

Case study for the 2023 EEB Semi-final round

SHOULD THE FINANCIAL IMBALANCES BETWEEN FOOTBALL CLUBS BE REGULATED AND IF SO, HOW? (Fictional case)

The transfer of Brazilian footballer Neymar from Barcelona to Paris Saint-Germain (PSG) is still the record for the highest transfer. PSG paid Barcelona a transfer fee of €222 million for Neymar, which is €42 million more than the previous record set by Kylian Mbappé (2017). Cristiano Ronaldo will receive an annual salary of €200 million after being signed by Saudi Arabian football club Al Nassr this year.

The example of these transfer fees and salaries shows how prices for football players have changed in recent years. The question arises whether the amount of the salaries and transfer fees paid out is still in proportion to the actual performance of a player. In practical terms, the rapidly increasing transfer fees and salaries of top players mean that only a few clubs can afford to sign top players. The consequence could be an oligopolisation of the top performance segment in football, limited to a few clubs in a few leagues. The consequence of this is that, for example, in European competitions such as the Champions League, the same clubs are always successful and, through the associated income from advertising and television money, the gap in their financial leeway compared to other clubs grows ever wider.

Especially in Europe, this development has progressed strongly in recent years, so that it can be observed that football stars mainly play in leagues in England, Spain or France, while clubs from Italy or Germany increasingly have problems keeping up in international competition. This is not least due to the fact that national legal regulations on the financing of sports clubs are more restrictive there.

UEFA (Union des associations européennes de football) now fears that monopolisation will reduce the attractiveness of its competitions in countries that no longer have football clubs that have a chance of winning or even participating in European competitions, which is why it is seeking financial regulation in this area. The AFC (Asian Football Confederation) and CONMEBOL (Confederación Sudamericana de Fútbol) have already signalled that they are not available for a reform, which is why a corresponding regulation will only apply to the European football leagues.

There are two possible measures under discussion that should lead to a more homogeneous distribution of the financial potential between the European football clubs. In future, investors should only be allowed to take a maximum of 49% of the shares in the shareholder or capital company of a football club, leaving the majority of decisions in the hands of the members.

Furthermore, it is being considered to regulate the salary structure within the active players of a team in such a way that the highest paid player may receive a maximum of three times the annual salary of the lowest-paid player of a team.

The decision on whether to take action, and if so which of the two or both together, is to be made at the next general meeting.

Please, address this dilemma:

Imagine that you are a member of the UEFA management board. Would you interfere and impose a financial regulation? Is it ethical that only one league imposes such regulations? Should fans demand that all regional football associations impose the same regulation?