

The Economic Effects of the Traditional Transfer System in European Professional Football

H.F Moorhouse

**Research Unit in Leisure, Culture and Consumption
University of Glasgow
Scotland**

Abstract

Most professional sports contain rules and regulations governing labour that do not apply in most other areas of employment, and that constrain employees in ways which most analysts would deplore if they did apply elsewhere. One such regulation in association football is the transfer system. Traditionally, this 'rule' demands that a fee had be paid by one club to another for a player's registration even when that player had fulfilled his contract with the original club. It was this aspect of the transfer system that was challenged in the now famous Bosman case in Europe, when a Belgium-based footballer argued, among other things, that this 'rule' infringed the right to the free movement of labour enshrined in the Treaty of Rome. The result of this case effectively destroyed soccer's traditional transfer system. This article analyses the transfer system in light of the Bosman ruling and historical and contemporary claims made for the retention and usefulness of transfer systems in European association football.

Introduction

Given that the transfer system has been regarded as an anomaly within the employment relationship, it is surprising how readily it is accepted, as being necessary 'for the good of the game' in association football. Certainly, soccer's governing bodies and national associations have always defended the system as a socially desirable mechanism, important for maintaining the overall health of the sport. Historically, football authorities have argued (Miller, 1993) that the transfer system ensures the economic viability of smaller clubs who earn money by selling players to larger clubs, so money 'circulates' or 'trickles down' league structures, redistributing income from rich to poor within football. They also maintain that such fees encourage all clubs to seek and develop football 'talent' as transfer fees represent the just reward for such enterprise and training. Thus, they have further argued that the removal, or even substantial modification, of the transfer system would have dangerous consequences for football.

Such arguments sound plausible, are often accepted as 'common-sense' and seem to supply powerful justifications for what otherwise appears an outmoded and restrictive arrangement. At the present time, these arguments still form the basis for the football authorities' attempts to create a new transfer system out of the confusion created by the Bosman judgement. However, the whole structure of such arguments, constantly asserted to be 'obviously true',

rests on nebulous empirical foundations. The idea that the transfer system is a 'vital' element of the finances of association football, 'crucial' to its continuance, that it 'automatically' redistributes cash between 'rich' and 'poor' clubs, and so on, is confirmed only by easy anecdote, obvious confirming example, or statistics of dubious authenticity.

As far as professional football in Britain, and I believe in Europe, is concerned, I intend to show that first, very little evidence has ever been produced about the economic effects of the transfer system and second, that such evidence as there is does not support the 'common-sense' version of the benefits the system is supposed to supply to 'football as a whole'. For anyone who prefers fact to self-interested assertion, I recommend extreme scepticism about attempts to justify any transfer system in soccer by a reference to its supposed functions of sustaining smaller clubs and rewarding talent development. Although this may sound heretical, it is important to recognise that the transfer system in football did not originate as a result of an appreciation of most of the benefits now claimed for it. Rather, it was instituted as a mechanism to control an emerging group of workers. Harding (1991) shows that the system arose out of a particular juxtaposition of circumstances in late Victorian England. A mass, working class, spectator sport employing professionals emerged in a context in which the overall controllers of the game were upper class and strong believers in the amateur ethos. In 1885 the British player was a free agent able to sell his labour to the highest bidder. The Football Association (FA), controlled by men from the elite strata of society, recognised 'professionalism' very reluctantly:

The amateur-professional split was a profound one, reflecting deeply held class prejudices. Certain key members of the FA were extremely disturbed by professionalism in sport and had only accepted it if they could somehow control it, and, in their view, safeguard the principles essential to 'true' sport. In the eyes of the FA, football would always be a sport, never a business, while those who played in it would always be 'sportsmen' never workmen. That the pro-player was a workman with a legal contract and recognised as such (after a struggle) by the law of the land would make no practical difference. For the FA, football was a world within a world, and they were its rulers (Harding, 1991:3).

To keep check over professionals, all such players had to register with the FA annually, and players had to get the permission of the FA to change clubs during the season.

