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DISCUSSION PAPER SERIES

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ABSTRACT

Why Is Competition in the European Football Market Failing, and What Should Be Done About It?

The European football (soccer) market increasingly funnels rents to superstar players and intermediaries while weakening competitive balance. We trace this dynamic to two forces: (a) technological innovation that globalized broadcasting and magnified superstar returns, and (b) legal rulings boosting player mobility and causing bidding wars. The 2024 Diarra ruling by the Court of Justice of the European Union further loosens transfer constraints and will likely intensify talent concentration at “superclubs”. The result is soaring salaries and transfer fees, persistent financial fragility among non-elite clubs, and growing predictability of match outcomes. We evaluate reform options that preserve Europe’s open-league tradition yet borrow from North American competitive-balance tools: greater revenue sharing, hard/soft salary caps, and draft-like mechanisms. These should be complemented by a “cartel tax” to fund youth sport, and club-governance codes plus credible financial-sustainability rules.

JEL Classification: D33, D43, D63, J44, L50, L83, Z28

Keywords: Bosman ruling, competitive balance, Diarra ruling, market integration, sports industry, talent development

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1. INTRODUCTION

On Deadline Day, 1 September 2025, Alexander Isak left Newcastle for Liverpool for a record fee of £130 million despite having a contract that did not expire until the summer of 2028 after refusing to play and train with his club, effectively forcing the move.

Compare this to the 1969 transfer record of £165 000 when Alan Clarke joined Leeds United from Leicester City. In today's money that corresponds to £4.1 million. A hefty sum no doubt, but in current pounds Isak's transfer fee is 31 times larger than Clarke's.

The salaries of the superstar players have risen even more sharply. Bobby Charlton was arguably England's and Manchester United's greatest star in the 1960s. In 1968, the year United won the European Cup, Charlton had an annual salary of £11,716, which corresponds to £307 000 in today's money.[1] Today's most highly paid player in the Premier League: Manchester City's Norwegian striker Erling Haaland has an annual salary of £27.3 million. Thus, Haaland's annual salary is 88 times greater than Charlton's.

If we instead translate their respective salaries to salaries of industrial workers at the time, Charlton's salary corresponded to 10.1 annual salaries for a British manufacturing worker in that year,[2] while Haaland's salary corresponds to 736 British manufacturing workers' annual salaries.[3] Calculated in this way, Haaland's salary is 73 times higher than Charlton's 1968 salary. The first purpose of this article is to discuss how the salaries can be so exceptionally high for a few footballers in Europe such as Haaland and Mbappé,[4] and why transfer fees for superstar players can be so high.

The quality differences in players, managers and facilities quality between clubs and national leagues have increased.[5] This means higher predictability in match outcomes, which is technically referred to as a decrease in "competitive balance". Fewer matches will then be exciting, and fewer clubs will emerge as title contenders or climb into higher divisions over time. Our second purpose is to discuss potential measures to improve the competitive balance.

To this end we make use of the talent development football team oligopoly competition model developed by Norbäck, Olsson and Persson (2021), which enables us to undertake a systematic investigation of how changes in the legal system and technological change may affect the wage distribution and competitive balance in the European football market. The

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[1] https://www.flickr.com/photos/63580000@N04/50901148892.

[2] In 1968, the average weekly wage for adult male manual workers in the UK was around £22 5s. This translates to £1,158 per year (https://hansard.parliament.uk/Commons/1968-12-09/debates/494e43f2-2306-4443-9072-cacea267feaa/Wages(Scotland).

[3] The median annual salary for British manufacturing workers was £37,071 (https://www.statista.com/statistics/1490670/uk-manufacturing-salary/#:~:text=Average%20annual%20earnings%20for%20full,in%20manufacturing%20UK%202008%20%2D2024&text=The%20median%20annual%20earnings%20for,pounds%20in%20the%20previous%20year).

[4] Mbappé also earns around £27 million a year at Real Madrid. This is just direct compensation received from the players' clubs. In addition, they have lucrative sponsor contracts that may amount to more than the salaries from their clubs.

[5] It is hard to believe that a Scottish or Romanian team could win the Champions League today as Celtic and Steaua București did in 1967 and 1986, respectively (then the European Cup).

model has three key features. First, traditionally strong clubs in large countries (incumbents) have an advantage in the form of club-specific assets (players and fans). Second, smaller clubs, so-called nursery clubs, can develop young players. Third, the details of the legal system affect the transfer market of the players. We will use this analytical framework to identify potential market and regulatory failures and as the basis for our proposed policy measures.

2. DISPROPORTIONATE REWARDS

A first fundamental issue in European football, illustrated in the introduction, is that owners, superstar players, and coaches at major clubs—and their intermediaries—have benefited through very high and sharply increased compensation. In contrast, smaller clubs incur losses. Moreover, fans spend an increasing share of their income on tickets and TV subscriptions.[6]

The salary growth of superstar players has been extraordinary. But why have these salaries risen so dramatically? One explanation is the development of broadcasting and communication technologies. Another factor is the Bosman ruling of 1995, which has profoundly impacted player mobility and contract structures. In the following sections, we will examine these two explanations in detail and discuss the implications of a more recent policy change: the 2024 Diarra ruling.

