable deviation, everything is fine. The owner/related party can donate as much money as he pleases for the construction of infrastructure, youth development or community activities.

Thus, it is important to understand that the application of the FVP in conjunction with the BER only caps one category of money injections that can be called "payroll gifts":

- "gifts" because we speak of money given in excess of the fair market value of the goods and services received in exchange (e.g., a sponsoring price in excess of the exposure and image transfer received by the sponsor).
- "payroll gifts" because the application of the BER is restricted to the domain of

[21] Fair market value estimates the (highest) price at which a willing seller and a willing buyer who are informed, prudent and knowledgeable and act independently of each other transact a property in an open and unrestricted market. The concept is of utmost importance in tax law and in accounting.
[22] I continue to closely Franck (2015), p. 238-240, in the rest of this section.

relevant income and relevant expenses. The most important category of relevant expenses are salaries and transfer fees. By, for example, subtracting sponsoring receipts above fair market value from relevant income, the application of the FVP makes sure that salaries and transfer fees cannot be inflated through such "gifts".

Now which category of owners is affected by such a restriction on "payroll gifts"?

Since higher payrolls contribute to sporting success, it seems plausible to assume that owners willing to provide "payroll gifts" pursue sporting success in excess of the fair market value of sporting success. Let's look at sponsorship agreements again to illustrate the point.

While there may be something like a true sponsorship component rewarding exposure and image transfer in every sponsoring agreement between owners/related parties and their clubs, on top of that those owners capped by the FFP rules are obviously willing to give additional money because they "like" success. I will call these sponsors success-seeking benefactors. In contrast to a true sponsor, who would of course pay for additional "exposure/image" generated by a more successful team, the success-seeking benefactor affected by the FVP is obviously willing to pay on top of that for success "per se". Put simply: Benefactors giving "payroll gifts" are more than just exposure/image-seekers etc., they are "pure" success-seekers.

Apparently, it is possible to construct various rational explanations for "pure" success-seeking.[23] At a very basic level, it suffices to assume the existence of wealthy individuals with a preference for success in international football. If we imagine a very rich man dreaming to win the Champions League with his football club more than anything else, willingness to buy success on the pitch follows by assumption.[24]

[23] See Franck (2010) for a more detailed discussion.

[24] As already described in Franck (2015), footnote 32, another rationalization can, for example, be constructed around the phenomenon of positional competition/consumption (see e.g. Frank 2005). In such explanations the central element is that the actual and potential benefactors of football clubs belong to certain comparison groups, for example sheikhs from the Middle East, Russian oligarchs, political leaders of developing countries etc. A sheikh "supporting" a football club can be, of course, interested in the success of the latter because more success generates more exposure/image for his country, enterprises etc. But, in contrast to, for example, a public corporation controlled by the stock market that is equally willing to pay for exposure/image, the sheikhs of the Middle East may derive additional personal utility/disutility from comparisons within their own reference group. Winning the Champions League (the bid for the World Cup, the bid for the Olympics etc.) may become much more valuable precisely because the members of the respective reference group (the other sheiks, oligarchs or leaders of developing countries) have been outpaced. Again, a willingness to pay for sportive success on top of its impact on exposure/image for the country, enterprises etc. is the possible result.

But what is wrong with "pure" success-seekers? Why does the FVP cap the money injections of success-seeking benefactors?

Two perspectives to answer these questions seem relevant.

3.1 The ossification of the football hierarchy induced by success-seeking benefactors in an environment with win-maximizing club

There is a broad consensus that European football clubs are best described as "win-maximizers" subject to some sort of "budget constraint"[25]. Put simply, this objective function suggests that European football clubs tend to spend their entire revenues in order to be as successful as possible on the pitch. Moreover, it suggests that the clubs will welcome and invest in additional wins every other increase in spending power originating from "external sources".

Which is the likely equilibrium in a market that matches win-maximizing clubs with success-seeking benefactors? Quite obviously, every club will seek to attract the largest "payroll gifts" possible by definition. In the meantime, every success-seeking benefactor will prefer to inject his "payroll gift" at the club with the largest market potential available, in order to maximize winning probabilities. As every club is looking for the biggest success-seeking benefactor possible and every success-seeking benefactor is looking for the club with the largest market potential available, the likely result is an equilibrium, where the biggest success-seeking benefactors support the clubs with the largest market potential (the favorites), making them even more dominant. This "money comes to money" result stands in stark contrast to what the FFP critics assume.[26] "Payroll gifts" contribute to the further ossification of the football hierarchy instead of purportedly making "underdog clubs" more competitive.

But why do FFP critics arrive to such fundamentally different results that predict an ossification of the football hierarchy through FFP? Sass (2016, p. 149) explains a basic assumption of his theoretical model as follows:

[25] This section is an abbreviated and also slightly modified version of Franck (2015, p. 240-244). Franck (2014, p. 209-210), had already presented a preliminary and brief analysis of this issue.
[26] See e.g. Dupont (2013) and for a formal academic treatment Sass (2016).

