

SPORT AS BUSINESS

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There is both a popular and academic literature suggesting that owners of sports teams do not profit maximize. The alternative formulation entails either win or utility maximization, usually subject to a break-even constraint. Another line of economic analysis holds that team owners do fundamentally profit maximize or that profit maximization provides a useful benchmark against which to assess actual performance. There has been some empirical work attempting to decipher the true objective function of team owners. These results are inconclusive. Objective functions, however, remain important because they affect both owner behaviour and league performance. In practice, owners' objectives vary by team, league, and country and are strongly affected by how the team relates to an owner's other assets. The next task for modelling the behaviour and performance of sports leagues is to take fuller account of the diversity of ownership objectives within a given league.

I. INTRODUCTION

Unlike businesses in other industries, professional sports teams in a given league both compete against and cooperate with each other. The success of a league is, to some extent, affected by the degree of uncertainty of outcome of its contests and its seasonal competitions, or, stated differently, by the degree of balance among its teams.

Professional sports leagues also differ from other industries in the degree of public exposure they garner. The daily game results are reported upon

extensively in the local print, audio, and video media, and discussed widely and passionately by millions of fans.

Do these unique features of sporting leagues lead team owners to behave differently from owners of other businesses? Pre-eminent sportswriter Leonard Koppett (1973, p. 11), writing in the *New York Times Magazine* 30 years ago, suggested that they do:

Club owners are not ordinary businessmen. To begin with, profit in itself is not the owner's primary motive. Any man with the resources to acquire a major league team can

¹ The author would like to thank Stefan Szymanski, Stefan Kesenne, Peter Sloane, Dan Rascher, and Roger Noll for comments on an earlier version of this paper.

find ways to make better dollar-for-dollar investments. His payoff is in terms of social prestige. . . . A man who runs a \$100m-a-year business is usually anonymous to the general public; a man who owns even a piece of a ball club that grosses \$5m a year is a celebrity. His picture and comments are repeatedly published in newspapers known in every corner of his community. . . . This does not mean, of course, that ball clubs don't seek profits . . . but the driving force is to be identified with a popular and successful team . . . and that motivation leads to important variations from 'normal' business behavior.

To be sure, many economists agree with this perspective. Peter Sloane, in his well-known piece on English football (soccer), writes:

It is quite apparent that directors and shareholders invest money in football clubs not because of expectations of pecuniary income but for psychological reasons as the urge for power, the desire for prestige, the propensity to group identification and the related feeling of group loyalty. (Sloane, 1971, p. 134)

He then goes on to quote a 1966 report on the English Football Association (FA) that found the objective of a club owner was 'to provide entertainment in the form of a football match. The objective is not to maximize profits, but to achieve playing success whilst remaining solvent.' Sloane suggests an owner-objective function with playing success, average attendance, health of the league, and minimum profits as its arguments.

At the time Sloane was writing, a large share of FA clubs carried payrolls that were above 80 per cent of team revenues and FA rules stipulated maximum dividend pay-outs to shareholders for the minority of teams that were publicly held.² Indeed, it became commonplace among economists to associate FA club ownership with utility—rather than profit—maximization. In a 1999 article, for instance, Stefan Kesenne and Claude Jeanrenaud state matter-of-factly: 'The most important difference between the USA and Europe is that American clubs are business-type companies seeking to make profits, whereas the only aim of most European clubs so far is to be successful on the field.' Kesenne and Jeanrenaud are joined in this view by a sizeable list

of others, including Neale (1964), Davenport (1969), Dabscheck (1975a,b), Brower (1977), Markham and Teplitz (1981), Daly and Moore (1981), and Cairns *et al.* (1986).

Of course, the presumption that club owners do not profit maximize is also found in the literature on US sporting leagues. For their book on the baseball business, Jesse Markham and Paul Teplitz (1981, p. 26) interviewed ten owners as well as various other club executives and concluded that owners 'were motivated to enter the baseball industry more out of reason of personal gratification, love of the game, devotion to professional sports generally, or out of civic pride than by the prospects of profits'. Markham and Teplitz claim that owners 'satisfice', that is, they seek 'good enough' performance—analogueous to utility maximization subject to a minimum profit constraint or, as the English football report put it, 'playing success whilst remaining solvent'.³