2.1 Broadcasting and fan base globalization

Rosen (1981) showed that in fields with scalable outputs and a strong consumer preference for the very best, small differences in talent lead to large income differences. As communication technologies have improved, superstar effects have intensified as the best talents can reach even larger audiences at lower costs. European football fits well into the conditions Rosen describes (Meier, 2024). Top players in big clubs reach enormous, global audiences, fans prefer high-performance and/or charismatic players over merely "good" ones, clubs that can attract and afford superstars accumulate advantages, and football is a zero-sum game.[7]

The analysis by Norbäck et al. (2021) suggests that the superstar effect may be particularly pronounced in football compared to other European team sports, due to strong network effects in supporter demand and the incentives to preempt rival clubs from acquiring superstar players. The enjoyment of football supporters increases with the size of their club's fanbase, creating network effects. This effect has been amplified by the global broadcasting of football. In turn, this dynamic drives up superstar player salaries both by increasing their value to the club and by motivating clubs to prevent rivals from signing them. Put differently, the difference in value (demand) between having and not having superstar players on the team

[6] In many markets, innovations that improve quality substantially increase welfare, e.g., improved drug effectiveness in pharmaceutical markets or enhanced computational capacity in the computer industry. In contrast, increases in absolute player quality are of less importance for welfare in sports markets, since competitive balance is the main component that creates value for consumers. Thus, improving rewards and incentives for superstars is less important in the football industry than in many other industries.

[7] As pointed out by one of the anonymous reviewers there may also be an additional effect pushing in the same direction. Strong players may have a preference to both play with other high-quality players and to be in teams which have a better chance of winning a trophy. This would then be an example of preferential attachment in a supply context (Simon, 1955; Barabasi & Albert, 1999).

has increased and due to bidding competition among clubs over superstars, superstar players' salaries increase more than salaries for average players. Thus, a key explanation for the sharp rise in superstar salaries in football is that technological change has significantly boosted global demand for watching superstar clubs with superstar players.[8]

2.2 The Bosman ruling

A second factor behind the increase in superstar salaries is the Bosman case, in which the European Court of Justice ruled that European football leagues are obliged to comply with the same labor law regulations as the rest of the labor market.[9] The transfer system in force in football in the EU until then—which involved restrictions on the free movement of workers/players between EU member states—was also deemed incompatible with EC law.

The ruling also fundamentally changed the transfer fee system by allowing players to change clubs when their contracts expired without the old club receiving any financial compensation. This means that clubs must sell players before their contracts expire or offer such favorable terms that the player chooses to sign a new contract with the club, otherwise the player can pocket the entire transfer fee. As a result of the legal regime established by the Bosman ruling, players who show significant performance improvements are more likely to pursue a move to a higher-tier club upon the expiration of their contracts. Nowadays, it is therefore increasingly unusual for major players to remain loyal to their club throughout their career, like Francesco Totti at Roma and Bobby Charlton at Manchester United.[10]

The Bosman ruling also prohibited national restrictions on the number of players from other EU countries a club could have on its squad. Previously, clubs were subject to the "three plus two rule" in international matches. This allowed a maximum of three foreign players on the squad plus two additional foreign players if they came from the club's own academy. The result was a huge influx of foreign EU players into the top European leagues and their top clubs.

The analysis by Norbäck et al. (2021) shows that the Bosman ruling likely accelerated the growth of superstar player salaries. By lifting restrictions on the use of foreign players, the ruling enabled leading clubs to bid more aggressively to secure star players for their squads while simultaneously preventing rivals from adding these players to their teams. As argued above, such bidding competition over superstars increased their salaries relative to those of average players.

The overall effect of the ruling is that disparities have increased between clubs both within the various leagues and between the leagues in the leading countries and the rest. The differences

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[8] This does not mean that a player's salary is determined solely by his influence on match outcomes. For example, Lucifora and Simmons (2003) show that salary differences are not driven only by players' impact on the likelihood of winning, while Frank and Nüesch (2012) demonstrate that popularity among supporters is also an important determinant of player salaries.

[9] *Union Royale Belge des Sociétés de Football Association ASBL v Jean-Marc Bosman* (1995) C-415/93. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:61993CJ0415 (accessed 1 December 2025).

[10] This is not quite true for Bobby Charlton. Immediately after finishing his career as a player in United, he became the manager of Preston North End. The second season (1974–75) with Preston he changed to player-manager and played 38 games with the team. In the subsequent five years he also played a total of eight games with four different non-English clubs.

between the (successful) richest clubs in the leading countries and the others are further fueled by the fact that the huge revenues from broadcasting rights both nationally and internationally are distributed according to how successful the clubs are. In particular, there will be exceptionally large differences in compensation depending on whether a club manages to qualify for the major European Cups and then does well there. In 2025–26, the compensation just for qualifying to participate in the Conference League, the least prestigious of the three European Cups, was €3.17 million. The club that qualified for the Champions League was guaranteed a compensation of €17.87 million. These are very large sums for clubs in the minor national leagues, which alone can create major differences in economic conditions for the club that barely manage to get into Europe compared to those who just fell short.

