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Neil Longley

# An Absence of Competition

The Sustained Competitive Advantage of  
the Monopoly Sports Leagues

 Springer

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The Sustained Competitive Advantage  
of the Monopoly Sports Leagues

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ISSN 2191-298X ISSN 2191-2998 (electronic)  
ISBN 978-1-4614-9484-3 ISBN 978-1-4614-9485-0 (eBook)  
DOI 10.1007/978-1-4614-9485-0  
Springer New York Heidelberg Dordrecht London

Library of Congress Control Number: 2013952953

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# Preface

As a child growing up during the 1970s, I was always somewhat fascinated by rival sports leagues. It was truly the golden era of rival leagues: the American Basketball Association (ABA), the World Hockey Association (WHA), and the World Football League (WFL) had all formed within a few years of each other. To me, the existence of these rival leagues was perfectly “normal,” in that I assumed that interleague competition in a sport was somehow the natural state, and that rival leagues would always be around to be, at the very least, an irritant to the established leagues. While I was too young at the time to appreciate the full history and significance of the American Football League 10 years earlier, the rival leagues of the 1970s were very real and present to me. There was a sense of newness and freshness, and even mystery, about these leagues that was somehow intriguing.

In many ways, these rival leagues were a contradiction. On one hand, they were to be admired: they were renegades, boldly and brashly challenging the old-guard, the establishment. They put franchises in unlikely locations, had radical innovations like a red-white-and-blue basketball, and were able to convince some of the best athletic talent of the time to spurn the established leagues and take a flier on an upstart, unproven, competitor league. At the same time, these rival leagues were often highly unstable, and frequently seemed to be in a state of disarray—owners changed rapidly, franchises sometimes relocated or folded in midseason with little or no warning; teams had players’ jerseys and equipment seized for not paying bills; games were played in venues that were often decrepit and dingy, and the list goes on. Rival leagues were often the subject of ridicule in an unconvinced sports media, who loved to point out the “bush league” events that often occurred in these upstart leagues.

To the average fan, probably the most visible impact of rival leagues was on the player front. In an era where the reserve clause reigned supreme, voluntary player mobility within the established leagues was almost unheard of—fans were accustomed to seeing most star players never leave their original teams. Suddenly, however, players like Bobby Hull, an NHL superstar at the time, and a player I had

grown-up watching, had left his long-time team, the Chicago Black Hawks, and signed a contract with a brand new team in a brand new league, and in a city (Winnipeg) that few American fans had probably ever heard of before. Football was no different—the Miami Dolphins won the 1974 Super Bowl, only to have three of the team’s biggest stars announce 2 months later that they would be joining the upstart WFL. At the time, I had difficulty in fully appreciating the exact reasons for all of this—I knew it had something to do with money, but my analysis at that age did not delve much deeper.

Years later, and now as an economist, the issue of rival leagues has continued to intrigue me. I would ultimately come to realize that this period of intense inter-league competition of the 1970s was more the exception, rather than the norm. All of the rival leagues of that era eventually disappeared—they either folded, or merged with the established league—and, for the past 30 years, the professional sport industry returned to what is apparently its “natural” state, that being monopoly.

To economists, who generally see competitive markets as providing many social benefits, this monopoly structure in sport has always been viewed with concern. However, my goal in this book is not to delineate the various redistributive and efficiency impacts of the sport monopolies—this has been done elsewhere by many other economists, and there is now a wealth of literature examining these issues, across a wide range of specific topic areas. Instead, my goal is to gain further insight into the specific nature of the *competition* itself that occurred between the established leagues and the various rivals that challenged them. This approach is based on the premise that market structures are evolutionary, and that the monopoly positions of each of the four leagues today cannot be explained in an insular, static, manner, but are instead the aggregation of many dynamic processes that have occurred over several decades. The research method used in this book first involves clearly delineating the assets/resources that established leagues have tended to possess, and then to determine what rival leagues of the past did to attack these advantages. This type of investigative approach is based on the premise that, by studying these periods of interleague competition of the past, one can gain critical insights into whether the monopoly leagues of today can ever realistically be challenged again in the future. Thus, while the subject matter of this book is largely historical, the implications of the book are intended to be very much forward-looking.

There is actually a dearth of literature examining rival leagues in the sports economics field. In fact, Quirk and Fort’s 1992 book *Pay Dirt* is one of the very few pieces that ever give rival leagues more than a passing mention. This lack of serious analysis is curious, particularly given the historical importance of rival leagues. Quirk and Fort note that almost half of the 103 major professional sport franchises that existed at the time of their writing owed their existence to rival leagues.

In some ways, this book extends the work of Quirk and Fort but more heavily concentrates on specifying the exact nature of the market dynamics that existed in every instance where an established league was challenged by a rival. It takes a multidisciplinary approach to the analysis—supplementing a standard economics approach, where the explanations tend to focus on market structure issues, with concepts borrowed from the strategic management literature. The latter perspective

enables one to more closely discern the extent to which managerial decision making may have played in the success or failure of past rival leagues, and, as importantly, to discern what types of managerial challenges would face any rival leagues that may emerge in the future.