"…the single-period model is adapted to a multiperiod framework that induces a market size function, which accounts for the empirical fact that a club's revenue potential is positively dependent on its historic success…If a club becomes more successful, it is able to attract more and more spectators, which increases market size and guarantees even greater success in the future."

While this "glory hunter phenomenon" (Sass 2016, p. 149) might have some appeal in a closed-shop American-style major league operating in a single market, it seems very speculative to assume that historic success is the main driver of a clubs' market size in the European football pyramid. If this were true, a success-seeking benefactor could take over any club in European football and "invest" in sportive success. Sportive success would increase market size etc. and after enough time even a club like GD Estoril Praia, playing in the Portuguese Primeira Liga could dominate the Champions League. Why then have we never seen very rich benefactors at clubs like GD Estoril Praia, situated in a town with 26'000 inhabitants and playing in a rather small football market in Europe (Portugal has 10.46 million inhabitants), taking these clubs to the top of the football hierarchy? Nobody can blame FFP in this context given that the BER has only been applied in two years of the entire history of European football.

A more realistic approach would be to assume that the market size of a club can be increased through the "glory hunter phenomenon", **but only within the limits of its market potential**.[27] Quite obviously, clubs are located in cities/regions with a given population, prosperity and national and international prestige. For example, Paris, home of PSG, clearly outperforms Ajaccio, home of PSG's competitor AC Ajaccio, on all these dimensions. Moreover, clubs play in leagues that operate in national markets of different size and prosperity. The Premier League, home of Chelsea, clearly outperforms Ligue 1, home of PSG, in this respect. And Ligue 1 clearly outperforms the Primeira Liga, home of GD Estoril Praia.

It seems reasonable to assume that such local, regional, national and league-specific factors that are out of the clubs' control determine the market potential of the club. Of course, a more successful club will ceteris paribus attract larger crowds and extract more revenues from its home, national and international audiences. But there is an **upper bound** to what a club can mobilize from a market characterized by a certain combination of local, regional, national and league-specific factors. Market potential describes exactly this **upper bound.**

[27] Regarding the following explanations, I closely follow Franck (2015), p. 241.

For example, AC Ajaccio has to operate based on certain irrevocable facts, like being located in a town with 65.000 inhabitants and not in mega-agglomerations like Paris (11.2 million inhabitants) or London (14.5 million inhabitants), playing in Ligue 1 and not in the Premier League etc., that limit its market potential compared to PSG or Chelsea.

Assuming that market size is mainly driven by the "glory hunter phenomenon" is tantamount to assuming that Chelsea and GD Estoril Praia have the same market potential. A mere glimpse at the broadcasting deals of the Premier League and the Primeira Liga suffices to immediately reject this idea. But if there are such clear differences in market potential that cannot be easily leveled by "pure glory hunting", why should we then expect that the "biggest" success-seeking benefactors should inject their money at "underdog clubs" with small market potential? It seems much more likely that the "biggest" success-seeking benefactors will prefer to inject their "payroll gift" at the clubs with the largest market potential available, in order to maximize winning probabilities. The "money comes to money" hypothesis, where the "biggest" benefactors manage to match with the "biggest" club is more plausible.

How does this hypothesis square with reality? The critics of FFP will point to clubs like Chelsea, Man City and PSG, where wealthy new owners invested huge amounts of money, and stress that as a consequence competitive pressures have obviously increased for the "old" incumbents Real Madrid, Barcelona, Bayern, Arsenal or ManU.

However, considering these examples several issues are important to bear in mind.

First, it has remained debatable[28] to which extent the new owners at Chelsea, Man City and PSG can be characterized as success-seeking benefactors or as mere entrepreneurs in the sense of Section 4. If they were success-seeking benefactors, their behavior would seem to be quite consistent with the predictions made by the "money comes to money" hypothesis[29]: In line with this hypothesis it is not surprising that Qatar, presumably the wealthiest potential benefactor active in the world football market at that time, picked Paris, the biggest "free

[28] The Club Financial Control Body Investigatory Chamber opened an investigation against PSG and ManCity for alleged non-compliance with the break-even requirement in 2013. In May 2014, PSG and ManCity together with seven other clubs, agreed to sign settlement agreements and accept a set of provisions that aim to ensure achievement of break-even compliance with minimal delay. See http://www.uefa.org/disciplinary/news/newsid=2106909.html for details. I will therefore use the term "potential benefactor" in these cases to make clear that so far it has not been established by any form of legal judgment that the owners of PSG and ManCity, Qatar's sovereign wealth fund and Sheikh Mansour of Abu Dhabi, injected money into the club in a transaction that was not at fair market value.

[29] Regarding the following explanations, I closely follow Franck (2015), p. 242-243.

football market" of France and one of the biggest, most affluent and prestigious agglomerations of the entire world to pursue its "PSG becomes top in Europe" exercise, instead of spending the money in for example Ajaccio, Bastia or Reims. Similarly, Sheikh Mansour of Abu Dhabi, presumably the second wealthiest potential benefactor in world football at that time, picked a "free club" in what is considered the "capital of football", Manchester, and not a club in Ipswich or Brighton or Exeter. The case of Roman Abramovich at Chelsea falls in the same category, as London is not a "small town" either.

