

The European Super League: Do Stakeholder Voices Matter?

In April 2021, twelve European business organizations with the backing of JP Morgan, the investment bank, agreed to create a lucrative new market. Reaction was swift. The British, Italian, and Spanish prime ministers vowed to fight the proposal. Customers protested. One by one, many of the companies backed out, and JP Morgan withdrew its supportⁱ. An obvious money making scheme had been ended by public outcry.

Shareholder Primacy

In 1970 the economist Milton Friedman published in *The New York Times* what is now the best-known support for shareholder primacy. This idea “imposes a duty upon boards of directors to put the interests of their shareholders above all others.”ⁱⁱ Friedman suggested that executives who consider the best interests of non-shareholders beyond their legal and customary responsibility to do so immorally impose a tax on the owners of the firm.

“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception fraud.”ⁱⁱⁱ

The Structure of European Men’s Football

Men’s football (“soccer” in North America) is a major facet of European life. In the 1800s the modern version of the game became popular in working class areas of England, primarily the North and the Midlands. By 1888, 12 English clubs emerged to form the (English) Football League.^{iv} Today, three of the original 12 clubs feature in the top flight of English football (Aston Villa, Wolverhampton Wanderers, and Everton), while one (Accrington) has long ceased to exist.

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A key feature of football markets across Europe is their “pyramid” structure. Each year, teams doing well get “promoted” to the tier above them. Those doing badly are “relegated” down a tier. The financial consequences of promotion and relegation are substantial.

The European professional football market generated an estimated \$27.6 billion in revenue in the 2020/21 season, primarily from sponsorships, attendance (tickets) and broadcasting fees^v. Revenue in the English top tier was \$6bn; revenue in the next tier down was less than \$1bn^{vi}.

Despite some compensatory payments, relegation can be disastrous, setting off a spiral of decline. The best players’ contracts have to be sold to keep the club functioning, and the loss of the best players then leads to further decline.

“Essentially, [with relegation] there will be a \$38 million financial black hole in a club’s accounts during the first season which will increase to \$68 million, and eventually \$93 million after 36 months.”^{vii}

When Major League Soccer (MLS) was established in North America the owners opted not to replicate the pyramid^{viii}. Instead, MLS operated as a closed shop (new clubs can’t earn the right to join it through playing success). The lack of a pyramid has come at a price. In MLS, underperforming clubs, those who cannot win anything, have little to play for at the end of a disappointing season as they cannot be demoted. But the lack of promotion and relegation ensures more-certain cash flows for the owners.

Competition within European Soccer

European football teams are allowed to trade player contracts, although they have to “agree personal terms” with the player before any move. Player fees in such cases are substantial. Neymar, a Brazilian international (i.e., also represented the Brazil national team), moved from Barcelona to PSG (Paris Saint-Germain) for €222m^{ix} (\$245 million)^x.

Player salaries are also high, since there is no cap. In 2022 the average salary of a player for Manchester United was £6.5 million (\$7.2 million). There are significant differences between clubs. At the lowest paying premier league club, Sheffield United, players earned £730,000 on average in the 2021/22 season^{xi}. There is a significant correlation between spending on players and playing success^{xii}. Financial fair play rules have been argued to level the playing field, but these make only a modest difference. In 2022 these were changed to limit payments in respect to the players to be 70% of total club revenues^{xiii}.

Competition between European leagues is also significant. Teams that perform well domestically get the opportunity to play in European competitions. In ascending order of prestige/financial reward there is the Europa Conference League (newly formed for 2021/22), then the Europa League and finally the UEFA Champions League. Countries with teams who have done well in prior years get more spaces in European tournaments and do not have to play in qualifying rounds. In the 2021/22 season, England, Germany, Italy, and Spain had four spots each of the 32 total. These associations are also the ones that generate the most revenue^{xiv}. The next wealthiest (France) had two spots^{xv}. Countries want their teams to prosper in Europe to generate greater opportunity going forward for teams from their nation.