All these factors combine to produce the outcome that players who are perceived to be crucial for a club to win championships and tournaments receive extremely high compensation. A 2024 ruling by the Court of Justice of the European Union is likely to amplify current trends.

2.3 The Diarra ruling

A recent ruling by the Court of Justice of the European Union (CJEU), concerning the French football player Lassana Diarra, is likely to increase superstar salaries even further.[11] According to several scholars (James, 2024; Szymanski, 2024), the CJEU has mandated what could amount to significant changes to the football transfer system—perhaps even a completely new one—and has initiated a rebalancing of the relationship between International Sports Federations (ISFs) and the athletes they seek to govern.

The impact on FIFA's Regulations on the Status and Transfer of Players of the decision in the Diarra case is twofold:

1. FIFA can no longer refuse to issue an International Transfer Certificate simply because a dispute between the player and his or her previous club is not yet resolved.
2. A player's prospective new club cannot automatically be presumed to have induced a breach of the player's contract, nor can it be held jointly and severally liable for any damages owed by the player to their former employer.

According to James (2024), the CJEU's ruling necessitates what could be substantial reforms to the transfer system, possibly even a complete overhaul, thereby recalibrating the power dynamics between ISFs and athletes. Szymanski (2024) concludes that

> this judgment substantially increases the freedom of movement of professional footballers. With more than 130,000 professionals worldwide, the greatest benefit will accrue to the majority who

[11] Fédération Internationale de Football Association (FIFA) v BZ (Case C-650/22, known as Diarra) on October 4, 2024 (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:62022CJ0650 (accessed 1 December 2025). https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:62022CJ0650 (accessed 1 December 2025). The Diarra judgment (C-650/22) is a ruling by the Court of Justice of the European Union (CJEU). The Court considered whether key aspects of the FIFA transfer system for football players are consistent with EU law, and more specifically, with its provisions on the free movement of football players and competition law. The Court found that the FIFA transfer system infringes on both sets of rules. The Court addressed the rights of a player (Lassana Diarra) who had terminated his contract with Lokomotiv Moscow when seeking a transfer abroad. He had been sanctioned by the competent FIFA body, the DRC (Dispute Resolution Chamber), and this decision was confirmed by a CAS (Court of Arbitration for Sport) panel. Diarra then filed a complaint before a Belgian civil court, and his dispute eventually reached the CJEU in Luxembourg.

are paid modest wages and have hitherto been tied to their club, even when a transfer fee was not at issue. Footballers are finally moving beyond the 1900s.

However, the CJEU's decision in the Diarra case might exacerbate the existing problem with extremely high salaries for superstars in the European football system. According to the Norbäck et al. (2021) analysis, superstar players have strong incentives to leave their current club once they have demonstrated sufficiently high skill; specifically, when the value of their services to another club exceeds their value to the present club, and the cost of breaking the contract is not prohibitively high. This effect may be particularly pronounced for late bloomers, those whose talents fully emerge around the age of 25 or 26, who will now be less likely to be locked into long-term, low-paying contracts, thereby enhancing their mobility and earning potential.

3. A DECLINING COMPETITIVE BALANCE

Football is the largest sport in virtually all European countries. There are hierarchically organized national league systems in all countries, and clubs are promoted and relegated between divisions. There are almost 1,200 professional clubs in Europe, but if one includes all amateur clubs the extent of European football is striking. In Sweden alone there are roughly 3,000 clubs, and most clubs have several teams based on age and gender. Football is also the largest and most popular sport on every other continent except North America.

From this vast ecosystem, comprising tens of thousands of clubs across 55 countries, only a limited number of stars and elite clubs ultimately rise to compete for the highest honors. Sustaining this enormous machinery depends on continued interest from audiences and sponsors at every level: local, regional, national, and global. At the core of this sustainability lies the need to preserve a satisfactory competitive balance throughout the entire ecosystem.

A satisfactory competitive balance (a high level of unpredictability of match outcomes) creates exciting matches and allows both different clubs to emerge as title contenders and new clubs to advance into higher divisions over time. However, the competitive balance in European football has declined in recent decades (Groot, 2008; Rohde & Breuer, 2016; Ramchandani et al., 2018; Plumley et al., 2018; Scelles et al., 2020; Binder & Findlay, 2012; Norbäck et al., 2021). Indeed, in the 25 seasons from 1946 to 1971, 48 different clubs won a national title in one of the Big Five football countries (England, Italy, Spain, Germany, and France). In the 25 seasons from 1997 to 2022, only 31 different clubs did so (van der Burg, 2023). The reader is also referred to section 4.4 where we compare the Premier League and Champion League to the three leading North American Leagues in terms of the share of top-4 positions attained by the five and ten most successful clubs since 2000.