The owners of the clubs who made up the English Football League were men from a different social strata, with a different ethos (Tischler, 1981: 41-2). They had no problem in viewing football as a business enterprise. They

believed that the success of an organised league format depended on maintaining a balance between clubs, so that teams of near-equal ability produced games in which the outcome was uncertain. Totally free competition could wreck this balance. It would favour the big clubs in the major centres of population, who would hire all the best players, destroy the competition, ruin the smaller clubs and curtail the league. The obvious way to maintain broad equality in the league was for clubs to share the revenue they collectively generated. This device was favoured by the league's founder, but was rejected by the majority of chairmen who preferred to hold on to the revenue produced by their own crowds. Given this attitude, the only real way to avoid free competition and to protect the league structure was to control the players – the means through which the game was produced (Tischler, 1981: 60-65, 89-90, 105-6). Of course, even though the transfer system was developed as a device to contain professionalism and control a particular group of workers, it could still have beneficial effects for the game as a whole. I will assess later whether there is evidence for any such effects, but it is important to appreciate that its supposed benefits could have been, and can be, achieved in other ways – notably by all clubs in a league sharing revenues collectively in some measure. Indeed, this is exactly what happens in some other major sports around the world which do not have a transfer system, especially those in North America.

Effects of the Transfer System Pre-Bosman: The Economic Evidence

Despite attempts to outline the 'equalisation' policies of the Football League before the Second World War (Taylor, 1997) very little evidence exists about the effects of the transfer system in Britain before the 1960s. From then on, evidence is to be found in a number of reports emanating from the state, the sporting authorities and business consultants, all of whom had cause to ponder transfer arrangements in their attempts to locate the sources of the economic and social sicknesses that afflicted British soccer for much of the post-war period. The first of these (Political and Economic Planning, 1966: 143) declared:

The FA's 1955-6 study indicated that the Third (South and North) Divisions were the net gainers. . . . In the season 1965-66 (up to the transfer deadline 16 March 1966) it has been estimated that £2 million changed hands between clubs for transfer registrations. For the past two years First Division clubs have, however, been somewhat restrained as buyers in the transfer market and there is some evidence to indicate that the First Division is becoming a net gainer from transfer deals. A detailed analysis over, say, five years would be necessary before a judgement could be expressed about the merits of the transfer system. Unfortunately, through lack of adequate data, it has not been possible to make such a study. The

whole problem of transfer and signing-on fees, indeed, merits detailed examination by a committee such as that recently set up by the Government to enquire into the problem of football.

That committee, in the Chester Report (Department of Education and Science, 1968: paras 127-8), argued that the transfer system in Britain was of major benefit to the Scottish League (though many of the big clubs in Scotland refused to supply evidence) and continued:

it needs stressing that in recent years transfer fees have not been of financial benefit to the English League. The accounts for the period 1963-66 show that the League as a whole made a net loss in each of those seasons, totalling £983,000 in all. Each Division in the League made a loss in transfers during the period 1963-66 as a whole, although occasionally an individual Division made a small profit in one season. The transfer deficit was greatest in Division 2 (£487,000) though it was substantial, and presumably hardest to bear, in Division 4 (£105,000).

There appears to be an assumption, perhaps based on earlier experience, that the smaller clubs survive by developing young players and selling them to richer clubs. Figures do not support this view. This analysis shows that the transfer system is an added burden on the smaller clubs taken as a whole. The main beneficiaries lie outside the Football League, particularly in Scotland and Ireland.

Later it added:

One advantage of the present system stressed by the League was that 'there is a flow of money from one Club to another (which) never goes out of the game and in many cases . . . helps a Club financially worse off than the Club paying for the transfer.

To test this I analysed the information provided by the Football League from its records of the fees paid by their clubs from May 1964 to October 1966. The results are shown in here in Table One.

Table 1: Transfers between Clubs in Different Divisions of the Football League, May 1964-October 1966

Paid to:		Paid by:		Gain/Loss	
First	£1,233,615	First	£915,050	Gain	£318,565
Second	1,026,275	Second	1,097,625	Loss	71,350
Third	586,480	Third	910,010	Gain	323,530
Fourth	311,250	Fourth	234,935	Loss	76,315
£3,157,620		£3,157,620			

Note: This table conceals an important aspect of the transfer system – the large sums paid by English to Scottish League clubs. During this period some £500,000 was received by Scottish clubs for players moving south, mainly to First Division clubs. Some £40,000 was paid to Irish League Clubs, mainly by First Division clubs. If these payments are taken into account the net profit of £318,000 shown in the table for First Division clubs is turned into a net out-going of some £200,000.

The Chester Report commented:

it quite clearly emerges that the transfer system was a source of profit for First Division clubs during this period and put the Third Division clubs more deeply in the red. There is no evidence here that the system results in money passing from the richer to the poorer Divisions (para 276).