National leagues operate under the Union of European Football Associations (UEFA), the European Football body. UEFA in turn is overseen by the Federation Internationale de Football Association (FIFA), the body in charge of world football. Football has experienced significant challenges with corruption. The US Department of Justice has indicted several leaders on “racketeering conspiracy and corruption”^{xvi}. For example, FIFA drew scrutiny when it awarded hosting rights for the 2018 and 2022 World Cups to Russia and Qatar despite human rights concerns. (It appears that due diligence done before accepting the bids was limited. Only after approving Qatar’s plan to host in 2022 did FIFA notice that it was too hot to play football in the desert in June as promised in the proposal; FIFA swiftly moved the competition to winter^{xvii}).

The Rise of the Premier League

English football faced a number of high-profile challenges of its own in the twentieth century. Hooliganism was a major problem. In 1985 English clubs were banned from European competition when Liverpool fans charged Juventus fans at the Heysel stadium and collapsed a wall, killing 39^{xviii}. Even when hooliganism was not involved, football infrastructure was a problem. In 1985 the Bradford City fire saw a dilapidated stadium burn down, killing 56^{xix}. The Hillsborough disaster saw “grossly negligent” policing, leading to 96 fans being crushed to death^{xx}. Things changed in the 1990s, when better facilities were built and the game changed from being heavily male, working-class, and often violent toward being more family friendly. Funding came from television deals from Sky, a company that used the lure of live football to sell its satellite TV dishes. Partly to achieve better deals, the top-tier clubs split from the Football League. The new Premier League^{xxi} invited all the top-tier clubs to join, marketed itself professionally, and kept more of the money for the top clubs (as opposed to clubs lower in the pyramid).

European Football

England has a six big clubs that tend to finish near the top of the league: Manchester United, Manchester City, Liverpool, Chelsea, Arsenal, and Tottenham. The only other Premier League winner since 1994/5 was Leicester City’s improbable triumph in 2016.

English clubs are internationally owned. Tottenham is the only Big Six club in English hands, while Arsenal, Manchester United and Liverpool are owned by Americans. The Abu Dhabi royal family controls Manchester City^{xxii} and a Russian oligarch owns Chelsea. (Neither of these owners seem concerned about whether their team makes money. Chelsea’s owner was forced out by the UK government in 2022 for “close ties with Kremlin.”)^{xxiii}

England is only the most dramatic example of a broader trend. More money in European football over time has allowed rich clubs to acquire the best world players. Competition within each country varies but some leagues are more predictable. In

Germany, Bayern München (Munich) has won the Bundesliga every year since 2014^{xxiv}. Paris Saint-Germain (PSG) has won seven of the last nine championships in France. Juventus has won most championships in Italy, while Real Madrid and Barcelona have seen the lion's share of successes in Spain. Only Real Madrid, Barcelona, Bayern Munich, Chelsea, and Liverpool have won the Champions League in the last decade (see the appendix).