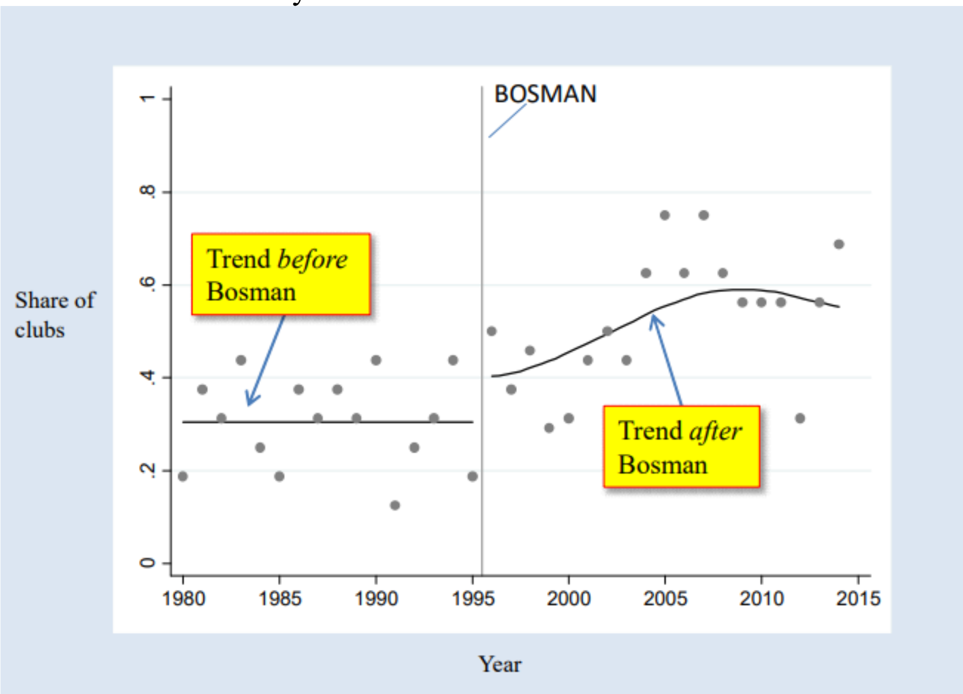
But why has the competitive balance of European football deteriorated and why is this trend likely to continue despite not being in the interest of the football industry as a whole?[12]

Using a difference-in-differences analysis, illustrated in Figure 1, Norbäck et al. (2021) demonstrate that the Bosman ruling allowed Europe's largest clubs to reinforce their dominant

[12] It might be argued that this is not a problem, since the willingness to pay for watching European football has increased substantially after the Bosman ruling. This could be explained by the fact that supporters in different European countries often have both one national team and one foreign "super team" as their favorites. However, we would argue that with a better competitive balance, the willingness to pay for watching European football would be even higher.

positions through increased player acquisitions. As a result, the range of clubs reaching the Champions League quarterfinals has narrowed. In effect, the ruling has reduced overall competition in the European football market.

Figure 1 Share of clubs that reached the round of 16 in the Champions League in two consecutive years.



Source: Norbäck et al. (2021).

Moreover, the Court's decision in the Diarra case might further undermine the competitive balance. The new ruling increases the incentive for players whose skills develop beyond expectations to leave their current clubs for a club with a greater willingness to pay for their services. Under this new framework, superclubs are likely to acquire superstar players at an even faster pace, particularly late bloomers who will now be less likely to be locked into long-term, low-paying contracts.[13] This shift risks accelerating the concentration of talent among a small group of wealthy clubs, thereby deepening the competitive disparities within the European football system.[14]

4. IMPROVING SOCIAL WELFARE IN THE EUROPEAN FOOTBALL MARKET

Our point of departure for the discussion of social welfare effects in the European football market is that a welfare measure should consider the effects on all key actors: players, clubs, and supporters.

[13] A recent example is Victor Gyökeres whose goal scoring ability exploded in the Portuguese team Sporting CP at age 26. His contract with Sporting lasted until the summer of 2028. But like Isak he forced a deal by refusing to play and train with his club, thus managing to obtain a transfer to Arsenal for €63.5 million plus €10 million in add-ons. It may very well be the case that the Diarra ruling made Gyökeres more prone to embark on this gamble.

[14] Clubs will likely rethink contract design to try to ameliorate the effects: buy-out clauses, liquidated-damages formulas, retention/loyalty bonuses, and shorter deals to manage exit risk and price "expected damages" up front. This will not eliminate our proposed effect but likely mitigate it.

4.1 The three components of social welfare in the football market

Players typically seek to maximize a combination of wages and lifetime career earnings, playing time, skill development, prestige (e.g., participation in the Champions League or national teams), and geographical and other private preferences. Player welfare therefore comprises both monetary compensation and non-monetary aspects.