There is no dearth of newspaper articles or television shows where one can find pious ownership claims about their motives. Joe Maloof, owner of the National Basketball Association (NBA)'s Sacramento Kings, for instance, on 13 May 2003, appeared on Jim Rome's ESPN show and stated: 'We have one goal in mind and that's to win a title. We're not going to rest until we have that for the city of Sacramento and for our franchise. We've never had a title and that's what we need to get.'⁴

Another line of economic analysis of sports leagues holds either that team owners fundamentally maximize profit or that analysing leagues under the profit-maximization assumption provides a useful efficiency standard against which to assess actual performance. The literature here is also extensive, including Rottenberg (1956), Jones (1969), El Hodiri and Quirk (1971), Scully (1974, 1989), Schofield (1982), Ferguson *et al.* (1991), Fort and Quirk (1995), Vrooman (1995), and Fort (2002).

In his new book on Major League Baseball (MLB), Michael Lewis (2003, pp. 57–8) tells the tale of two different ownership approaches in Oakland, California.

² In their excellent overview of English soccer, Stefan Szymanski and Tim Kuypers (1999, p. 16) write that the FA first imposed dividend limitations in 1896. The first limit was 5 per cent of paid-in capital. It was raised to 7.5 per cent in 1920 and to 15 per cent in 1983, but most teams had ceased to pay dividends in the 1950s.

³ The most common formalization of this approach is to assume win maximization subject to a break-even constraint.

⁴ Quoted in the *Sports Business Daily*, 14 May 2003, p. 20.

Since the late 1970s the A's had been owned by Walter A. Haas, Jr, who was, by instinct, more of a philanthropist than a businessman. Haas viewed professional baseball ownership as a kind of public trust and spent money on it accordingly. Haas was willing to lose millions to field a competitive team that would do Oakland proud. . . . Deferring to success became an untenable strategy in 1995 when Walter Haas died. His estate sold the team to a pair of Bay Area real estate developers. Steve Schott and Ken Hofmann, who were, by instinct, more businessmen than philanthropists. Schott and Hofmann wanted [Sandy] Alderson to continue running the team but on a much tighter budget.⁵

Most economists do not accept at face value assertions from ownership to the effect that they are motivated strictly or mostly by civic pride or eleemosynary goals. Interviews and survey data that produce self-proclaimed, non-selfish motives can be found among executives in many industries.

Because of this distrust of the survey/interview methodology, some economists have attempted to seek empirical confirmation of ownership motivation. Noll (1974) finds that ticket prices are set where the price elasticity of demand is sufficiently close to unity, so that the hypothesis of profit maximization cannot be rejected. Demmert (1973), Scully (1989, p. 113), and Ferguson *et al.* (1991) reach a similar conclusion.⁶ Of course, it is possible that teams follow profit-maximizing behaviour with regard to ticket pricing, and utility-maximizing behaviour with regard to player salaries (by offering above competitive salaries). Furthermore, as Kesenne and Pauwels (2002) point out, profit and win maximizers are likely to follow identical pricing rules.⁷

Hunt and Lewis (1976) study the level of individual team dominance in MLB with respect to what level of dominance produces profit maximization and what level produces revenue maximization. They

find that the actual level of attained dominance is consistent with profit maximization but below the level that would yield revenue maximization.

Scully's findings (1974, 1989) that baseball teams pay players below their marginal revenue products are consistent with profit-maximizing behaviour, as is Zimbalist's (1992a) estimate—using a modified Scully methodology—that on balance players are roughly paid their marginal revenue products.

Szymanski and Hall (2003) analyse the performance of 16 FA clubs that went public since 1995 to see if their behaviour changed along with ownership. The hypothesis is that if clubs were utility maximizers when privately held, then when they went public there would be increased pressure for them to perform on the bottom line. They, however, found no significant evidence of modified performance. This finding is consistent either with the argument that FA clubs are still utility maximizers after going public or the argument that clubs were always profit maximizers.⁸

While some of the empirical results in the literature have been consistent with the hypothesis of profit maximization, the results have not been conclusive. Indeed, Fort and Quirk (2002) find that without holding revenue and labour demand functions constant, it is not possible to find a definitive test to discern whether owners in a league are profit or win maximizing. Still another hypothesis was suggested by author James Michener in his book *Sports in America* (1976, p. 441):

In the early years of every professional sport, the owners were men of great dedication and expertise. . . . Their type was soon superseded, however, by the business tycoon who made his fortune in trade, then dabbled in sports ownership both as a means of advertising his product and finding community approval. The beer barons—Jacob Ruppert with his New York Yankees and Augie Busch

⁵ While Walter Haas was more willing to spend money on player salaries than his successors, it would be premature to characterize his behaviour as win maximizing.