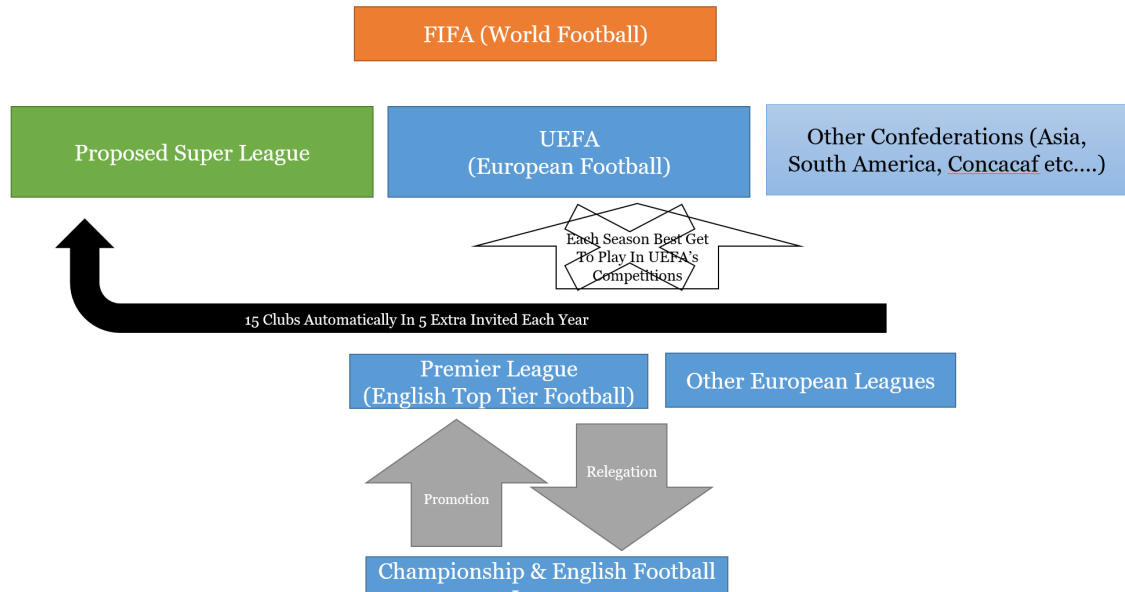
The Proposed Super League

UEFA regularly changes European tournaments. This seems to help the major teams qualify and gain revenue from playing in the UEFA Champions League, especially shares of worldwide broadcasting rights.

In April 2021 another renegotiation was ready to be announced^{xxv}. This would involve more games and more money to the teams involved in European competition. On the morning of Sunday, April 18, 2021, rumors emerged of a new breakaway tournament, the Super League, that would cut out UEFA (see Figure 1). The Super League would feature 20 clubs: each year, 15 founding members would automatically qualify and 5 would qualify by merit (e.g., by their performance in national leagues). Games would be played midweek, giving weekends to the national leagues. Despite cutting out UEFA, rumors suggested that the body over UEFA, FIFA, was happy. The suggestion was that FIFA was worried about UEFA's power in world football and happy to see it reduced.

Voices connected to the big clubs began to talk to journalists in favor of the Super League. The most vocal supporters of the proposed Super League were Andrea Agnelli, Chairman of Juventus; Joel Glazer, Co-Chairman of Manchester United; and Florentino Perez Chairman of Real Madrid. It appeared to be agreed that AC Milan, Arsenal FC, Atlético Madrid, Chelsea FC, FC Barcelona, FC Inter Milan, Juventus FC, Liverpool FC, Manchester City, Manchester United, Real Madrid CF and Tottenham Hotspur would join as Founding Clubs. PSG, Bayern Munich and Borussia Dortmund seemed penciled in to make up the 15 clubs, but had not agreed.

Figure 1. Proposed Organization of Football



The Reaction

The Super League was announced as a completed deal on the evening of Sunday, April 18, 2021. Reaction was swift and negative, especially in England. A special point of contention was that the founding clubs would automatically qualify each year. This broke the concept of the pyramid, which, in theory, allows any club to rise to the top with on-pitch success. Gary Neville, former England international and Sky Sports pundit who was closely associated with Manchester United, lambasted the Super League proposal on television, attacking the six English clubs involved, including his own Manchester United.

"Your pyramid system that you've fought for, for 150 years, gone because of six clubs? Punish them, straight away. Massive fines, points deductions, take the titles off them... who cares?"^{xxvi}

Social media exploded with anger. Owners of the 14 English Premier League clubs that were not invited to join the Super League planned a response^{xxvii}, including a “nuclear option” of expelling the six English Super League clubs. The six clubs generated the

highest viewing, meaning that expulsion would threaten the Premier League's broadcasting rights.

Keir Starmer, leader of the opposition Labour Party in the UK, suggested that parliament could intervene^{xxviii}. The Conservative Minister for Sports Oliver Dowden, in an emergency statement to parliament, said he was appalled by the Super League plans^{xxix}. Ed Woodward, Manchester United's Chief Executive, had met with the chief of staff of the UK Prime Minister, Boris Johnson, a few days before the announcement. It was suggested that Johnson privately favored the Super League^{xxx}. After seeing its unpopularity after the announcement, however, Prime Ministerial support for the Super League did not materialize. Boris Johnson soon called for a "legislative bomb" to prevent the Super League. The Competition and Markets Authority (the UK's anti-monopoly agency) proposed to look into the "cartel" being formed, i.e., the Super League^{xxxi}.

