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Chapter on

European Sports Leagues: Origins and Features

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1. Introduction

A sports league is “a group of teams that schedules games and develops other policies and rules for the purpose of determining a champion” (Noll, 2003, pp. 530-531). European sports leagues appeared at the end of the second half of the 19th century. The English Football League was the first in 1888, followed by the County Championship in England and Wales (cricket) in 1890 and the French Rugby Championship in 1892. The first two were already a round-robin competition with teams annually playing one another home and away (Harris, 1975), while the latter was initially a knockout tournament. It became a round-robin competition in 1895-1896, concomitant with the establishment of the Northern Rugby Football Union in Northern England which was also a round-robin competition.

The initial evolutions of these four leagues were quite different:

• the English Football League absorbed its rival Football Alliance (created in 1889) in 1892, with the latter becoming the Second Division and the two divisions being linked together by a system of promotions and relegations or ‘open’ system (Szymanski, 2003a). Thus, the Football League did not break away from the existing structures and admitted all the major teams into its ranks (Inglis, 1988);

• the County Championship accepted new counties rather than creating a second division or controlling its group size (Schofield, 1982);

• the French Rugby Championship, initially opposing clubs from the Parisian area only, accepted provincial clubs from 1898-1899. More exactly, they formed two different groups and each group winner faced each other in final. In 1899-1900, the eight participants to the final elimination tournament were the eight regional winners. In 1900-1901, there were three regions with the winner of the Seine region directly qualified for the final. The number of regions or groups evolved over time but the format with several regions or groups then their
winners facing each other to determine the French champion remained the same for most of the 20th century;

- the Northern Rugby Football Union split into two separate county competitions in 1896-1897 (Lancashire and Yorkshire) before the top seven sides from both counties in 1900-1901 resigned and merged into a new league in 1901-1902, joined by four additional clubs in 1902-1903, when a second division was established with the two divisions linked together by a system of promotions and relegations.

European basketball leagues appeared later, in the 1920s (1920 in Italy, 1921 in France, 1923 in the Soviet Union, 1927 in Greece). Continental club competitions appeared even later, in the 1950s. Based on these illustrations, and contrary to an expanded idea, we realize that European sports leagues were not all based on promotions and relegations from their beginning. This challenges the pyramidal structure that is usually considered as a feature of all European sports. Even when such a system existed between the first and the second divisions for a given sport in a given country, this was not automatically the case between the second division and a lower level. For example, the French football league was established in 1932. However, it was only from the 1970-1971 season that clubs from the second division could be relegated in the third division (Scelles, Szymanski & Dermit-Richard, 2018). Nevertheless, it is still true that if the focus is on the main European sport (football) and on its main divisions (the first two) in a given country, such divisions have always been linked together by promotions and relegations. As such, this can be seen as a main distinctive feature of European sports leagues from their origins, especially when compared to US sports leagues and from a sports economics perspective.

Research into the application of economic concepts to sporting activities has mushroomed in recent decades: whether it be the contribution of sporting activities to economic growth, competition for media rights, labor markets for sports stars or the economic incentives
embedded in the structure of league rules. This chapter aims to establish the context in which the origins and features of European sports leagues arise in sports economics; review and update the understanding of the literature; and identify avenues for future research.

2. Context in which the Topic Arises in Sports Economics

2.1 Overview

One might think that the origins and features of European sports leagues arise in sports economics with the first studies on European sports leagues. These studies were conducted by Peter J. Sloane (1969, 1971, 1976) on British football. Nevertheless, although they dealt with the issues encountered at that time (labor market, team objectives, restriction of competition) and as such with some features of European sports leagues, they did not focus on their origins but rather on the leagues’ efficiency. The first article to really envisage both origins and features was that of Schofield (1982) on the development of first-class cricket in England. As underlined by Schofield (1982, p. 337) at the beginning of his article: “Economists have given some attention to cricket in recent years, as they have to other professional sports, without focussing in detail on the history of the game […] Economic historians have also shown interest in the game but this has been confined to aspects of the labour market in the early days of organized cricket […] None of the above work traces the development of the game using the tools of economic analysis.”