Second[30], if we continue to assume (without final proof) that the new owners cited above are (at least partially) success-seeking benefactors, it seems to be very much a matter of perspective to decide whether they have contributed to increased suspense in football. Seen from the viewpoint of the former competitors of these clubs – for example from the perspective of Lyon, Marseille or Bordeaux in the case of PSG – the new owners have rather destroyed suspense making their clubs literally unbeatable for the old rivals. Moreover, if the group stage competitors of Chelsea and ManCity in the Champions League 2013, Olympiacos FC, SL Benfica, RSC Anderlecht, FC Viktoria Plzen, FC Basel, FC Steaua Bucuresti etc., had the impression that the investments of Roman Abramovich and Sheikh Mansour had flown into already "big clubs" that are now even more unbeatable for them, not much could be said against it.

Seen from the top of the football hierarchy however[31], the critics of FFP have a point stressing that the new owners at Chelsea, ManCity and PSG have increased competitive pressures for the traditional incumbents Madrid, Barcelona, ManU, Bayern etc. But then – and this is the third and most important point to consider – we still need to ask if this situation is a genuine equilibrium or rather a transitory stage. Would, in a world without FFP, increased competitive pressure for the incumbents Barcelona, Madrid etc. simply go on? Or would these clubs react in ways to secure or even enhance their competitive position? Given that football clubs are win-maximizers it seems more plausible to me that as the competitive pressure increases, even the "biggest market" incumbents have stronger incentives to switch to "payroll gifts" in order to stay at the top. Of course, it will take time before some of the biggest clubs, particularly those still operating in association structures like Madrid or Barcelona, can change their governance structures and transform their corporate cultures in ways that open the door wider and wider for benefactors. But, given that they are win-maximizers, why

[30] Again, I closely follow Franck (2015), p. 243.
[31] See Franck (2015), p. 243-244, for the original analysis.

should they instead accept to lose against clubs that from their perspective are still “underdogs” if deprived of the billions injected by their owners? And why should success-seeking benefactors not walk through the doors in Madrid or Barcelona, once they are open to them? A failure of FFP would presumably accelerate this transition. It lies in the logic of a matching process between success-seeking benefactors and win-maximizing clubs that in the end “the deepest pockets” should back the clubs from the “biggest markets”, entrenching their dominance.

Small market clubs would be further away from the top than ever before[32], since losing money without the glamour of success is a completely senseless investment plan for success-seeking benefactors. Underdogs would have to compete solely based on their small market potential, while the favorites would receive the largest payroll injections on top of their already huge market potential. In this view the BER in conjunction with the FVP simply “takes out” (most of) the money of success-seeking benefactors from the football payrolls, thus reducing the gap between favorites and underdogs. It seems that FFP is not handicapping underdogs as often assumed, but instead forcing favorites to operate within their market potential instead of further boosting salaries with money given to them by benefactors chasing after sporting success.

Thus, **FFP as such** makes a positive contribution to more vibrant competition in European club football in the longer run. Clearly, there are **other developments** that will presumably further enforce concentration in the football industry, but they are certainly not a result of FFP.[33]

[32] See Franck (2015), p. 244-245, for the original analysis.

[33] The competitive environment of football clubs around the globe is driven by a wide range of influence factors that may affect competitive balance in various ways (like for example the proliferation of new digital technologies that allow clubs to reach every potential consumer in the world at any time, or the deregulation of national media markets through the Digital Market Initiative of the European Union). The “winner-takes-most” dynamic is likely to gain momentum in the deregulated digital world market for football entertainment. Few «super-clubs» at the very top of the pyramid increasingly succeed to establish themselves as «global brands», which are able to generate football-related revenues of € 500m and more. The result could be very one-sided title races in some of the biggest domestic leagues and in the Champions League. The key point is that this development would be even more pronounced without FFP, if it holds true that success-seeking benefactors would prefer to inject their payroll-gifts at the already big clubs.

3.2 A potentially "illegitimate" source of inequality introduced by success-seekers in an environment with win-maximizing clubs

FFP is not a regulation that has been developed in an "economic think tank" and enforced top down by a government agency. We should keep in mind that UEFA is the association of the national football associations in Europe. Within a governing body like UEFA regulation cannot be decided and imposed top down, but is always the result of intense and complex bottom up consultation processes involving the national associations, the clubs (represented through the ECA[34]), the players (represented through FIFPro[35]) and the leagues (represented through EPFL[36]). Against this background it seems meaningful that the name "financial fair play" has been chosen to denominate the new regulation. Presumably, the perception that the money injections of the new owners created an "illegitimate source of inequality", which should be limited somehow, was not entirely unpopular among the many stakeholders of football involved in the development of the FFP rules. Otherwise names like "sustainability rules", "hard budget constraints" etc. could have been chosen as an alternative over "financial fair play".

