

# An American Sports Lesson for Europe

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*Published: September 5, 2013*

If Real Madrid has in fact paid €100 million for midfielder Gareth Bale, as news reports have suggested, another record-breaking player transfer is on the books. That underscores that it's time for Europeans to learn a lesson about fairness and holding down the role of money in professional sports from, of all places, the United States.

Europeans usually view the United States as a winner-take-all society. But despite the big role money undoubtedly plays in American professional football, basketball, baseball and ice hockey, few teams dominate their leagues year after year the way European soccer teams do.

The problem is especially pronounced in Germany and Spain, in each of which two clubs run away with most of the titles. Between them, Bayern Munich and Borussia Dortmund have won 10 Bundesliga titles. In Spain, FC Barcelona and Real Madrid have won 11 La Liga titles, beginning with the 2000-2001 season. The situation is only slightly better in England, where three teams — Manchester United, Arsenal and Chelsea — have won 12 British Premier League and nine FA Cup titles in the same period.

What can be done so that the wheels of commerce do not further promote dominance and undermine fairness? Resolving this issue is not only of interest to millions of sports fans; it also intrigues me as a labor economist. And it requires a Europe-wide solution.

In principle, people should be free to contract for their services with whomever they want and at whatever price they agree on. But any society — and any profession — also benefits from fairness. At a minimum, that ensures true competition.

The U.S. approach can provide fresh impetus to the European debate on balancing these conflicting goals. Since the 2000-2001 season, nine different National Football League teams have won the Super Bowl in the United States; six different teams have won the National Basketball Association championship; and nine different teams have won the World Series of baseball.

The United States does have teams with global appeal, such as the New York Yankees or the Los Angeles Lakers, but these teams do not dominate their sports year after year. How do the Americans do it?

The key operating principle of U.S. professional team sports is positively “European” in nature. In all major leagues, a strong regulatory hand prevails. Its explicit purpose? To ensure fairness and competition.

The main tool is the salary cap. This requires each team not to exceed a certain total payroll. The mechanism does limit the richest teams’ ability to snap up all available talent by offering the highest salaries. The current N.B.A. champion, Miami Heat, for example, pays big salaries to its “Big Three”: LeBron James, Dwyane Wade and Chris Bosh. But the team has to fill the rest of its roster with lesser-paid players to stay under the salary cap.

The other key means of ensuring fair play in American football, basketball and baseball is the draft process. The weakest teams get to dip first into the pool of new players, enabling them to get the best talent from college teams.

But implementing any such measure in just one European country would put its teams at a competitive disadvantage in Europe-wide tournaments. If Germany, but not Spain, were to institute a wage cap, for example, Bayern Munich would likely lose to Barcelona or Real Madrid. So any salary cap or draft needs to be pan-European, and under the auspices of U.E.F.A., the Union of European Football Associations.

In the interest of fairness, the Bundesliga, La Liga and the Premier League should all steal a page from the American playbook. The British Premier League, long known for outlandish spending and the resulting financial losses of its clubs, has started the ball rolling in the right direction by instituting an annual loss limit and has begun to limit salary spending.

Unless we Europeans want to continue being beaten by the Americans on the issue of fairness, something we have always considered a core European value, then we should strongly embrace this example of combining market principles with basic principles of fairness and true competition.

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