At the same time, the book is not intended to be an exhaustive analysis of every aspect of rival leagues. Studying rival leagues is really a means to an end. The ultimate objective of the book is to gain greater insight into the nature of competition and competitive advantage within the closed-league structure of North American professional sports.

The book is written so as to be of interest to a wide audience, but will be of particular interest to those with backgrounds in economics or strategic management. Some base-level knowledge of these disciplines is presumed, but those without such backgrounds should still find the essence of the material readily accessible.

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# Acknowledgements

As always, a project of this nature is possible only with the assistance and support of many individuals.

Most importantly, I wish to thank my wife, Susan Griffin. She has always been unfailingly supportive of my career and has made many sacrifices for me throughout the years. Without her, this book would not have been possible. To Susan, I owe a tremendous amount.

On the professional side, I have been positively influenced over the years by many colleagues in sports economics, both in North America and in Europe. Rod Fort, my Ph.D. dissertation supervisor at Washington State University, was a strong early influence, and through his guidance I was able to grow and refine my interests in the discipline. I also owe an intellectual debt to Rod's 1992 classic book *Pay Dirt*, coauthored with Jim Quirk; the book provides one of the very few serious scholarly analyses of rival leagues, and its intellectual ideas and exhaustive data set were of tremendous value to me in writing this book. Particular thanks are also due to the many sports economists with whom I have coauthored papers—people like Leo Kahane, Rob Simmons, Pamela Wicker, Christoph Breuer, Kevin Mongeon, and Stefan Szymanski—all of whom have been important sources of intellectual engagement and support. Thanks also to the many participants over the years in the sports economics sessions at the annual Western Economic Association meetings and to the participants at the annual European Conference in Sport Economics. These conferences have always been enjoyable and enlightening.

My colleagues in the Isenberg School of Management at the University of Massachusetts, Amherst, provided a supportive environment in which to conduct the research for this book, and I thank them for that. A debt of gratitude is also due to my editor at Springer, Jon Gurstelle, who first approached me about the possibility of writing this book and who has been extremely supportive throughout the process. Thanks also go to Dennis Coates, the editor for the series *Sports Economics, Management and Policy*; Dennis provided many helpful comments on earlier drafts of this book. I also wish to thank Susan Westendorf at Springer for all her work on the production side of the book.



# Contents

<b>1</b>	<b>Introduction</b> .....	1
<b>2</b>	<b>Some Conceptual Foundations: A Primer on the Economic Structure of Professional Sport</b> .....	9
2.1	Sports Leagues as Monopolies.....	9
2.2	The Core Foundations of the Spectator Sport Business.....	10
2.3	The Appropriate Unit of Analysis: Leagues or Teams?.....	13
2.4	Defining Competition.....	16
2.5	The Current State of the Monopoly Leagues: Structure, Conduct, and Policies .....	17
<b>3</b>	<b>The USFL as a Case Study</b> .....	23
3.1	The USFL as a Microcosm of Issues Facing Rival Leagues .....	23
3.2	Foundations.....	25
3.3	1983: The First Season.....	29
3.4	1984: The Second Season .....	31
3.5	1985: The Final Season.....	35
3.6	A Synopsis .....	39
<b>4</b>	<b>A Brief History of Post-World War II Rival Leagues</b> .....	41
4.1	Emerging from the War: The Late 1940s.....	42
4.2	The 1950s.....	44
4.3	The 1960s.....	47
4.4	The 1970s.....	52
4.5	The 1980s.....	55
<b>5</b>	<b>Explaining Competitiveness: Alternate Theoretical Frameworks</b> .....	57
5.1	A Standard Economics Approach.....	57
5.2	A Public Choice Approach .....	58
5.3	A Strategic Management Approach: The Resource-Based View .....	59

- 6 Property-Based Resources: Franchise Locations, Stadiums, and Players** ..... 65
  - 6.1 Production Function of Sports Leagues ..... 65
  - 6.2 Franchise Locations ..... 66
    - 6.2.1 Conceptual Foundations..... 66
    - 6.2.2 Empirical Evidence ..... 67
    - 6.2.3 Franchise Instability: Relocations and Foldings ..... 75
  - 6.3 Venues: Stadiums and Arenas ..... 79
    - 6.3.1 Conceptual Foundations..... 79
    - 6.3.2 Empirical Evidence ..... 81
  - 6.4 Playing Talent ..... 88
- 7 Knowledge-Based Resources: Managerial Competencies**..... 95
  - 7.1 Conceptual Issues..... 95
  - 7.2 Empirical Evidence ..... 98
- 8 The Way Ahead: The Prospects for the Reemergence of Rival Leagues** ..... 105
- References**..... 115
- Index**..... 117