"What is more interesting is the extent to which Johnson is willing to throw Conservative economic orthodoxy under the bus if he thinks it will help him win the next election."^{xxxii} Pollster Chris Cutis to CNN

A number of other European governments signaled opposition, including Spain and Italy. The President of France, Emmanuel Macron, vowed to use the power of the French state to prevent the Super League from happening and was pleased the Parisian club, PSG, had refused to join^{xxxiii}. Contrary to rumors that he supported the Super League, the FIFA Chief Executive joined the head of UEFA to investigate possible legal measures to prevent it.

On Monday, April 19th, Leeds United played Liverpool in the Premier League. The fans broke COVID-19 restrictions to protest about the Super League. Even Liverpool fans joined Leeds fans and administration in the protests. A senior Liverpool player announced that he was against the Super League^{xxxv}. On Tuesday, only two days after the Super League was announced, Chelsea fans staged mass protests against their own club's plans. The fans blocked the stadium entrance before a game and berated the popular ex-player, now on the Chelsea management team, sent to talk to them .

Chelsea and Manchester City swiftly announced that they had quit the Super League.^{xxxvii} The four other English clubs pulled out shortly afterwards. Atlético de Madrid, Inter Milan, and AC Milan followed, leaving only Barcelona, Real Madrid, and Juventus still nominally committed to the Super League.

In June 2022, plans for the Super League appeared dead, despite that fact that, more than a year later, Florentino Perez was still claiming the Super League would happen^{xxxviii}.

Table 1. Winners of Major European Football Competitions since 2000

Year	In England	In Germany	In Spain	In Italy	In France	Champions League
2022	Manchester City	Bayern München	Real Madrid	Milan	Paris Saint-Germain	Real Madrid
2021	Manchester City	Bayern München	Atlético Madrid	Internazionale	Lille	Chelsea
2020	Liverpool FC	Bayern München	Real Madrid	Juventus	Paris Saint-Germain	Bayern Munich
2019	Manchester City	Bayern München	Barcelona	Juventus	Paris Saint-Germain	Liverpool
2018	Manchester City	Bayern München	Barcelona	Juventus	Paris Saint-Germain	Real Madrid
2017	Chelsea FC	Bayern München	Real Madrid	Juventus	Monaco	Real Madrid
2016	Leicester City	Bayern München	Barcelona	Juventus	Paris Saint-Germain	Real Madrid
2015	Chelsea FC	Bayern München	Barcelona	Juventus	Paris Saint-Germain	Barcelona
2014	Manchester City	Bayern München	Atlético Madrid	Juventus	Paris Saint-Germain	Real Madrid
2013	Manchester United	Bayern München	Barcelona	Juventus	Paris Saint-Germain	Bayern Munich
2012	Manchester City	Borussia Dortmund	Real Madrid	Juventus	Montpellier	Chelsea
2011	Manchester United	Borussia Dortmund	Barcelona	Milan	Lille	Barcelona
2010	Chelsea FC	Bayern München	Barcelona	Internazionale	Marseille	Inter
2009	Manchester United	VfL Wolfsburg	Barcelona	Internazionale	Bordeaux	Barcelona
2008	Manchester United	Bayern München	Real Madrid	Internazionale	Lyon	Manchester United
2007	Manchester United	VfB Stuttgart	Real Madrid	Internazionale	Lyon	Milan
2006	Chelsea FC	Bayern München	Barcelona	Internazionale	Lyon	Barcelona
2005	Chelsea FC	Bayern München	Barcelona	Not awarded	Lyon	Liverpool
2004	Arsenal FC	Werder Bremen	Valencia	Milan	Lyon	Porto
2003	Manchester United	Bayern München	Real Madrid	Juventus	Lyon	Milan
2002	Arsenal FC	Borussia Dortmund	Valencia	Juventus	Lyon	Real Madrid
2001	Manchester United	Bayern München	Real Madrid	Roma	Nantes	Bayern Munich
2000	Manchester United	Bayern München	Deportivo La Coruña	Lazio	Monaco	Real Madrid

Endnotes

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