

## **Regulation: How to reconcile balanced sporting competition with fair economic competition?**

### **Definition**

The field of 'economic science' is not homogeneous and is based on four major paradigms that are radically opposed to each other: the followers of Adam Smith (foundations of liberalism); the followers of Karl Marx (class struggle is the driving force of history); the followers of John Maynard Keynes (the State must intervene to re-launch the economy); and the followers of Joseph Schumpeter (institutions and power struggles are at the heart of the functioning of modern economies). Beyond these doctrinal oppositions, it is possible to identify two main schools: on one side, mainstream economics, which claims the scientific nature of economics (microeconomic analysis, methodological individualism, market equilibrium, economic rationality, mathematical economics and pure economics); on the other side, heterodox economics, which goes back to the sources of political economy (macro-economical analysis, holism, institutional analysis, applied economics). The economics of sport has not escaped this division. In the orthodox approach, microeconomic studies are devoted to the analysis of the main sports markets: the labour market, the market for broadcasting rights, the market for sports broadcasts, and the market for live sports events. In the heterodox approach, macro-economic and institutionalist works analyse the economic impact of sport, sporting externalities, sport globalisation, labour market segmentation, regulation policies and the organisation of professional sport.

The choice between these two paradigms depends on one's confidence in the market's ability to regulate the economy. From a purely liberal point of view, it would be enough to let the market function freely, as it would be the best regulator of the economy, provided it is not itself regulated. The theory of regulation began with a critique of the claim that markets are self-regulating and automatically lead to the economic optimum. It is the questioning of a model of perfect rationality with individuals interacting in a market in pursuit of their own interests. Instead, the theory of regulation proposes to take into account the structures within which economic agents evolve and which influence their behaviour. The equilibrium of exchanges between rational agents in a competitive market would be ideological. Indeed, economic relations evolving in unequal and imperfect social structures are the result of permanent power relations that give birth to unstable and temporary compromises. The challenge of regulation theory is to know how to find a balance in fundamentally conflicting societies: how to regulate violence and

integrate individuals and social classes whose interests are radically opposed, into a single whole? How can this cohabitation be maintained over time while resisting exogenous shocks resulting from technical, demographic and ecological upheavals?

## **Great crisis**

According to the Annales school (Ecole des Annales) - the great inspiration of regulation theorists - the economic system can be broken down into three interdependent sub-systems defined by their periodicity and rate of evolution. A first subsystem includes phenomena that evolve continuously and according to an intelligible long-term trend, such as population, technology, and the size and location of production facilities. A second sub-system groups together the economic agents who create the economy in the short term and are distinguished essentially by their position and power: some own the means of production and make decisions, while others have only their physical being or 'arms' to survive by and carry out their work. The search for the maximum rate of profit is the driving force behind this sub-system, which is constantly being restructured as a result of competition between producers, capitals and territories.

These first two subsystems interact with each other and the competition of capital explains the long-term evolution of technology and the concentration of companies and their location. Conversely, to explain the return of these heavy trends to the economic system in the short term, we need to introduce a third sub-system made up of the institutions that regulate the economy: money, finance, competition, justice, police, etc. These institutions regulate the violence surrounding the sharing of added value in the short term, taking into account the very long-term economic structures.

Contradictions may arise: for reasons of inertia, the institutional system may be out of step with long-term trends. The regulation of the economic system in the short term is no longer possible and we enter a period of the "Great Crisis". This crisis lasts as long as it takes for the institutions to conform to the long-term context. The regulation of the economic system in the short term is again effective, until the next crisis. We are in such a situation at the moment with a regulation of our economies conceived within the framework of the Nation-States whereas the problems are global by nature. We will remain in crisis as long as there is no supranational regulation, the ecological crisis with global warming and the collapse of biodiversity is a good example. Such an approach can be applied to the understanding of the evolution of professional sport. We can identify stages in the development of capitalism and interpret the place of sport in this capitalist mode of production. In order to do this, four institutional forms can be considered: the wage relationship, the

modalities of competition, the nature of state intervention, and how national economies are integrated into the world economy.

## **Sports regulation**

- ***Wage relationship***

It is the set of legal and institutional conditions that govern the use of salaried labour as well as the reproduction of workers' living conditions. Many changes in this wage relationship have occurred since the end of the 19th-century which explain the evolution of professional sport: increase in the demand for sports entertainment due to the increase in leisure time and household purchasing power; creation of players' unions; recognition of players' rights; regulation of players' mobility (transfers, nationalities, age, etc.); evolution of the wage bill; protection of athletes' health, etc.

- ***Shape of competition***

The whole debate is around market structures between competition and monopoly. This debate was launched in the United States with anti-trust laws and their application or not to the monopolies of sporting leagues. The question has been revived in Europe and concerns the European Commission's competition policy as applied to sport in the following areas: broadcasting rights, television broadcasts, player transfers, sports betting, etc. The aim is to ensure that the Treaty is applied while taking into account the specific characteristics of sport.

- ***State intervention***

As a rule, professional sport is not affected by such intervention. Nevertheless, there are still some elements that raise controversies, such as the public financing of large stadiums or halls, and the participation of the State in the financing of the hosting of mega-sports events such as the Olympic Games, for example. Indeed, it is difficult to justify the State's intervention in a private sporting event.

- ***International insertion***

Professional sport has been impacted by the shift from highly regulatory nation-states to financial globalisation dominated by multinational firms. It is in such a context that the need to invent new instruments for regulating the labour market at a supranational level (player quotas, European tax harmonisation, transfer regulations, status of agents, etc.) is being discussed today. There is also the question of European financial regulation (financial fair play, club licences).

The interaction between these four institutional structures allows us to understand the emergence of provisional compromises to

manage the conflicts arising from the oppositions between the different actors of the sporting world: players, club owners, sponsors, media, etc.

In short, the regulation of professional sports markets aims to find a compromise between two requirements that may be in contradiction with each other: a balanced sporting competition that guarantees the uncertainty of the result, and fair economic competition where everyone receives a fair return for their contribution to the overall product. This consensus is achieved through collective bargaining. Indeed, it is recognised today that if the market is left to operate freely, it will be difficult to achieve a competitive balance. This is why instruments for regulating the labour and sports entertainment markets are proposed: limiting the mobility of players, capping the wage bill, pooling revenues, controlling sports agents and training players.

### **Further information:**

Jérémie BASTIEN, *le football professionnel européen dans un système capitaliste financiarisé en crise : une approche régulationniste des facteurs de changement institutionnel*, Thèse de sciences économiques, Université de Reims Champagne-Ardennes, 2017.

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Robert BOYER et Yves SAILLARD (Dir.), *Théorie de la régulation*, L'état des savoirs, La Découverte, Paris, 2002.

**Related articles:** sports agents, economics of crime, competitive balance, sporting exception, transfers.