⁶ A difficulty with each of these studies is that they use average ticket prices. Another problem is that a profit-maximizing team owner, assuming a zero marginal cost, would set ticket prices not to maximize ticket revenue, but to maximize ticket plus net concessions/memorabilia/parking/signage/sponsorship revenue. This will lead to lower ticket prices than simply trying to maximize ticket revenue. Zimbalist (1992b, pp. 54, 237–8) attempts to adjust for these factors and also concludes that the evidence does not allow the rejection of the profit-maximization hypothesis. Kesenne and Pauwels (2002) develop this point.

⁷ This result may be altered if home-field advantage is partially based on attendance.

⁸ Szymanski and Kuypers (1999, p. 19) point out that when Manchester United went public in 1991, it organized a holding company that received most of the team's revenue. Among other things, the holding company was a way to avoid FA regulations over the appointment of directors and limitations on dividend pay-outs.

with his St Louis Cardinals—were prototypes; they became famous across America and the sales of their beer did not suffer in the process. It is interesting that when William Wrigley, the Chicago tycoon, wanted to buy into the National League, he was strongly opposed by Colonel Ruppert, who feared such ownership might be used to commercialize chewing gum.

Then came a third echelon of ownership, the corporate manager who bought a club not only to publicize his business enterprises but also to take advantage of a curious development in federal tax laws.

One could easily quibble with aspects of Michener's taxonomy. What are particularly interesting for our purposes, however, are the notions that: (a) ownership motives might change over time, particularly as franchise values skyrocket—it being one thing to treat a sports club as a plaything when it is purchased for \$1m, yet quite another when it is purchased for \$800m, and (b) within a given league, ownership motives may vary.

II. WHY DO OWNER OBJECTIVES MATTER?

The behaviour of clubs and the performance of sporting leagues may be affected by objectives of owners. If club owners are profit maximizers, then they would invest in team success up to the point where the expected marginal revenue from an additional win is equal to the marginal cost. In contrast, if owners are utility or win maximizers, then they may invest beyond this point.⁹ Thus, if some clubs in a league are utility maximizers and others are profit maximizers, it may provide an additional source of competitive imbalance.¹⁰ Of course, if it is the owners of small market teams that utility maximize (while the owners of large market teams profit maximize), then playing balance may be enhanced.

Rottenberg (1956) argued that a league with profit-maximizing owners will be more mindful of the need to maintain a certain level of balance and, hence, will be more restrained in labour-market spending.¹¹ In contrast, a league of individual utility maximizers will prioritize winning over league success and spend more aggressively on the players' market, even if it renders certain teams perennially dominant.

While this logic suggests that profit-maximizing behaviour will lead to greater competitive balance, El Hodiri and Quirk (1971) show that this generally will not be the case as long as market size and revenue potential remain disparate across the teams. Underscoring this point, a recent article by Burger and Walters (2003), using data from MLB during 1995–9 and respecifying the traditional revenue equation, find that profit-maximizing teams in the largest markets will value a player six times more than teams in the smallest markets, and that, within a given market, when a team is in contention, it can raise a player's value sixfold.

In theory, whether owners in a league are profit or utility maximizers may also affect the success of policies to promote competitive balance. If we assume that owners maximize winning and, therefore, they spend any available revenue on improving their team, then the collective selling of television or Internet rights or other revenue-sharing schemes will improve league balance (Cairns *et al.*, 1986; Kesenne, 1996).¹² This is so because collective selling will result in less money for rich teams and more money for poor teams, and, by assumption, this will yield greater equality in payroll spending across teams. Conversely, if we assume that owners maximize profits and that fan attendance depends only on the relative quality of the home team, proportional revenue sharing will not alter the relative marginal revenues from winning and, thus, will not alter the

⁹ This point is nicely explicated by Szymanski and Hall (2003). Depending on one's assumptions, if clubs are constrained win maximizers, they may evince the same labour-market behaviour as profit maximizers. If owners were unconstrained win maximizers, they presumably would invest in increments to player talent until the last player had zero productivity.

¹⁰ Fort and Quirk (2002), however, point out that, assuming concavity in teams' revenue functions, the level of competitive imbalance in a profit-maximizing or constrained win-maximizing league is indeterminate.

¹¹ Rottenberg (1956) also argued that diminishing returns to additional star players would support the appropriate level of competitive balance.