And concluded:

Whatever may have been the position at one time it is now not the case that the lower Divisions are the nursery for the First or Second Divisions and that transfer money flows accordingly from the top to the bottom (para 278).

Eight years later, very similar judgements were made by the Commission on Industrial Relations (1974: para 32). It, too, referred to the gains accruing to Scotland:

Fees do not always circulate within the Leagues. There is a net outflow from the Football League to other Leagues, particularly the

Scottish Football League. In the five years 1968-69 to 1972-73 over £2.5 million in transfer expenditure went to clubs in other leagues and 87% of this went to Scottish League clubs (in the same period expenditure on transfers within the Football League amounted to nearly £25 million).

Even within England the situation was not clear cut. The report outlined the orthodox argument that the transfer system is a redistributive mechanism but noted the contrary conclusion of the Chester Committee. It added that the Football League had levelled two criticisms against this conclusion: that the period on which the analysis was based had been too short, and that it did not sufficiently take into account the movement of transfer fees between clubs in lower divisions that were financially strong and those in higher divisions that were financially weak. The Commission (CIR) (paras 196-200) tried to test these arguments:

Table 16 sets out the transfer income and expenditure on internal transactions only of the Divisions of the Football League between 1968-69 and 1972-73. . . . Several important points emerge from the Table. Over the whole period there was a net outflow of nearly £800,000 from the First and Second Divisions to the Third and Fourth Divisions. The biggest net loser was the Second Division and the biggest net gainer the Third Division. The figures vary widely from year to year and no Division made a consistent profit or loss on transfers in each of the five years. 1970-71 and 1971-72 showed the greatest fluctuations. In 1970-71 there was a net outflow from the First Division of £410,000 and in 1971-72 this was converted into a net inflow of about £440,000. Similarly Second Division clubs made 'just under £190,000 profit on transfers in 1970-71 and lost £370,000 the following year. The Third Division's net transfer balance underwent an almost exact turn-around, showing a net gain of £210,000 in 1970-71 and a net loss of nearly £220,000 in 1971-72. Only the Fourth Division made a net gain in both years. Putting together the Chester Committee's figures and the CIR figures over the 7 years for which figures are available since 1964 the First Division made a net profit on transfers of £121,000 and the Third and Fourth Divisions of £192,000 and £351,000 respectively. The Second Division made a net loss of £664,000. The picture is then not a simple one.

The argument that the transfer system enables redistribution of income to take place between 'rich' and 'poor' clubs irrespective of Division is difficult to assess. To begin with a measure of financial

viability has to be devised. For the purposes of testing the argument we defined a club whose financial position was relatively weak as one in which gate receipts fell below expenditure on wages and salaries for at least half the years for which we had financial information. On this basis 22 financially 'weak' clubs were identified spread across the Divisions (though mainly in the Fourth Division). Over the five year 1968-9 to 1972-73 19 of these clubs made a profit on transfer transactions amounting to £1,663,000 and three clubs made a loss of £413,000. However, five clubs accounted for two-thirds of the positive transfer balance.

A decade later, another report, commissioned by the Football League itself (1983: paras 127-30), supplied even more evidence at odds with the common-sense assumptions of the football world. It argued:

It is not easy to assess the effect of the transfer system on the finances of clubs. . . . The very large fees normally pass between clubs in the First or Second Divisions. There is, however, no clear evidence to support the claim sometimes made that the transfer system is a general help to clubs in the lower Divisions. In 1979-80, for example, the peak year of the transfer boom, clubs in the Fourth Division paid £480,000 to clubs in the First but received only £163,000 for transfers the other way. In the same year Third Division clubs paid £1,560,000 to First but received only £678,000 from them.

I carried out my own research on the economic effects of the transfer system in Scotland between 1982 and 1991 (Moorhouse, 1993), which confirmed the continuing validity of most of the crucial points I have already drawn out from the evidence that exists for England. That is the extent of historical data about the economic effects of the transfer system in Britain, and no-one could claim that such evidence confirms the 'commonsense' arguments about the beneficial effects the system is supposed to have for football as a whole. Such detail as exists is, at best, ambiguous or, on a tougher scrutiny, shows transfer fees flowing in directions that are almost the reverse of what the football authorities claim. No wonder that in the late 1980s Lord Justice Taylor was sceptical about arguments deployed by the football authorities concerning the beneficial effects of the system (Home Office, 1990: para 114). From the available evidence I draw out three significant summary points about the workings of the transfer system in Britain before the Bosman case. First, very little data exists and what is available is, in various ways, unsatisfactory and not of the type or of the extent that could support the argument that the transfer system is crucial to sustaining a large number of professional clubs. In fact, not

one major empirical study has ever been carried out that could have accurately traced the true economic effects of the transfer system, for no study has spanned a sufficient number of years to paint the definitive picture.