Football clubs do not necessarily maximize profits in the standard economic sense. Instead, many clubs pursue a broader notion of utility that incorporates sporting success, owner and community identity, status, and long-term financial sustainability. A club's welfare can therefore be understood as a composite of financial returns and sporting utility.

Supporters, in turn, value football not only as a consumption good but also as a source of identity, emotional wellspring, and social belonging. Their utility derives from the quality of play, the level of excitement, outcome uncertainty, local identity and tradition, social interaction, and the degree to which competition is perceived as fair. Both match-level and league-wide competitive balance is central to supporter welfare. Supporter welfare can thus be viewed as a combination of consumer surplus, the benefits generated by competitive balance, and a range of positive externalities associated with community, culture, and shared experiences.[15]

The importance of competitive balance to supporters is well established in the literature, but there is less consensus on whether existing levels are too low or too high. The hypothesis that greater outcome uncertainty enhances the attractiveness of team sports—and thereby increases demand—has generated a substantial empirical literature. Most studies test this "uncertainty-of-outcome" hypothesis using revealed-preference approaches, typically with historical attendance or television viewership as the dependent variable.

van der Burg (2014) synthesizes findings from four major surveys of European football and other team sports: Szymanski (2003), Borland and MacDonald (2003), Downward et al. (2009), and Dobson and Goddard (2011). Across 22 empirical cases, he reports that ten clearly support the hypothesis, seven provide weak support, and five contradict it. Borland and MacDonald (2003, p. 486), reviewing a broader body of work, similarly find only weak and inconsistent effects of match-level uncertainty on attendance, but substantially stronger evidence that season-level uncertainty boosts demand. They also emphasize that relatively few studies address long-run competitive uncertainty; while earlier contributions often found no effect, more recent studies indicate a positive relationship. Downward et al. (2009) and Dobson and Goddard (2011) likewise characterize the overall evidence as mixed.

Interestingly, empirical support for season-level uncertainty is substantially stronger than for match-level uncertainty, both in earlier and more recent research. Eleven out of 13 contemporary studies find that uncertainty over end-of-season prizes positively affects demand, either across all prizes examined or for specific categories. The two remaining

[15] In some countries, there are also conflicts of objectives between committed fans who want to influence how their club is run and the club owners. In England, a fan-led Review of Football Governance called for major changes in the way English football is run, including the government imposing an independent regulator. In July 2025, the UK government passed the Football Governance Act 2025 to establish an Independent Football Regulator (IFR) for English football. However, as Shackleton and Hewson (2022) point out, rather than protecting the equity stake and preferences of fans in the face of the commercial interests of private ownership, this may risk driving investment out of the game. In our analysis we abstract from fans' preference over how clubs are run but focus on the effects on the consumer surplus.

studies report no positive effect, a result that plausibly reflects limitations in how uncertainty was operationalized. With these exceptions, the literature consistently indicates that uncertainty in both the title race and the competition for Champions League qualification increases demand (van der Burg, 2023).

Taken together, overall welfare in the football market can be viewed as comprising three main elements:

(i) clubs' profits combined with their sporting utility;
(ii) players' wages together with career-related utility; and
(iii) supporters' consumer surplus, competitive balance, and the identity-related utility generated by fandom.

The starting point for our policy analysis is therefore to identify the market failures and regulatory failures that may reduce social welfare in the European football market, and, on that basis, to propose reforms that could mitigate these inefficiencies.

4.2 Market failures

When certain conditions are not met, market outcomes can diverge substantially from Pareto efficiency. Such deviations create scope for policy interventions aimed at improving overall resource allocation. In our analysis of the European football market, we focus on four key sources of inefficiency.

Externalities. Clubs do not always internalize the full effects of their actions on other participants. A prominent negative externality arises when top clubs acquire a disproportionate share of elite talent, thereby worsening the competitive balance and reducing outcome uncertainty and excitement. Positive externalities also exist. For example, clubs that invest in the development of young players do not capture the full social value created when larger clubs later acquire these players at prices below the true value of the developmental investment. This misalignment of private and social returns can lead to underinvestment in talent development.

Asymmetric information. Market participants may have unequal access to relevant information. One notable example concerns the financing of young or rapidly growing clubs. Club management typically has superior insight into the team's operational performance and future prospects compared with outside investors. Under these conditions, even high-potential clubs may find it difficult to obtain sufficient financing, resulting in suboptimal investment and growth.

Market power. When a small number of dominant clubs control key resources, they may exercise market power in ways that hinder the development of rival clubs and reduce overall consumer welfare. These clubs typically enjoy structural advantages: large and loyal fan bases, high-capacity stadiums, globally recognized brands, and extensive commercial networks. Such assets can constrain the ability of new or smaller clubs to attract top players or expand their supporter base, thereby entrenching competitive inequalities. The resulting persistence of low competitive balance reduces the overall attractiveness and unpredictability of competitions. Moreover, football associations or league organizers may themselves exercise market power by setting excessively high prices for broadcasting rights, raising the cost for consumers to watch matches on television or online.