More generally, the origins and features of European leagues were first analyzed stricto sensu in the context of the comparisons of North American and European professional sports leagues developments. Sport economists and economic historians, observing that until 1892 the development of sport was similar on both sides of the Atlantic, wondered why sports leagues structures diverged afterwards (Cain & Haddock, 2005; Szymanski, 2003a). They analyzed them under the scope of industrial organizations and found some similarities despite
their diverging structures and objectives: “It is of interest that, despite an emphasis on differing objectives of professional sports clubs and leagues in Britain and the United States, the development of league rules in cricket (Schofield, 1982) and baseball (Davis, 1974) have been analysed from the perspective of cartel organisation” (Cairns, Jennett & Sloane, 1986, p. 58).

As for the creation of leagues, economists underline the fact that team sports require coordination among contesting teams because the main product – a game – involves at least two distinct entities with potential divergent interests (Neale, 1964; Noll, 2003; Sloane, 1976). Nevertheless, Noll (2003) underlines that if several teams regularly play each other, there is an incentive to create a league. The formation of the Football League provides an interesting illustration as it was motivated by the fact that prior to 1888, some teams would not “fulfil the friendly fixtures that they had promised if they became involved in the later stages of the various cup competitions” (Vamplew, 2006, p. 435). As such, teams were grouped together to ensure production of the common product.

2.2 European Leagues as ‘Open’ Cartels

Sports economists also focused on other aspects of leagues such as their optimal features and observed their cartel-like behavior: “Professional team sports leagues are classic, even textbook, examples of business cartels (Quirk, 1987)” (Fort & Quirk, 1995). This suggested feature requires providing the objective of a cartel in general before observing whether sports leagues fit with such objective. Cairns et al. (1986, p. 56) note that “the objective of a cartel is to determine a structure of rules constraining the behaviour of the group’s individual members to act in the interests of the group as a whole.” The way sports leagues operate is consistent with this framework as Cairns et al. (1986, p. 56) stress: “Analytically, the rule-making activities of leagues can be seen as a form of cartel behaviour.” In the general case, such a framework intends to generate profit. Indeed: “According to cartel theory, output limitation
and the erection of effective barriers to entry are a sine qua non for profit-seeking cartel activities” (Cairns et al., 1986, p. 59). However, a successful sports league is not necessary a league maximizing the joint profit for its members but a league achieving both a distribution of playing talent ensuring sporting competition and a distribution of income ensuring economic survival of the weaker members of the group (Sloane, 1976). Besides: “That a successful league must be a cartel fails to tell whether the cartel will be open or closed” (Cain & Haddock, 2005, p. 1144).

European sports leagues are then seen as ‘open’ cartels in opposition to the North-American ‘closed’ cartels, and economists then highlight the discrepancies. An interesting illustration lies in the different systems of reduction of horizontal competition. Indeed, it appears that members of a sports league may benefit from a low level of economic rivalry between teams. In this context, “teams have a strong incentive to organize leagues in a fashion that reduces the extent of horizontal competition among them in both input and output markets” (Noll, 2003, p. 531). While that led to territorial rights in US closed leagues, in European open leagues a newly formed team can simply register to play in football lowest tier and needs no one’s permission to be there.

2.3 The Optimal Size of League and Geographical Location of Members

Economists interested in the evolution of professional sports leagues also show how different geographic compactness between European and North American countries contributed to these substantial differences in league structures: “The excitement of closely contested games required little travel in England, and compactness provided a way both to limit peripheral players’ wage demands and increase attendance. The potential additional revenues from territorial monopolies could not offset the increased costs. The number, quality
and density of established English teams made a closed cartel untenable, and promotion and relegation offered a way to sort the teams” (Cain & Haddock, 2005, p. 1144).

The last elements open the door to two other issues tackled by sports economists: the optimal size of league and geographical location of members. According to Sloane (1976, p. 19): “The optimal size of league […] will be a function not only directly of the total population of the area covered by the league, but also inversely of population inequalities among clubs.” The author develops the opposition between the financial rationale for reducing the number of clubs and the better consumer welfare with more clubs covering more geographical areas and, as such, minimizing mean distances. Sloane (1976) underlines that an alternative product market proposal, put forward by Demmert (1973), is club relocation but this was unknown in Britain at the time of writing.