In addition, such evidence as is available throws considerable doubt on the arguments deployed by football authorities about the direction of the flow of funds and the system's supposed redistributive effects. It is not at all clear that, in the post-war period, clubs in the top divisions in England have always spent more with the lower divisions than they received, or that they traded mostly with the lower divisions. Moreover, as the Commission on Industrial Relations report revealed, the destination of any funds which do 'circulate' or 'trickle down' is unlikely to be the 'lower divisions' or the 'small clubs' taken as a whole, but certain clubs, a few clubs. Remember, the CIR estimated that two-thirds of the transfer profit gained by the twenty two most 'financially weak' clubs was absorbed by just five clubs, while three similar clubs made very substantial losses. This refinement to the usually highly generalised argument about the significance of the system is important because it allows for the possibility that *certain* clubs opt to use the transfer system as their mechanism for survival, rather than pursuing other cost-cutting or revenue-generating policies available to them. In short, there is a definite element of strategic business choice involved here for all clubs. Because the transfer system exists *some* clubs will utilise it to generate income, but the transfer system is far from being the only mechanism that can be used for seeking economic security, as the trajectories of similar clubs show, and, to repeat, there are other ways of redistributing assets between clubs in a league. Now, in European football, many other mechanisms for redistributing income between clubs have been scrapped or severely curtailed in recent years, so the stress the football authorities place on the transfer system as *the* way to achieve a more even balance between clubs becomes even harder to understand.

Finally, justifying the flows of transfer funds is far from simple since the 'United Kingdom' consists, for football purposes, of three major leagues. The various reports into football summarised here have really been about English football and either do not cover Scotland or cover it quite inadequately. The tone of much of the existing evidence before Bosman is that the traditional transfer system in England was of major economic benefit to Scotland, and that this was the reason why the transfer system *could not* be of great financial benefit to the English League as a whole. This raises a nagging question about why the rights of footballers in England should be restricted in order to sustain the well-being of football in Scotland. This is even more pertinent now, and this situation is not covered by any of the previous evidence, for in the 1990s many British and European clubs have entered a European, and indeed world wide, transfer market. The problem for the football authorities now becomes on what basis can they argue that the rights of, for example, professionals in Italy should be restricted in order to sustain the well-being of football in the Netherlands?

The Transfer System after Bosman: Economic Evidence

In the run up to the Bosman case UEFA made pleas to its member associations to provide it with evidence to demonstrate the benefits of the traditional transfer system, but did not receive much. As the Advocate General indicated, many countries had already modified or abandoned the traditional transfer system (Court of Justice 1995a, paras 27-36). The submission by UEFA to the Court relied on evidence from England, primarily from the accountancy reports of Touche Ross, and this impressed the Advocate General (Court of Justice, 1995a: para 222). In its arguments to the Court UEFA linked its assertion that it is transfer fees that keep the small clubs of Europe afloat, with the argument that transfer fees compensate clubs (especially small clubs) for the effort and money they put into training and developing players:

Its fundamental purpose is to reward clubs (particularly smaller and medium sized clubs) for the investment they make in the training of players (UEFA, 1995:2).

UEFA argued that the money spent on transfer fees ‘stays in the game’ and eventually ‘trickles down’ to small clubs around Europe, but said that if the same money went on paying huge signing fees and salaries to a few players it would be lost to soccer, and what UEFA called an ‘*indispensable*’ financial foundation of the football industry would disappear. UEFA argued that most small clubs rely on selling players to big clubs to stay solvent: ‘Without the income derived from transfers many clubs would simply go out of business. At best, they would be forced to reduce the number of professional players they employ’ (UEFA, 1995:2).

But the Advocate General (Court of Justice, 1995a: para. 221-2) was not at all impressed, saying about the claims made by the football authorities to the European Court:

As regards the amateur clubs, no specific arguments, let alone figures, have been submitted to support the assertion that the abolition of transfer rules would have life-threatening consequences for these clubs or at least for some of them.

As regards the professional clubs too the international associations have produced little convincing, specific material to support their argument.