Public goods. Some goods are non-excludable and non-rivalrous, meaning that once provided, it is difficult or impossible to prevent non-payers from benefiting. Competitive balance exhibits features of a public good: improvements benefit all supporters, regardless of which club they support. In an unregulated football market, individual clubs may therefore underinvest in maintaining competitive balance, even when doing so would enhance welfare collectively. Because clubs cannot fully capture the benefits that accrue to all supporters, the equilibrium level of competitive balance may be socially suboptimal.

4.3 Regulatory failures

The existence of market failures implies that political intervention has the potential to improve social welfare. However, such improvements are far from guaranteed. Depending on institutional conditions such as the time horizons of voters and politicians, the extent of corruption, and the influence of organized interests, public policy may fail to implement welfare-enhancing measures even when Pareto-improving reforms are feasible. In the European football market, four forms of regulatory failure appear particularly relevant.

Asymmetric information and limited expertise. Decision-makers within football's governing bodies may lack the information or technical competence needed to design and enforce effective rules. Empirical evidence suggests, for example, that football executives often struggle to determine which legal frameworks apply to their contractual arrangements. Such limitations can lead to poorly crafted regulations, inconsistent enforcement, and unintended consequences.

Policymakers' incentives. Political actors and managers in football organizations may prioritize the preservation or expansion of their own influence over improvements in social welfare. Long-term investments and structural reforms may be undervalued when they yield limited short-term political benefits or conflict with the interests of influential stakeholders. As a result, even well-designed reforms may not be adopted or may be implemented only partially.

Influence of special interests. Lobbyists and organized interest groups may exert disproportionate influence on rule-making. A specific concern in the football context is that dominant clubs shape regulations in ways that protect their own advantages and restrict entry or growth by smaller or newer clubs.

Coordination failures across organizations. The regulatory landscape of European football involves multiple governing bodies, and their objectives or rules may be inconsistent. Such misalignment can generate unnecessary costs for clubs and undermine the effectiveness of policy by creating conflicting incentives or duplicating compliance burdens.

Indeed, the results in Norbäck et al. (2021) suggest that incumbency is a key driver of clubs' success in league competition in European football. This implies that the strong brands of major clubs and the network effects associated with match consumption make it very difficult for smaller clubs to challenge incumbent elite clubs. In turn, this implies that the objective of maintaining a satisfactory competitive balance in European football is challenging. Below we outline reforms that could address the market and regulatory failures identified above, allowing European football to retain its open-league structure yet draw on competitive-balance mechanisms used in North American sports. Ideally, new regulations that give a better balance across the various stakeholders result from self-regulation rather than being imposed by the European Union or other public bodies (cf. Henrekson et al., 2021).

4.4 More equitable revenue sharing

The most direct way to address the lack of competitive balance in European football is to adopt a more equitable distribution of revenues among clubs. UEFA currently generates substantial income by collectively selling broadcasting and other commercial rights for its European tournaments.[16] However, the distribution model allocates these revenues largely on the basis of club performance in UEFA competitions, a system that disproportionately benefits the already dominant clubs.

To counteract growing polarization, UEFA introduced a new tournament in 2021, the Europa Conference League, to broaden participation in pan-European competitions. While this reform increases opportunities for smaller clubs, it remains uncertain whether it will meaningfully narrow the competitive gap or allow them to challenge the giants, even occasionally. We therefore argue that additional measures—such as expanded solidarity programs or other redistributive mechanisms, including salary caps and draft systems—should be considered.

In this context, it is instructive to examine the North American sports model while preserving the defining feature of the European system: promotion and relegation. Major U.S. leagues (NBA, NFL, NHL, and MLB) employ an array of rules specifically designed to maintain competitive balance and ensure that teams operate on a more level playing field. The National Hockey League (NHL) provides a particularly relevant example.

The 32 NHL clubs are privately owned business enterprises, but they collectively own and operate the league, which functions as a unified entity, and effectively as a cartel, in its negotiations with players. Twenty years ago, following a prolonged labor dispute with the players' union that culminated in the cancellation of an entire season, the NHL introduced a set of rules designed to ensure that competitive success would not be concentrated among a handful of wealthy teams.

The cornerstone of this system is the league-wide salary cap. For the 2025–26 season, the total payroll of each team may not exceed $95.5 million, a figure calculated as 57% of league-wide revenues divided equally across the 32 clubs. The highest-paid players today earn between $11–13 million annually. Because of the cap, no team can afford more than two or three players at this salary level (four in exceptional cases). As a result, top stars are distributed more evenly across the league, and salaries are kept within a more reasonable range compared with those of the highest-paid football players in Europe.