While it is, of course, impossible to find out which motivations inspired the many decision-makers involved in the FFP consultations, a more general question can be asked to shed some light on this issue: What makes a source of inequality called "money injections of success-seeking benefactors" so special compared to other sources of inequality in European football that are tolerated without any complaint?[37] For example, it is obvious that clubs are located in local and national markets of different size and prosperity, but no significant regulatory steps have been taken to correct the fact that e.g. Chelsea London is profiting from being at home in a much bigger and more prosperous agglomeration and a more attractive league than for example FC Ajaccio.

The following (incomplete) list of candidates for differences between "money injected by success-seeking benefactors" and other more accepted sources of inequality comes to my mind:

[34] ECA stands for European Club Association
[35] FIFPro is the worldwide representative organization for all professional football players.
[36] EPFL stands for the Association of European Professional Football Leagues.
[37] I am, of course, not the first to ask this question. See e.g. Madden (2014, p. 9).

Their potential size

Bond (2012) called the first Championship title of Manchester City since 1968 won in 2012 "The £ 1billion title" because the club's owner had "…sunk at least £ 1billion into City since 2008".[38]

While other sources of inequality in football, like e.g. the differences in local and domestic markets, have predictable limits, the enormous wealth of some new club owners, be they sheikhs and/or countries from the Middle East, oligarchs or Asian tycoons create the impression of a potentially **huge** source of inequality.

Their instant impact

Money injections into payrolls not only have potentially huge but also **instant** impact. Instead of going through a long and complex process of scouting players, developing them and gradually improving team performance, benefactor clubs profit from "instant money" that allows them to immediately hire highly skilled stars and by doing so to literally "buy success".

Their windfall character

Even if a club is situated in a potentially "big market", the club still has to invest effort to activate the market potential. If the club is poorly managed, fans will be disappointed and spend less, and "normal" spectators might switch to other clubs or other sports. There is always an element of effort behind the success of the club in the market. In contrast to this, the money injections of success-seeking benefactors are "windfall gains" that can be interpreted as "undeserved gifts."

Now let's use an analogy and look at a contest between individual athletes, a bicycle race for example. If some racers and subsequently the spectators and fans become aware that the winner dominated the race based on an "undeserved gift with huge and instant impact", an issue of integrity arises and the contest is in danger to lose credibility. This is precisely what doping scandals have done to contests like the Tour de France. Fans and spectators don't perceive a winner as a legitimate winner if his success is not solely based on innate talent and effort (accepted sources of inequality), but instead stems mainly from the intake of EPO. The performance enhancing effect of EPO is instant (compared to other alternatives), very substantial and undeserved in the eyes of the fans.

---

[38] Bond (2012); http://www.bbc.co.uk/blogs/davidbond/2012/05/the_1billion_title.html

Why should we be surprised that a similar issue of integrity may have come up among the stakeholders of football involved in FFP, given that they were confronted with a situation where some clubs started to dominate the race based on "undeserved money gifts that were huge and had instant impact"? This perception may have lead to the denotation of the money injections of success-seeking benefactors owners in exchange for "pure success" as "financial doping"[39].

Against this background the limitation (not prohibition!) of this source of inequality introduced with the FFP rules can also be seen as a measure to secure the credibility of football competitions. Of course, it is unclear if the "total acceptable deviation" defined in the regulations sets "the right limit" from a purely economic perspective. It remains an empirical question if and how many spectators and fans in general would have turned away from football because they disliked "financial doping" in a regime with unlimited money injections or in a regime with more generous limits. If we assume that a sufficient number of stakeholders involved in the development of the rules had integrity concerns – and this is suggested by the name financial fair play – the "total acceptable deviation" defined in the rules can be interpreted as their guess of "the right limit". Of course, their guess may have been wrong.

4. Providing more flexibility to football entrepreneurs that wish to develop mismanaged football clubs into sustainable businesses through Voluntary Agreements (VA)

Let's define football entrepreneurs as those owners that successfully extract a competitive profit from their investment in a football club. The most common criticism put forward against the *old* BER-FVP regime is that it would unduly restrict such entrepreneurs by limiting their investment opportunities. To which extent is this really an issue?

Simply put, *old* FFP sends the following message to owners of football clubs[40]: "You are fine if you spend as much money as you want on infrastructure, youth development and

[39] It seems that the term "financial doping" has been introduced by Arsène Wenger. See Palmer (2012) for details. Arsenal won the 2003/2004 Premier League Championship without loosing a single game. They have not been able to win a single title since then. While Arsenal continued to live "within its own means", new owners at Chelsea and Manchester City injected literally billions in their teams and caused "trophyless frustration" (Palmer 2012) at Arsenal.
[40] I closely follow Franck (2014), p. 9, with the following example.

community activities. On top of that you may spend on your payrolls alone your entire football revenues plus a deficit of € 5m plus a maximum of € 40m[41] injectable from your own fortune in every monitoring period!"