In cricket, Schofield (1982) notes that, while the County Championship did not initially control its size, no counties were added to the first-class list from 1921, demonstrating an awareness of the league organizers that the number of clubs should be limited, consistent with Sloane (1976). Besides, Schofield (1982, p. 341) adds that: “As well as having control over the size of the group, it is necessary to preclude external competition in product and input markets in order to protect group profits and hence the viability of the group.” This is confirmed by Cairns et al. (1986) who nuance nevertheless the threat. Indeed, these authors stress the following elements: “As Noll (1982) points out, however, the formation of a new league is only possible if a sufficiently large number of cities possess excess demand for the sport in question. Further, there is some doubt as to whether rival leagues are a stable, long-run, equilibrium solution” (Cairns et al., 1986, p. 59).

Cairns et al. (1986) also point out that leagues conventionally determine the geographical location of members. They take the example of English cricket where various counties are represented by only one team. In respect to football, they stress an ambivalent reality: “The
geographical transfer of soccer clubs is unfamiliar, but league clubs retain control over election to and dismissal from the league (discussed briefly by Jennett and Sloane, 1985)” (Cairns et al., 1986, pp. 59-60). Moreover, the rules set by leagues can prevent a club with limited economic potential to be promoted in the first tier. For example, in France, FC Gueugnon should have been promoted in first division in 1979 based on its sporting performance but was prevented to do so because the club did not want to become professional due to its limited economic potential.

2.4 The Labor Market

As underlined above, most articles have been interested in the features of the leagues themselves as a product. However, this second section would be incomplete without mentioning the labor market since the very first article on European leagues by Sloane (1969) is focused on the labor market in professional football. Sloane (1969) wrote his article in the context of the Chester (1968) report on English football which discussed at some length the economic implications of the wages and the conditions of employment of the professional footballer and included recommendations for the revision of contractual relations between the player and his club.

Sloane (1969) mentions in his introduction a comparison – more exactly an opposition – to North America, which is important given the fact that studies on European sports leagues were originally conducted by comparison with their North American counterparts. Indeed, Sloane (1969, p. 182) stresses that his premises are different from Rottenberg (1956): the latter “argues that the football club is a profit maximizer, just like the business firm. This author [Sloane], on the other hand, has argued elsewhere that football clubs are essentially utility maximizers – the majority of clubs making a loss on their football activities only survive through subsidies derived from various sources.” This early opposition between North American and European
sports leagues is still largely accepted around 50 years later even though a North American club is not automatically profit-maker (Andreff, 2015; Lavoie, 2004) and a European club may seek to make a profit (Terrien, Scelles, Morrow, Maltese & Durand, 2017). According to Sloane (1969, p. 182), team objectives and the need for strong competitors “are crucially important when assessing the conditions under which the professional footballer is employed and explain why such marked differences must exist in terms of employment as compared with the industrial worker.” These conditions and differences are reviewed below.

3. Review and Update of the Understanding of the Literature

3.1 League Model until the Beginning of the 1980s

The evolving model of European team sport leagues can be separated into two periods: until the beginning of the 1980s and from the 1980s onward (Andreff & Staudohar, 2000; Downward, Dawson & Dejonghe, 2011). Indeed, the 1980s marked the beginning of the growth of TV rights and the arrival of rich owners that transformed the model. Prior to this, European leagues developed by adopting the British model of league organization initiated by the Football League in 1888 (Inglis, 1988). To describe the features of such a model, the literature focuses on the type of governance, the structure of the competition, the features of the labor market and the model of finance.