¹² Kesenne (1996) finds this to hold if the owner maximizes wins subject to a break-even financial constraint. Kesenne (2000) finds it to hold even without a break-even constraint. Still another possibility not considered in the literature is that owners will spend revenues from sources other than their sports franchises to improve team quality.

relative payrolls or talent distribution (although overall salaries would be reduced under most revenue-sharing schemes) (Fort and Quirk, 1995; Vrooman, 1995; Marburger, 1997).¹³

There is one potentially significant caveat to the last assertion. When teams sign a free agent, they do not know how the player will perform and what impact his performance will have on revenues. They can only estimate a player's marginal revenue product. Hiring players, then, comes along with risk. Teams with higher revenues may be less risk averse and more willing to be aggressive in the free-agent market. Revenue sharing, although it may not alter the expected relative marginal revenue product of a player, may change owner behaviour by providing poorer teams with a larger financial cushion and making them less risk averse. It may also increase the risk aversion among owners of high-revenue teams. Insofar as revenue sharing promotes either of these results, it may promote competitive balance.¹⁴

Although owners' objectives will affect behaviour and league success, existing literature does little more than suggest possible tendencies. Most observed behaviour is consistent with a variety of objective functions. In his 1971 piece on English football, Sloane observes that an owner's objective could be 'rationalised so that it is consistent with almost any type of behaviour and therefore tends to lack operational significance'. And Cairns *et al.* (1986, p. 10) conclude that 'there are great difficulties involved in distinguishing between the competing hypotheses'.¹⁵

To be sure, owners themselves seem to have difficulty distinguishing between different objectives. Listen, for instance, to Robert Kraft, owner of the National Football League (NFL)'s New England Patriots: 'And if you're passionate about winning and you help put an organization in place that can win, the business part will follow.' And listen to Robert Johnson, founder of the BET network and

owner of the expansion NBA in Charlotte: 'I'm first and foremost a business guy and I don't see a distinction between a winning team and profitable team.' Or to Mark Cuban, owner of the NBA's Dallas Mavericks, expressing a somewhat more enlightened view:

There's a misconception that people look at sports and say the real people who focus on the business side are just the ones that reduce costs, that the only way to really reflect running it as a business is to keep your player costs low, when the reality is if I increase my sales enough it doesn't matter what my costs are.¹⁶

The likelihood is that owner-objective functions are both more nuanced and more varied than is allowed in the literature attempting to model sports leagues. In the next section, I suggest a more complex view of what today's club owners seek to maximize.

III. WHAT DO OWNERS REALLY SEEK?

Owners, in fact, take their returns on sports franchises in a number of ways. As indicated above, one obvious aspect of their return is the fun, perquisites, power, and ego gratification they receive. Ownership, in part, is a consumption good. Thus, it would make sense to think of owners as maximizing their total (consumption and investment) return, not just their financial profit.

A significant part of the investment return is indirect. For instance, team ownership provides opportunities to develop new business relationships and to leverage political influence—potentially benefiting the owner's other investments as well as the sports team. Still another return in the United States is the significant tax advantage derived from the non-sensical ability to attribute roughly 50 per cent of franchise value to player contracts and then amortize this sum over 5 years.¹⁷

¹³ In contrast, if we assume profit maximization and that attendance is a function of the quality of both the home and visiting teams, then increased revenue sharing will equalize the distribution of talent (Marburger, 1997). Rascher (1997) posits an objective function with both profits and wins as arguments and shows that if clubs assign different weights to winning, revenue sharing will promote league balance.

¹⁴ To the extent that risk aversion differs between profit- and utility-maximizing owners, the relationship between payroll size and ownership objectives becomes still more complicated.

¹⁵ This conclusion is also reached by Fort and Quirk (2002) and by Kesenne and Pauwels (2002).

¹⁶ Quoted in the *Sports Business Daily*, 16 May 2003.

¹⁷ Apparently there is a move afoot within the Bush Administration's Internal Revenue Service to raise the presumptive share of franchise value attributable to player contracts from 50 to 60 per cent.

With few exceptions, franchise ownership also produces substantial capital gains. According to Fort's estimates (2002, p. 389), during the 1990s the average annual rates of franchise appreciation were 11.3 per cent in MLB, 17.7 per cent in the NBA, 10.7 per cent in the National Hockey League (NHL), and 12.7 per cent in the NFL. Moag (2002, p. 2), using a different methodology and, updating through mid-2002, estimated the annual rate of return to owning a baseball franchise to be 12.44 per cent from 1960 to 2002, which would put it well above the return to common stock ownership for the same period (6.91 per cent for the S&P 500 through 30 June 2002).¹⁸ According to Szymanski and Kuypers (1999, p. 19), an investor who paid 385 pence for a share of Manchester United stock in 1991 and sold the share in mid-1998 would have experienced a capital gain of £24.40 on the single share for an annual rate of return of above 30 per cent.