If we would tell, for example, the owner of a brewery that he may spend all his revenues from the beer market plus a deficit of € 5m plus € 40m from his own fortune on salaries alone, would this be perceived as a severe restriction of his entrepreneurial freedom? At first sight *old* FFP formulates a rule that seems rather unrestrictive for every "normal" business "out there". "Proper" or "genuine" competition cannot require that businesses spend more on salaries alone than their entire market earnings plus an acceptable deviation plus a still possible maximum amount injected by the owner. The common sense expectation is that firms and businesses make a profit or at least break even on average.

However, we have to inquire a step further and lay open the assumption that leads us to this first positive assessment of *old* FFP. The implicit assumption behind *old* FFP is that markets in football are quality-sensitive. This means that an entrepreneur taking over a mismanaged football club and embarking on the project to transform a "rough diamond" into a "jewel" will be remunerated rather quickly by the various markets. There are several arguments in support of this position. Due to its rule-based technology football is not an industry with very long production cycles. Neither is there substantial investment in R&D as in other industries like pharmaceuticals, computers etc., since the rules of the game set clear limits to innovation. Nor does production consume much time, as games are normally played every week. Moreover, the main production process is totally transparent as the games are played directly before the eyes of the consumer. As a consequence, it seems plausible to assume that all the potential customers of a football club quickly recognize any improvements in the quality of the products offered by the club and adjust their procurement decisions accordingly:

- sponsors quickly recognize the potential of a rising club to deliver enhanced exposure and image transfer and place higher bids for the various rights offered in the market
- media companies quickly recognize the potential of a rising club to aggregate attention and offer higher fees
- commercial partners quickly see opportunities for buying superior services and offer more favorable conditions

[41] As already mentioned, this limit went down to €30m in the *new* rules.

- spectators quickly understand that there is a much better show going on in the stadium and reallocate their leisure and financial budgets accordingly
- etc.

In other words: An entrepreneur transforming a “rough diamond” into a “jewel” will experience a significant rise of “relevant income” (sponsorship income, media income, commercial income, attendance income, etc.) very quickly in the various football markets. Thus, the restriction “Don’t spend on your payrolls more than your entire football revenues plus a deficit of € 5m plus a maximum of € 40m injectable from your own fortune in every monitoring period” cannot be interpreted as a binding restriction on investment. True entrepreneurs shouldn’t have any problem with *old* FFP because they are not investing in an industry where they would have to go through a long dry spell until their efforts will be remunerated in the relevant markets.

Why would a club then heavily rely on transactions with related parties if the assumption holds that football markets quickly reward any improvements in quality through higher revenues? The implicit assumption of the *old* FFP rules is that transactions of the club with related parties can potentially be “misused” by pure success-seekers in order to inject money and circumvent the break-even requirement. Therefore, all transactions with related parties are closely monitored whether they are at fair market value for the purpose of the break-even calculation.

Now what do we need in order to be able to interpret *old* FFP as a restriction for true entrepreneurs? It seems that we need:

- sponsors that are very slow to recognize and reward the potential of a rising club to deliver enhanced exposure and image transfer
- media companies that are very slow to recognize and reward the potential of a rising club to aggregate attention
- commercial partners that are very slow to recognize and take opportunities to buy superior services
- spectators that are very slow to properly value the superior show offered in the stadium and are therefore unwilling to reallocate their leisure and financial budgets accordingly
- etc.

Are there good reasons to assume such quality-insensitive football markets?

To start with, one could certainly link this question to the development stage of football markets. For example, in underdeveloped football economies, like in the countries of the post Soviet empire, market power, path-dependencies and higher transaction costs still impede a proper functioning of the free market forces. To take account of this, UEFA introduced the notion of "structurally inefficient markets" with the release of *New* FFP.[42] A country-indicator of market development is calculated based on a comparative analysis of the top division clubs' total gate receipts and broadcasting rights revenues relative to the population of the respective country. Despite the large population of some countries like for example Russia, Ukraine etc., the top division clubs earn almost negligible revenues from selling their broadcasting rights compared to the top division clubs in England or Germany. The reason is that broadcasting (and other) markets just start to develop in these countries. Consequently, they will rank low on the "development index". The Club Financial Control Body can take this "development index" into account as a mitigating factor in its decisions, for example when offering a Settlement Agreement (SA)[43] to a club that didn't fully comply with the monitoring requirements.