Teams with the highest revenues are required to contribute a substantial share of their revenue into a central league fund. Lower-revenue teams receive distributions from this pool, thus redistributing resources from clubs with strong market advantages to those facing structural limitations. In addition, a portion of league-wide revenues, especially from national broadcasting contracts and league sponsorships, also flows into the revenue-sharing pool. This ensures a stable funding base independent of individual team revenues.

[16] The Union of European Football Associations (UEFA) is the governing body of European football and the umbrella organization for 55 national football associations.

Another key mechanism is the entry draft: the worst-performing teams in the previous season receive priority in selecting new players entering the league. This system gives weaker teams preferential access to emerging talent, helping restore competitive balance over time.

The regulatory framework guarantees players a predetermined share of the total revenue. This gives all parties involved an incentive to ensure that the pie is as big as possible. Compare this with the European football market and its absence of restraint on player salaries in the form of salary caps and other supporting regulations. No one can then take responsibility for the common interest of creating a good competitive balance between teams at both national and European levels.

A straightforward measure of the competitive balance in European football compared to the three major American leagues is presented in Table 1, which shows the share of top-4 positions attained by the five and ten most successful clubs in that respect.

Table 1 Share of top-4 positions attained by the five and ten clubs with the most top-4 positions in the Premier League, Champions League, NHL, NBA, and NFL since the 1999–2000 season (%).

	Top-five clubs	Top-ten clubs	Average no. of clubs‡
Premier League	83.7	99.0	20
Champions League	43.3	65.4	See text
National Hockey League*	29.0	55.0	30.4
National Basketball Association	42.3	66.3	29.8
National Football League	39.4	63.5	29.9

Note: The Premier League has consisted of 20 clubs since the 1995–96 season, while the NHL, NBA, and NFL have added teams to their closed leagues since 1999. In 2025, these leagues consisted of 32, 30 and 30 teams, respectively. ‡We use the term clubs in the column headings also for participants in the North American Leagues despite that they are called teams in the U.S. *Due to the 2004–2005 lockout there are only 25 NHL seasons.
Source: Own calculations based on data from the websites of the respective associations.

The Premier League clearly stands out in such a comparison. Since 2000, the five most successful clubs have attained the top-4 positions 83.7% of the times while a mere ten clubs have seized the top-4 positions 99.0% of the times. Out of the additional 38 clubs that have spent at least one season in the Premier League since the 1999–2000 season only one (Aston Villa in 2023–24) has been among the top-4. Moreover, the concentration was much smaller before the inception of the Premier League. In the 25 seasons preceding the first Premier League season (from 1967–68 until 1991–92) the share of top-4 positions held by the five most successful teams was only 59%.

The corresponding shares of the five and ten most successful clubs in the three American Leagues are much smaller. The share for the five most successful clubs varies from 34.6 (NHL) to 50.5% (NBA) of the Premier League share, and for the ten most successful clubs it varies from 55 (NHL) to 66.3% (NBA).

One potential caveat with this comparison is that the number of clubs in the Premier League is two-thirds of the number of teams in the three American leagues. However, this effect is partly offset by the fact that the American leagues are closed while three clubs are promoted/demoted in the Premier League every year. As a result, there are a total of 48 clubs that have had an opportunity to reach the top-4 in the Premier League since the 1999–2000 season.

Table 1 also includes the Champions League. The Champions League is open to top clubs (the number varies between one and four per country) from the 54 top-tier national leagues in Europe.[17] This means that at the beginning of a season there are roughly 730 clubs that have a chance to qualify for the Champions League the following season. Despite the large number of clubs vying for a place in the tournament, the top-4 share of the five most successful clubs is larger than in the three closed North American leagues, and almost two-thirds of the top-4 positions have been attained by a mere ten teams.

4.5 Preventing unfair competition among owners

One much needed restriction concerns the introduction of more efficient mechanisms for preventing club owners from economically supporting clubs in ways that reduces the competitive balance. UEFA's Club Licensing and Financial-Sustainability Regulations (UEFA, 2024) concern the revenue of the club itself and lack mechanisms for redistribution across clubs to increase competitive balance. The key principle is the balanced budget requirement, which means that clubs cannot spend more than they earn over a two-year period. The sum of wages, transfer fees and agents' fees cannot exceed 70% of a club's total revenue, although clubs are allowed to make losses of up to €40 million over two years. In practice, however, major clubs have proved highly adept at exploiting loopholes in the regulations, enabling them to spend well beyond the intended limits (Meier, 2024). To date, only a single club (AC Milan in 2018) has been disqualified from European competitions for breaching these rules. Manchester City was initially handed a two-year ban from UEFA tournaments for financial violations, but the sanction was later overturned on appeal and the accompanying fine significantly reduced.

One way to improve club-level governance would be to introduce a club governance code (similar to a corporate governance code), under which clubs commit to following agreed rules of conduct, and a central organization is empowered to police behavior and sanction violations. Such a framework would incentivize club owners to internalize more fully the total value of the game and foster a more sustainable and transparent ownership structure, thereby contributing to a more competitively balanced European football market.