He is not the only person in authority to have doubts. One post-Bosman analyst who saw at least some of the distinctions and qualifications that need to be made to the football authorities’ portrayal of the economic effects of the transfer system was the then Chief Executive of the new Premier League in

England. In a paper to an FA Premier League seminar on the Bosman case in 1996 (Parry, 1996: 12-14), Richard Parry spoke of the 'rudimentary analysis' UEFA had offered the Court about the benefits of the old transfer system and referred to some analysis the Premier League had done on transfer payments over the last five years (but only within England), which showed that money spent *within* the Premier League 'has increased hugely' in that period – up to 77 per cent of all money in 1994/95 – and seemed to have 'nothing. . . whatsoever to do with compensation for training and development' of young players. It further demonstrated that a distinction needed to be made between transfer payments for players *in contract* (which would continue post-Bosman) and those *out of contract* (which would not, or which would be modified in some way). The Premier League's analysis had found the total amount of cash spent with all the seventy or so Endsleigh League clubs in England (the smaller clubs) in 1994-95 for *end of contract* transfers 'was just £4.7 million – not necessarily a kings ransom'.

A top English football official was thus unconvinced about the quality of the evidence supporting the core of the football authorities' arguments and doubted whether better quality evidence would support them. In fact, any detailed analysis of the available evidence in Europe reveals that most transfer deals are struck by big clubs with other big clubs and that any redistribution of income from big to small clubs is a small proportion of the total transfer market.

Even if the transfer system had some vital redistributive effect as suggested by the football authorities, it would only form a small element of the total transfer system, a refinement that has major implications for the stereotyped justification that, somehow, the transfer system exists to act as a mechanism whereby 'small' clubs are rewarded by 'big' clubs for finding and developing talent. The key elements of my argument here are demonstrated in Tables 2, 3 and 4, which analyse the sources UEFA used in the Bosman case.

The Football Trust in Britain distributes annual figures about transfers dealings, figures that seem to support the football authorities' claims about money 'trickling down' the league system (Football Trust, 1992/93/94/95/96). These statistics, however, are collected as a result of the English Professional Footballers Association's agreement with the authorities of the Premier League and English Football League that they will receive five per cent of all fees paid on transfers *within* those leagues. Thus, these figures cover only England and omit all dealings by English clubs with Scotland, Europe and the rest of the world. This is one reason why the effects they purport to reveal should be viewed with severe scepticism. Detailed analysis of even these restricted figures, however, does not support the football authorities' view of the effects of the traditional transfer system.

Table 2: Gross Transfer Revenue of The Lowest Division” as a Proportion of Total Transfer Expenditure by Top Division in England^b

Year	%
1987/88	10.2
1988/89	8.9
1989/90	8.0
1990/91	11.9
1991/92	7.2
1992/93	2.6
1993/94	3.5
1994/95	1.5

Source: adapted from Football Trust Statistics; ^a fourth division of Football League which becomes the third division with advent of Premier League; ^bfirst division of Football League which becomes the Premier League in 1992.

Table 2 shows the transfer revenue flowing to the lowest division of the English League as a proportion of total transfer expenditure by the top division, bearing in mind that this excludes all substantial dealings outside England. Note too that this table shows gross revenue and does not indicate outflows of transfer expenditure by clubs in the lowest division. Even with such qualifications, the table makes it clear that most of the ‘transfer market in England has little to do with money ‘trickling down the pyramid of clubs’ or such similar stereotypes. Most of the money flowing in the transfer system relates to deals between big clubs, and this is so even within national leagues, leaving to one side deals producing movement between major leagues.

This pattern is revealed again in Table 3, which shows how small the net income from transfers of the lowest two divisions in England is compared with the total transfer expenditure of clubs in the top division. As the bottom two divisions comprise well over forty clubs, the table also shows that this flow of revenue ‘down the pyramid’ is simply not large enough to be significant for most of them.

Table 3: Net Transfer Income of Lowest Two Divisions of English League Compared with Total Transfer Expenditure of Top Division^a

Year	Lowest Two Divisions net gain (£m)	Total Top Division spending (£m)
1987/88	2.8	23.0
1988/89	2.0	25.2
1989/90	2.7	26.6
1990/91	2.3	26.4
1991/92	7.3	46.3
1992/93	4.0	50.8
1993/94	7.0	66.8
1994/95	0.7	74.4

Source: adapted from Football Trust statistics; ^a first division of Football League, which became the Premier League in 1992.