But if we abstract from such "structurally inefficient football markets", is there a more basic argument supporting the assumption of slow market reactions to quality improvements? An argument, which is also applicable in the highly developed Western football markets? Indeed, a more basic argument can be put forward. This argument is based on the idea that the football economy is driven by the phenomenon of "genuine fandom". While "normal" spectators might adapt quite quickly to quality variations, "true fans" are "rather slow". The more the football economy relies on fans, the more it has to cope with slow reactions.[44]

Stigler and Becker (1977) have developed their famous theory of "connoisseur goods", explaining that the utility, which a consumer is able to derive from the present consumption of certain goods, depends on the "consumption capital" accumulated through previous consumption of these goods. A phenomenon of "beneficial addiction" emerges in the course of time through repeated consumption. As explained elsewhere in more detail[45], genuine

---

42 See UEFA (2015a), Annex XI (g).
43 See Article 15 of the Procedural Rules governing the UEFA Club Financial Control Body (UEFA 2015b).
44 Helmut Dietl has attracted my attention to this issue that we had analyzed in former joint publications. See e.g. Dietl/Franck (2007). See also Franck (2010).
45 See Dietl/Franck (2007) and Franck (2010).

football fans following the games and activities of "their club" over longer periods of time are perhaps the best example of this phenomenon of beneficial addiction. With all the context knowledge accumulated over years they enjoy a remarkable game of their club more than an occasional spectator coming along incidentally. Adler (1985) has added the insight that the utility of a connoisseur does not only depend on his own past consumption, but also on the sum of co-specific consumption capital acquired by fellow connoisseurs, with whom he can exchange views and enjoy interaction. This network externality unfolds when fans of the same club enjoy the interaction in a group of like-minded people, for example, by sharing the joy of a great performance.

Translated back in the context of this comment, "connoisseur theory" predicts that "fan creation" takes time. First, it requires investment in consumption capital by the potential fan through repeated consumption. Only slowly beneficial addiction emerges and the spectator develops into a fan. The more spectators have become true fans, the more the option to interact within the group of fans further increases individual utility. As a consequence, fans that are beneficially addicted to a club exhibit the phenomenon of loyalty and a higher willingness to pay that ultimately translates into increased revenues for the club.

The basic argument for slow market reactions to increased club quality portrays the slow process of "fan creation" as the bottleneck in the development of all the relevant football markets. Sponsors, commercial partners, broadcasters etc. only kick in and remunerate improved club quality as soon as they can economize on the attention and publicity spillovers activated through the network of fans.

While this line of argument has much appeal when developing a new club from scratch, we should not forget that all the new owners that were confronted with *old* FFP in the past took over top division clubs with established brands in potentially big markets. Even if "fan creation" takes time in general, clubs like PSG or Man City, playing in the top divisions of their national leagues and situated in "big markets", didn't start the process of "fan creation" only when the new owners came in. Moreover, it seems unlikely that sponsors, broadcasters and commercial partners in developed Western football markets would need very long to discover the market potential of these "rough diamonds" under the new ownership.

However, let's give the benefit of doubt to the hypothesis of "slower fan creation". To the extent that this hypothesis holds, an entrepreneur has to make it through a longer dry spell until his "efforts to improve the club" are fully recognized and rewarded in the various markets. Market revenues will therefore not reflect "true club quality" from the very beginning, but only after some time. The "unrecognized surplus in club quality" needs to be temporarily financed by the club owner or related parties. This "temporary financial contribution" can be interpreted as an investment that will pay off in the future when "total club quality" gets revealed to and rewarded by the markets. Consequently, transactions with related parties above fair market value are not automatically money injections of success-seeking benefactors in this view. They could just as well be investments in the temporarily "unrecognized surplus in club quality" mentioned above.

The resulting question is straightforward: How do we discriminate between such entrepreneurs that are to be seen as desired investors and between the success-seeking benefactors discussed before? It seems that the new concept of a "Voluntary Agreement (VA)" introduced with *new* FFP tries to achieve exactly this discrimination.[46]

In essence, the new concept of a VA relieves "football investors" from the cap on payroll injections under clearly specified circumstances. Clubs fulfilling certain eligibility criteria[47] can proactively approach the CFCB Investigatory Chamber regarding the possibility of a temporary breach of the BER. Applications are due by 31 December of the year preceding commencement of the VA. Like the Settlement Agreements (SA)[48] concluded by the CFCB Investigatory Chamber in the past with clubs that failed to fully comply with the BER[49], the VA include a set of obligations and financial targets for the clubs on a yearly and on an aggregated basis. In contrast to the SA the VA do not include penalties for the "planned" breach of the BER as long as the agreed targets and obligations are respected. VA can cover up to four reporting periods. As a consequence, the initial year of the VA will not enter the break-even calculation at all, in principle giving "football investors" the chance of "unlimited

[46] See Annex XII of the FFP Regulations (UEFA 2015a).
[47] Annex XII of the FFP Regulations (UEFA 2015a) explains that the VA regime is tailored towards the needs of clubs that went through a significant change of ownership and/or control within the 12 month preceding the application deadline. Other clubs are eligible if they have been granted a license by their national licensor to enter UEFA club competitions but have not qualified for a UEFA club competition in the season that precedes the entry into force of the VA; or if they have qualified for a UEFA club competition and fulfill the BER in the monitoring period that precedes the entry into force of the VA. In any case a club is only eligible if it has not been party of a VA or subject to a disciplinary measure or SA (as foreseen in the *Procedural Rules governing the UEFA Club Financial Control Body* (UEFA 2015b) within the last three reporting periods.
[48] See Article 15 of the Procedural Rules governing the UEFA Club Financial Control Body (UEFA 2015b).
[49] The UEFA Club Financial Control Body Investigatory Chamber concluded SA with ten clubs in 2015 and with nine clubs in 2014 (http://www.uefa.org/disciplinary/club-financial-controlling-body/cases/index.html).

investment”. However, such “unlimited investment” in the initial year must be part of a plausible and conservative business plan, which leads to break-even compliance on aggregate in the monitoring period consisting of the three following years of the agreement. On top of this, the funds required to finance the business plan must be committed in advance and guaranteed by the “football investor” over the period of the VA.