3.1.1 The Type of Governance

In respect to governance issues, the main feature of European team sports leagues is that they were historically run by their respective national associations which were legally independent from the professional clubs playing in the competition. This kind of governance is of contractual nature as it involves vertically separated entities (Dietl, Franck, Lang & Rathke, 2011). The creation of institutions plainly in charge of the professional competitions
made the governance of European leagues more cooperative which represents a convergence with what is observed in their North-American counterparts. In French football, the ‘Groupement des clubs autorisés à utiliser des joueurs professionnels’ (Group of the clubs authorized to use professional players) was created in 1946, i.e. 14 years after the championship. This type of governance is still the same nowadays and has even been extended, e.g. in 1987 in French basketball and 1998 in French rugby (Scelles, Ferrand & Durand, 2015).

3.1.2 The Structure of the Competition

The competition has its own features. Among these characteristics are the matches scheduling and the determination of the champion. For European leagues, the norm is seen as a balanced round-robin competition: “In a round robin, the league creates a schedule of games for a championship season for each team, and every team plays a predetermined number of games against other league members. The champion is determined by aggregating the results of all matches” (Noll, 2003, p. 532). The balanced schedule comes from the fact that all teams play all others an equal number of matches. Noll (2003, p. 532) stresses that “Sports purists regard a balanced schedule as superior because it produces a final league standing that is most likely to reflect the actual rank-ordering of teams by quality.” However, not all European leagues were balanced round-robin competitions. In France for example, the rugby, handball, volley and hockey leagues had both a group stage and playoffs. As most of the literature focuses on football leagues that were balanced round-robin competitions, it is assumed that all European leagues had such a format but this was not the case.

Another interesting aspect of European leagues lies in the plurality of major leagues. However, “the national leagues of Italy, Spain, Germany or England have been seen as only imperfect substitutes” (Szymanski, 2003a, p. 1152). From 1955 with the ‘Union des Associations Européennes de Football’ (UEFA) launching continental competitions, European
leagues have also begun to be characterized by the cohabitation of national and pan-European championships, with certain teams participating simultaneously in both.

**3.1.3 The Labor Market**

We can identify two different phases of the labor market of athletes in Europe until the 1980s, according to the balance of the bargaining power between clubs and players. In the first phase until 1960, the bargaining power was clearly in favor of clubs, and that led to restrictions of freedom for player movement: “The basis of the employment of the professional footballer in the Football League is the retain and transfer system” (Sloane, 1969, p. 183). The transfer of a player employed in a club participating to the league required the signature of the releasing club, provided he was initially/beforehand added to the club’s transfer list. As such, “the club with whom the player is currently registered can be said to possess a monopoly over the services of that player” (Sloane, 1969, p. 184). This system was adopted in 1925 by the French Football Amateur Federation (Lanfranchi & Wahl, 1998).

By 1960, the bargaining power slightly shifted in favor of players, with the empowerment of players’ unions. In 1961 in France, the ‘Union Nationale des Footballeurs Professionnels’ (National Union of Professional Players, UNFP) was created with the official aim to give players with the appropriate means to fight for their rights. In 1963 in England, the Professional Footballers Associations (PFA) managed to reduce the power of the clubs to hold a player who became out of contract. Both negotiations ended with the emergence of fixed-term contracts for footballers.

**3.1.4 The Model of Finance**

The model of finance of European leagues until the 1980s has been qualified as Spectators-Subsidies-Sponsors-Local or SSSL (Andreff & Staudohar, 2000). Money came mainly from spectators: “Throughout most of the 20th century, the primary source of revenue to European
professional sports was gate receipts” (Andreff & Staudohar, 2000, p. 259). Depending on national peculiarities, the rest of the financing could come from local authorities’ subsidies and industrial patrons. Most of the financing had a common feature: it was local. Gratton and Solberg (2007, p. 4) highlight the following aspects: “In contrast to the USA there was little or no competition in the [...] television market in the early post-war years.” This is confirmed by Andreff and Staudohar (2000, pp. 259 and 263) who write that “Given the lack of competition among broadcasters [...] the monopsony rights fee would not be sufficient to compensate for lost gate receipts.” However, the model of finance changed from the 1980s, as did more generally the European model of sports leagues.