In each of these instances—consumption value, business connections, political ties, tax benefits, and capital gains—the investment return will not show up on the income statement and is long term in nature. Other than the tax shelter, each of these returns is enriched by having a winning team. This suggests that owners' objective functions may contain both wins and profits. It may also include accumulation of star players.

There is also a great many ways for an owner to take short-run and pecuniary returns.¹⁹ First, an owner can boost other companies in his or her portfolio through favoured contracting with the team. Many team owners today own entities (such as TV, cable, or radio stations, and facility management, concessions, or chartering companies) that do business with the team. When the owner does business with himself he can charge whatever prices he likes—it is money in one pocket or the other. This practice, known as a related-party transaction or

transfer pricing, can reduce reported franchise revenues substantially. Consider the example of MLB's Chicago Cubs.

According to 2001 figures that MLB Commissioner Bud Selig delivered to the US Congress, the Chicago White Sox's income from local TV, radio, and cable was \$30.1m, and that of the Chicago Cubs was \$23.6m. Yet, everyone knows that the Cubs are by far the more popular team in the Windy City, and TV ratings bear this out: in 2001 the Cubs' average ratings were 6.8 on over-the-air broadcasting and 3.8 on cable; the White Sox's were 3.6 and 1.9, respectively. And this does not take account of the fact that the Cubs games are shown on super-station WGN which reaches 55m-plus homes nationally.

So, how can we understand Selig's figures? The Cubs are owned by the Tribune Corporation, which also owns WGN. The Tribune Corporation, in effect, is transferring revenue away from the Cubs and lowering the costs of WGN. It does this by using related party transactions, which are entirely lawful and widely used in the sports industry and across business generally. According to *Broadcasting & Cable*, the industry's authoritative source, the estimated value of the Cubs' local media earnings in 2001 was \$59m. If the Cubs reported this figure instead of \$23.6m, then their reported \$1.8m loss would become a \$33.6m profit in 2001!²⁰

Why would the Cubs (and all other baseball teams) want to reduce their reported revenues? There are several possible reasons. First, since 1996, MLB has had a revenue-sharing system that levies a tax on a team's net local revenues. In 2001 this tax was at 20 per cent (in 2003 the effective marginal tax rate is close to 40 per cent) (Zimbalist, 2003, ch. 5). Thus, for every dollar in local revenue not reported in 2001, the team saved just under 20 cents.²¹ Since WGN pays no such tax to the broadcasting industry,

¹⁸ Using data through the early 1990s, Scully (1995, ch. 6, pp. 118–25) finds even higher annual rates of return on sports franchise ownership.

¹⁹ What follows in the text is not intended as an exhaustive list of the ways ownership can manipulate the results on an income statement. Another common practice is for an owner to lend money to a partnership and then have the partnership buy the team. The owner in this case receives his return via interest payments on his loan and these interest payments enter the income statement as costs, lowering team book profits. It is also common for the owner to receive financial returns by benefiting from salary, consulting fees, or perquisites, and by hiring family members.

²⁰ It is possible that this figure should be adjusted for the super-station payments that the Cubs make to MLB, which are probably in the order of \$15m annually. It is also possible, however, that the *Broadcasting & Cable* figure is conservative.

²¹ The reason the net tax was just under 20 cents was that the team gets back roughly one-thirtieth of every dollar it contributed.

it is preferable for the parent corporation, Tribune, to have the profits appear on WGN's books.

Second, baseball teams (and even the Cubs, who were seeking public permission to erect higher left-field stands in 2002) seek various kinds of public support for their facilities. They may believe that the more impecunious they appear, the more likely it is that such support will be forthcoming.

Third, every few years the owners negotiate with the players over a new collective-bargaining contract. The owners always seek new restrictions in the labour market to lower salaries. One of the justifications for these restrictions commonly is that the teams are losing money. Whether or not the Players Association is persuaded by such arguments, it appears to be permanently fixed as part of the owners' opening gambit.