Obviously, VA discriminate between true entrepreneurs attempting to make it through a dry spell and benefactors that continuously inflate payrolls by demanding break-even compliance on aggregate in the monitoring period consisting of the three last years of the agreement. Why should success-seeking benefactors commit on a plausible and conservative business plan with annual targets that are designed with the deliberate purpose to eliminate “payroll gifts”? True entrepreneurs should not have a problem with this requirement because they only want to bridge the time span until “total club quality” becomes fully remunerated by the market. Their goal to ultimately earn money with their football investment is totally compatible with the concept of the VA, while the goal of success-seeking benefactors is at odds with it.

But does the desired effect to give more flexibility to true entrepreneurs not automatically undermine the intention to create harder budget constraints and restore managerial incentives and financial discipline in European club football? Not really, because there are no elements included in the concept of the VA that could be used ex post in order to soften the binding force of the targets that had been agreed ex ante. Just as the “normal” BER-FVP regime doesn’t leave any hope for football club managers to be bailed out ex post in the licensing process, the annual and aggregate financial targets and obligations included in a VA represent hard constraints. Clubs are subjected to exactly the same disciplinary measures as foreseen in the Procedural rules governing the UEFA Club Financial Control Body if they fail to comply with the terms of their VA. The targets may be different under the “normal” BER-FVP regime and under a VA (or SA), but the “level of discipline” by which managers are required to respect ex ante agreed targets is the same. Moreover, under a VA the owner of the club is even required to commit the invested funds ex ante. This makes it very clear from the beginning for football club managers where the acceptable level of break-even deficit will lie in every period of the VA. Because both, the “normal” BER-FVP regime and the VA regime, exclude any possibility of ex post bailouts in the licensing process if agreed targets are not met, they don’t create “soft budget constraint expectations” that may trigger managerial moral hazard and rent seeking.

5. Conclusion

Obviously, the *new* FFP rules preserve the idea of creating hard budget constraints and restoring efficient managerial incentives. The new concept of the VA doesn't change anything in this respect.

Moreover, the *new* FFP rules introduce more flexibility for football entrepreneurs through the concept of the VA. Due to the process of "slow fan creation" football entrepreneurs might have to make it through a dry spell until their "efforts to improve the club" are fully recognized and rewarded in the various product markets. Market revenues will therefore not reflect "true club quality" from the very beginning but only after some time. The "unrecognized surplus in club quality" needs to be temporarily financed by the club owner or related parties. This "temporary financial contribution" can be interpreted as an investment that will pay off in the future when "total club quality" gets rewarded by the markets. Through the VA such "temporary financial contribution" is now more easily possible.[50]

At the same time the *New* FFP rules foresee that clubs under a VA will have to return to the "normal" BER-FVP regime by exhibiting break-even compliance on aggregate in the monitoring period consisting of the three years following the initial year of the agreement. The BER-FVP regime that operates with a lower total acceptable deviation of € 30m per monitoring period since the amendment of the regulations still discriminates against "payroll gifts" and therefore against benefactors that are willing to inject money in exchange for "pure" sporting success.

The "makers" of the FFP regulations obviously still assume that "payroll gifts" exceeding a certain limit could have detrimental effects on European club football. Two possible explanations have been discussed in the paper:

- if success-seeking benefactors match with win-maximizing clubs it seems plausible that in the end "money comes to money" with the effect of a further ossification of the football hierarchy

[50] One could even argue that the conclusion of a VA – because it is a commitment to turn around a mismanaged club closely monitored by the CFCB – serves as a credible signal to improve quality in the various football markets. As a consequence, sponsors, commercial partners, spectators etc. are more willing to trust the club, which might shorten the dry spell through which the owner has to make it.

- because of certain properties (potentially huge and instant impact, windfall character) “payroll gifts” may be perceived as an “illegitimate” source of inequality (“financial doping”) that could harm the integrity of the competition and destroy economic value

In essence, *new* FFP follows *old* FFP in creating hard budget constraints and in discriminating against “payroll gifts” and therefore against benefactors that are willing to inject money in exchange for “pure” sporting success. But *new* FFP is now less vulnerable to the allegation that it discriminates against true entrepreneurs wishing to develop mismanaged football clubs into sustainable businesses.

Literature

Adler, M. (1985). Stardom and talent. *American Economic Review*, 75, 208-212.

Andreff, W. (2007). French football: A financial crisis rooted in weak governance, *Journal of Sports Economics*, 8, 652-61.