4.6 More efficient and equitable rent sharing: A sport cartel tax

One major issue is the protection of consumers in the football market. Today, clubs operate increasingly like business firms. This means their activities partially fall under EU competition law. A key purpose of that legislation is to protect consumers and small businesses from the abuse of market power by dominant firms. Another aim is to prevent cartels where companies collude to raise prices.

In football, however, national league organizations may agree on common pricing with respect to fans and media companies. Under EU competition law, business collaborations can be exempted if their societal value outweighs their costs. In 2003, the European Commission (2003) granted such an exemption for the joint sale of media rights to the UEFA Champions

[17] Liechtenstein does not organize a domestic league, and Russia is currently suspended, so in the 2025–26 season there are only participant teams from 53 countries.

League. While the Commission acknowledged that joint selling reduced price competition, it argued that the practice generated efficiencies and consumer benefits that justified the exemption. To safeguard fairness, specific requirements governing the sales process were also imposed.

However, media revenues for UEFA and the major clubs have since grown enormously and the cost for consumers have increased substantially.[18] This raises the question whether competition is truly functioning in this market.

Indeed, we believe that measures should be taken to protect consumers, who often pay unfairly high prices for their consumption of football. However, traditional forms of price regulation are frequently associated with various types of inefficiencies in resource allocation and distortions in incentive structures.

An alternative would be to introduce a "sport cartel tax"—a levy of x% on the sales revenues of professional football clubs. The proceeds from this tax would be allocated to support youth sports across Europe. Such a mechanism could help redistribute some of the financial surplus generated by elite football, promote broader access to sports participation, and foster the long-term development of talent in a more equitable and socially beneficial manner.[19]

4.7 Allowing club cartelization and extending the powers of players' associations

One possible avenue for achieving greater competitive balance would be to allow football organizations to act as a cartel vis-à-vis players, while being subject to regulatory restrictions. At the same time, this raises the need for measures that protect players against abuse by club owners.

Today, European football players are represented by a patchwork of national unions, coordinated globally by Fédération Internationale des Associations de Footballeurs Professionnels (FIFPRO). However, FIFPRO lacks the centralized bargaining power that would be needed if club owners were allowed to form a cartel. Instead, the players' collective would need an organization with powers similar to that of the NHL Players' Association (NHLPA), which negotiates a comprehensive collective bargaining agreement, enforces players' rights, and provides legal, health, and career support. Thus, it ensures that players negotiate collectively with the league and club owners, rather than as isolated individuals.

Such cartels would incentivize the collective of owners and the collective of players to internalize the long-term value of the game, creating more sustainable rent sharing and healthier competition in the long run.

5. CONCLUDING REMARKS

In this article, we have argued that the interplay of technological change—especially global broadcasting, which has created worldwide demand for football superstars—and new

[18] Roughly 40% of total revenues for the top-20 clubs emanate from broadcasting rights. Although we have been unable to find systematic evidence regarding the development of ticket prices, we may note that according to *The Guardian* (2025) ticket prices have increased by 800 percent since 1990 while total inflation has been roughly 200 percent.

[19] The practical implementation of such taxation would be complex and is not addressed in this paper.

interpretations of EU law—most notably the Bosman ruling, which strengthened player mobility—has generated two fundamental problems for European football performance:

i. a small number of superstars capture a disproportionate share of the surplus generated in the football market, leaving limited resources for other stakeholders; and
ii. a worsened competitive balance, making matches less engaging for fans.

The recent Diarra ruling is likely to intensify these dynamics. Addressing the skewed distribution of rents and substantially improving the competitive balance necessitates a comprehensive examination of competition in Europe's increasingly commercialized and unbalanced football market.

We contend that a broad, integrated approach is called for, one that simultaneously reforms the regulation of football's labor market, product market, and financial market. Targeting only one or two of these areas while neglecting the third risks produce greater costs than benefits. In this spirit, we propose the following three reforms:

i. **Product market reform**. Existing cartels, such as the joint selling of broadcasting rights, could be paired with a "football cartel tax." The revenues would be redistributed to key stakeholders, including consumers and youth clubs, thereby broadening the benefits of the industry's success.
ii. **Labor market reform**. The Bosman and Diarra rulings should be complemented with collective labor-market arrangements for employers and employees, modeled on frameworks such as that of the NHL. Such mechanisms would encourage decision-makers to internalize the full value of the game, fostering a more competitive and balanced football environment.
iii. **Financial market reform**. Financial regulation should be reinforced with club-owner codes akin to corporate governance standards in other industries. These codes would incentivize owners to internalize the long-term value of the game, creating more sustainable and transparent ownership structures and supporting healthier competition.

We believe it is high time for European countries and the European Union to conduct a comprehensive investigation into the deteriorating state of competition in European football—marked by declining competitive balance and an increasingly unequal distribution of rents among clubs, players, and consumers. With few exceptions, however, the challenges identified here are best addressed through constructive self-regulation within the industry itself.

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