Fourth, MLB is the only professional sport in the United States that has a presumed antitrust exemption. Periodically, MLB is called before Congress to justify this special treatment. One of the arguments that MLB has repeatedly trotted out—most recently by Selig before the US Congress in December 2001—is that the industry cannot possibly be abusing its market power because it is not profitable.

Fifth, ownership may believe that claims of poverty may help to justify higher ticket or concessions prices to the fans.

As in the example of the Chicago Cubs, many MLB teams and teams in other sports make extensive use of related party transactions. In each case, the team's true financial return is unlikely to be found on the bottom line. Hence, a cursory glance at a team's income statement is unlikely to reveal ownership motives.

More generally, it is common for owners to treat sports teams as part of their entire investment portfolio. Often, the team itself is not managed as a profit centre, but rather as a vehicle for promoting the owner's other investments.

Owners can take their investment returns in a number of ways. For instance, George Steinbrenner used his New York Yankees to create the YES regional sports network in the nation's largest media market. In 2001, YES had a market value upward of \$850m. Rupert Murdoch admitted that his purchase of the Dodgers paid off because it enabled him to prevent Disney from creating a regional sports network in southern California.²² In 1998, Disney had signed up its MLB Angels and NHL Mighty Ducks to a 10-year cable contract with Fox Sports Net West II for a seemingly well-under-market \$12m a year. It is not unlikely that Disney received other benefits from the News Corp. (such as carriage at an attractive price for Disney's many cable channels on the News Corp.'s worldwide satellite distribution systems).

Tom Hicks hopes to use his ownership of the Texas Rangers to develop some 270 acres of commercial and residential real estate around the ball park in Arlington and to grow his Southwest Sports Group, among other things. Dick Jacobs exploited his ownership of the Indians to promote the value of his downtown real estate. And so on. Once again, the team's income statement will not tell the whole story.

One important implication of the preceding discussion is that competitive balance may be more elusive to sporting leagues. Not only may different owner-objective functions and team-specific revenue potentials engender imbalance, but team synergies with related business interests may exacerbate inequalities. For instance, when Tom Hicks signed Alex Rodriguez to a 10-year deal for \$25.2m annually, he was thinking about the return A-Rod would bring to all of his businesses, not just to the Rangers. Thus, what might appear as utility-maximizing behaviour by an owner is really global (portfolio-wide) profit-maximizing behaviour.²³ Put differently, owners may find that the best way to profit maximize globally is to win maximize at the team level.²⁴

When owner investment in players yields returns to both the ball club and to other businesses of the owner, this may be a significant additional source of

²² Bill Shaikin, 'Fox Reaches Dodger Goals', *Los Angeles Times*, 13 December 2001, p. Sports-8.

²³ A similar imbalance may appear in European national football leagues as leading clubs sign players who produce returns not only in the national league but also in Europe-wide competitions, such as the Champions League.

²⁴ To the extent that this is true, of course, the win-maximization assumption would be appropriate for modelling ownership behaviour in a sports league.

league imbalance. Under such circumstances, leagues may be justified in imposing constraints on the legal form of ownership, such as proscribing corporate ownership.

In the United States, however, other than the general and welfare-diminishing prohibition on municipal ownership in all leagues, the NFL is the only league to limit systematically the ownership form. It does so by outlawing corporate ownership. There is an irony here, because the NFL, with its relatively hard salary cap and extensive revenue sharing, is probably the only US league that does not have to worry about competitive balance.

An alternative league strategy might be to require all teams to float 100 per cent of ownership on the stock

exchange. Such a policy might be the best guarantee that teams are run as stand-alone profit centres.²⁵

In sum, one obvious conclusion to draw from the foregoing discussion is that owners maximize global, long-term returns and that these are very different from a team's reported annual operating profits. While, at today's stratospheric franchise prices, it is problematic for most owners to be pure sportsmen—maximizing utility without a financial constraint—it is almost a certainty that different owners give different weights to the variety of arguments in their objective functions. The next task for modelling the behaviour and performance of sports leagues is to take fuller account of this probable diversity of ownership objectives within a given league.

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²⁵ Of course, in the English Premier League, where several teams are publicly held, the potential salutary competitive balance effect of this ownership form is largely undermined by the league's restrictive television policy (just over one-third of its games are telecast) and the fact that its strongest teams earn revenue from two leagues (the Champions' League or the UEFA Cup in addition to the national league). It is also possible that each investor/fan may be willing to lose money on the diminutive share of his or her wealth that is invested in the team in exchange for having a more successful team on the field.

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