3.2 League Model from the 1980s

3.2.1 Overview

European leagues have encountered a number of important changes since the 1980s: the growth of TV rights and rich owners from the 1980s as mentioned previously (Andreff & Staudohar, 2000), the Bosman case (1995)¹ and subsequent internationalization from the 1990s as well as the idea of Financial Fair Play from the 2000s with the concept being approved by UEFA in 2009 (Morrow, 2014). Andreff and Staudohar (2000) note that during the 1980s and even more so in the 1990s, new sources of revenue emerged and old ones declined. The new sources form the basis of a model – replacing the previous SSSL model – based on four pillars: “Media-Corporations-Merchandising-Markets” (or MCMMG model, see Andreff and Staudohar, 2000).

¹ The Bosman case refers to the European Court of Justice having abolished not only the player reservation system and the payment of transfer fees for end-of-contract players but also the existing restrictions to the number of foreign European players that can be fielded (Késenne, 2000, 2007).
When looking at the 10 richest European football clubs in 2015-2016, it must be noted that gate receipts (matchday) are still an important source of revenue (between 13% and 29%; Deloitte, 2017). Nevertheless, it is clear that broadcast and commercial revenues are much larger and more and more globalized. As underlined by Andreff and Staudohar (2000), the elimination of restrictions on the player labor market following the Bosman case has accelerated this change. For example, it is worth mentioning that while there were only 11 players not from the United Kingdom (UK) and Ireland named in the starting line-ups for the first rounds of matches in the Premier League in 1992-1993 (Atkinson, 2002), there were about two thirds of foreign players in 2015-2016 (Poli, Ravenel & Besson, 2016).

3.2.2 Financial Fair Play

In September 2009, UEFA approved a Financial Fair Play (FFP) concept seeking to ensure the future well-being and health of professional football (Morrow, 2014) which follows the club licensing system (established from the season 2004-2005) with its manual published as early as March 2002 (UEFA, 2002). In its foreword, Lennart Johansson, then President of UEFA, wrote that “The experience of France, European and World Champion, has shown that it is possible to introduce, with success and on the long term, club licenses subject to various requirements.” (UEFA, 2002, p. 1). Indeed, it should be reminded that the French Football Federation (FFF) was the first football governing body to put in place, in 1990, a regulation system which seeks to prevent insolvency through its National Direction for Management Control (DNCG; Dermit-Richard, Scelles & Morrow, 2019). Then, the Bundesliga established its own clubs licensing system in 2001 with the foundation of the Deutsche Fußball Liga. Since 2010, UEFA has established its own financial regulation system, introducing FFP regulations for clubs qualified to participate in its European wide club competitions, i.e. the UEFA Europa League and the UEFA Champions League.
A number of recent publications have focused on UEFA’s FFP regulations. Some are concerned with the objectives of the system (Drut & Raballand, 2012; Durand & Dermit-Richard, 2013) and its legitimacy (Müller, Lammert & Hovemann, 2012; Budzinski, 2014) while others are concerned about whether FFP is in conflict with the rules of the European Union Treaty (Lindholm, 2010). There are also some studies on the anticipated effects of FFP. For example, Peeters and Szymanski (2014) use econometric modelling to establish the anticipated consequence of the implementation of the break-even requirement on club payrolls and other measures. They find that the break-even constraint could substantially reduce average payrolls and wage-to-turnover ratios, while strengthening the position of traditional top teams. Using a game theory approach, Preuss, Haugen and Schubert (2014) considered FFP effects that could be contrary to expected objectives. Franck (2014)’s and Franck and Lang (2014) focused on the opportunity to introduce hard budget constraints to promote or incentivize more responsible management of football clubs and reducing dependency of shareholders.

3.3 Between Sporting Tradition and Modern Economic and Financial Stakes

In the first half of the 2000s, Szymanski (2003a, p. 1181) wrote that “the European leagues have maintained a high degree of public interest and structural stability over the last half century”. This assertion is still true at the time of writing this chapter (second half of the 2010s). Indeed, European leagues remain generally faithful to their origins and their tradition, e.g. football leagues were still organized based on a regular season without playoffs. In French football, Scelles (2009, 2010) highlights that actors are not open to the introduction of playoffs, considering fairer from a sporting perspective that the most regular team becomes champion. However, some European football leagues have introduced playoffs since the beginning of the 21st century. For example, the Dutch league has operated with a playoff system from 2005-
2006 (even if its extent was reduced in 2008-2009, maybe a sign that Dutch actors were not fully convinced by this system), followed by the Belgian league from 2009-2010.