Andreff, W. (2011). Some comparative economics of the organization of sports: Competition and regulation in North American vs. European professional team sports leagues, *The European Journal of Comparative Economics*, 8, 3-27.

Andreff, W. (2015). Governance of professional team sport clubs: agency problem and soft budget constraint, in: *Disequilibrium Sports Economics*, edited by Andreff, W., Cheltenham, 175-227.

Andreff, W. (ed.) (2015). Disequilibrium Sports Economics, Cheltenham, Edward Elgar.

Bond (2012). The £1billion title, BBC Sport, David Bond's Blog, available at: http://www.bbc.co.uk/blogs/davidbond/2012/05/the_1billion_title.html

Dupont, J.-L. (2013). Football's Anticompetitive Streak, *The Wall Street Journal*, March 25, 2013, available at: http://online.wsj.com/news/articles/SB10001424127887324077704578357992271428024#printMode (last visited Jan. 12, 2014).

Dietl, H. and Franck, E. (2007). How do the peculiarities of German football governance affect the abilities of clubs to create and capture Value? in: *Governance and Competition in Professional Sports Leagues*, edited by Rodriguez, P., Késenne, S. and Garcia, J., Oviedo, 87-140.

Franck, E. (2010). Private firm, public corporation or member's association – Governance structures in European football, *International Journal of Sport Finance*, 5, 108-127.

Franck, E. (2014). Financial Fair Play in European club football – What is it all about? *International Journal of Sport Finance*, 9, 193-217.

Franck, E. (2015). Regulation in leagues with clubs' soft budget constraints: the effect of the new UEFA Club Licensing Regulations on managerial incentives and suspense, in: *Disequilibrium Sports Economics*, edited by Wladimir Andreff, Cheltenham, Edward Elgar, p. 228-249.

Frank, R.H. (2005). Positional externalities cause large and preventable welfare losses, *American Economic Review*, 95, 137-141.

Kornai, J. (1980a). Economics of Shortage, Amsterdam, North-Holland.

Kornai, J. (1980b). Hard and soft budget constraint, *Acta Oeconomica*, 25, 231-245.

Kornai, J. (1986). The soft budget constraint, *Kyklos*, 39, 3-30.

Kornai, J., Maskin, E.,and Roland, G. (2003). Understanding the soft budget constraint, *Journal of Economic Literature*, 41, 1095-1136.

Kuper, S. (2009). Football abandons the fantasy that it is a business, available at: http://www.ft.com/intl/cms/s/2/fd77a01c-aa07-11de-3ce00144feabdc0.html#axzz2GRMmCmGD

Madden, P. (2014). Does break-even regulation of soccer clubs make sense? Economics Discussion Paper Series EDP-1405, The University of Manchester.

Madden, P. (2015). Welfare economics of "Financial Fair Play" in a sports league with benefactor owners, *Journal of Sports Economics*, 16, 159-184.

Peeters, T., & Szymanski, S. (2014). Financial Fair Play in European football, *Economic Policy*, 29, 343-390.

Palmer, K. (2012). Wenger fears 'financial doping', *ESPN Global*, September 21, 2012, available at: http://espnfc.com/feature/_/id/1167069/kevin-pamer:-arsene-wenger-fears--'financial-doping'?cc=5739

Sass, M. (2016). Glory hunters, sugar daddies, and long-term competitive balance under UEFA Financial Fair Play, *Journal of Sports Economics*, 17, 148-158.

Stigler, G. J., & Becker, G. S. (1977). De gustibus non est disputandum. *American Economic Review*, 67, 76-90.

Storm, R. K. (2012). The need for regulating professional soccer in Europe: A soft budget constraint argument, *Sport, Business and Management: An International Journal,* 2, 21-38.

Storm, R. K., & Nielsen, K. (2012). Soft budget constraints in professional football, *European Sport Management Quarterly*, 12, 183-201.

Szymanski, S. (2014). Fair is foul: A critical analysis of UEFA Financial Fair Play, *International Journal of Sport Finance*, 9, 218-229.

UEFA (2012). *The European Footballing Landscape. Club Licensing Benchmarking Report Financial Year 2010*, available at: http://www.uefa.com/MultimediaFiles/Download/Tech/uefaorg/General/01/74/41/25/1744125_DOWNLOAD.pdf (last visited Dec. 28, 2013).

UEFA (2015a). *UEFA Club Licensing and Financial Fair Play Regulations*, Edition 2015, available at: http://www.uefa.org/MultimediaFiles/Download/Tech/uefaorg/General/02/26/77/91/2267791_DOWNLOAD.pdf

UEFA (2015b). *Procedural Rules Governing the UEFA Club Financial Control Body*, Edition 2015, available at: http://www.uefa.org/MultimediaFiles/Download/Tech/uefaorg/General/02/28/72/46/2287246_DOWNLOAD.pdf

Vöpel, H. (2011), Do we really need financial fair play in European club football? An economic analysis, CESIfo DICE Report.