An even more remarkable counter-example of structural stability is the French rugby league, which seems paradoxical for a sport that uses its so-called ‘traditional’ values as a communication and marketing tool. Until 1991-1992, 80 (!) clubs belong to the first division (8 groups of 10 clubs each); in 1992-1993, this number was reduced to 32 (4 groups of 8 clubs each) and then 20 (2 groups of 10 clubs each) in 1995-1996. In 1998-1999, this number was again increased to 24 (3 groups of 8 clubs each), a ‘step back’ that can be interpreted as a way for Serge Blanco to satisfy as many clubs as possible and be elected as President of the new league created in 1998 (LNR, Ligue Nationale de Rugby) rather than a conviction that more clubs is better (Scelles, Durand, Ferrand & Mishra, 2014). Indeed, during his 10 years as the President of LNR, Serge Blanco reduced the number of clubs to 21 (2 groups) in 2000-2001 then 16 in 2001-2002 before reducing the number of groups to a single one in 2004-2005 then the number of clubs to 14 in 2005-2006 (Terrien, Scelles & Durand, 2015). This evolution in the league design is consistent with the growing importance of the economic and financial stakes in French club rugby.

4. Avenues for Future Research

The changes encountered by European leagues since the 1980s underline the growing importance of the economic and financial stakes. An expected consequence may be the search for the most appropriate league design from an economic perspective. Such a design seems to lie in a European Super League. As early as 1998, the Italian group Media Partners, presided by Rodolfo Hecht (a former collaborator for Fininvest, Silvio Berlusconi’s holding), attempted to create a European Super League in football (Moatti, 1998). As a consequence, UEFA changed the format of its Champions League by allowing more clubs from the richest countries.
and the strongest leagues to participate in order to convince them not to join the new leagues. Nevertheless, Hoehn and Szymanski (1999) argued in favor of the creation of a European Super League and against teams both in the Super League and in national leagues due to its negative consequence on competitive balance (CB). According to Szymanski (2003a, p. 1181): “If competitive balance really matters then we should expect the European system to collapse.”

As we get closer to the 2020s, a European Super League does still not exist in football. This could mean that CB does not really matter. A better concept may be competitive intensity (CI), which focuses on outcome uncertainty related to sporting prizes (Kringstad, 2005; Kringstad & Gerrard, 2005). Szymanski (2003a, p. 1181) opened the door to the consideration of prizes: “The role of prizes in providing incentives has been largely ignored in the team sports literature.” However, he had rather economic prizes in mind (Szymanski, 2003b). During recent years, a considerable number of articles were published that tested the relevance of sporting prizes in various settings and came to the conclusion that a European Super League makes sense from an economic (TV audience) perspective (Scelles, 2017) since TV viewers want to watch balanced strong teams, but less from a more social (stadium attendance) perspective (Scelles et al., 2016) given that all sporting prizes (including relegation) attract stadium attendees. Further research is needed to enlighten this debate about the economic vs. social perspective which may determine the future features of European leagues and whether they will maintain their historical structure.

Such research should focus not only on the main leagues that are usually studied but also smaller leagues that are often organized as quadruple round robin tournaments with teams playing each other four times (Pawlowski & Nalbantis, 2015). This should also include women’s leagues that have been largely ignored in the literature (Valenti, Scelles & Morrow, 2016).

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2018). Last, this should not only deal with football, the archetypal European team sport (Szymanski, 2003a). This chapter provides some elements about the French rugby league which is experiencing a growth crisis at the time of writing (Renvoi aux 22, 2017). This may indicate that the evolution of its features has gone too far from their origins, generating an unbalance. Before a swing of the pendulum? The ability of league organizers and club managers to find a balance between economic development and respect of history seems a promising avenue for future research.
References