Some of the most highly publicised ‘evidence’ about the economic effects of the transfer system comes from studies by accountancy firms, reviewing the balance sheets and financial position of British clubs. These tend to pronounce all too quickly on the economics of football, and usually seem to support the arguments of the football authorities about transfers (see eg. Arthur Andersen, 1982; Business Ratios, 1991). Such ‘authoritative’ business revelations are usually highly misleading, but they, along with the summaries of their ‘findings’ in the financial press, help to sustain ‘common-sense’ understandings of what the transfer system does. Especially prominent in the last decade have been a series of annual reports by the Touche Ross (later Deloitte & Touche) company (Deloitte & Touche/Touche Ross, 1992/93/94/95/96/97/98), which do, or rather, before the Bosman verdict did, echo the claim that money from the transfer system is somehow crucial to the survival of football clubs and does ‘trickle’ down the system from rich to poor. Such claims in the text, however, are often at odds with the actual detail supplied in the reports.

Table 4 begins to give a more accurate picture of the significance of transfer income for the smaller clubs in England. The table shows that transfer income does not seem to be a significant part of total income for the smaller clubs: an average of well under ten per cent for the two lowest divisions over the four years around the Bosman case and that much more significant amounts flow outside England altogether to Scotland, Europe and the rest of the World, £93.4 million in 1995-96.

Table 4: Turnover and Transfer Income/Losses for Leagues in England

Year	1992/1993		1993/1994		1994/1995		1995/1996	
	Turnover £ms	Net Transfers £ms	Turnover £ms	Net Transfers £ms	Turnover £ms	Net Transfers £ms	Turnover £ms	Net Transfers £ms
Premier League	201.6	-18.4	241.4	-25.0	322.8	-38.3	346.2	-105.6
Division 1	70.4	+9.3	95.7	+0.8	83.3	+5.4	103.9	+6.6
Division 2	35.8	+2.3	29.8	+5.2	41.5	+1.1	41.7	+2.3
Division 3	14.3	+1.5	19.9	+2.0	20.5	+0.7	25.3	+3.1
Net transfer outside England £ms		-5.3		-16.1		-31.1		-93.4

Source: adapted from Deloitte & Touche/Touche Ross Reports

The most recent review does not present transfer information in the same way as past years, but does note that the Premier League spent a net £83.6 million outside of England in season 1996-97. Moreover, in that year the clubs of the Football League became net spenders on transfer fees for the first time since Deloitte & Touche began its annual review of football finance. So while the Football League received a net £14.5 million from the Premier League, it had an overall net loss on transfers of £2.3 million which meant that these clubs, the smaller clubs in England: ‘Must have spent about £17 million on players from Scotland or overseas clubs’ (Deloitte & Touche, 1998: 11, 22).

One last refinement should be made to evaluate exactly what this evidence tells us about the workings of the transfer system. The Deloitte & Touche reports tend to divide the sums for net transfers accruing to the lower divisions in England by the number of clubs to show an ‘average’ gain. This helps perpetuate the idea that *all* small clubs benefit from the system and could not survive without it. However, as I have already suggested, this conceals the range of strategies clubs adopt on the transfer market. Analysis of the Deloitte & Touche evidence reveals that underneath talk of ‘averages’ there is a profound concentration of gains. Table 3 shows that the twenty four teams in Football League Division 2 got a net income of £5.2 million in 1993-94 – an ‘average’ gain of £216,000. However, detailed scrutiny of the figures for each club shows that just seven clubs of these clubs made a net profit of £4.76 million, so the other seventeen small clubs either made very little money from transfers or made net losses. There is a similar story for the 22 club Division 3. Overall it gained £2.0 million but just five clubs made £1.65 million leaving little benefit to be shared by the others. Similar refinements can be made for the

other years of the Deloitte & Touche reports. The 24 clubs in Division 2 in 1992-93 made a net £2.3 million, but five clubs made £2.14 million of that total profit. In the same year 22 clubs in the lowest Division 3 gained £1.5 million overall but five clubs took £1.3 million. In fact, the data from this accountancy firm really shows, as do other studies, that any gains from the transfer system tend to be highly concentrated in just a few clubs – a substantial qualification on the claim that the transfer system is necessary or vital for small clubs ‘as a whole’. Some clubs certainly gained from the traditional system, but few clubs make a good deal of money. If the system were to be abolished then some clubs would certainly have to adjust their business strategies for reconciling income and expenditure, but by no means most or even a majority of the smaller clubs of Europe. And, of course, as many small and medium sized clubs are net losers in the transfer market they would tend to be more, not less, financially secure if the traditional system was completely swept away.

Conclusion

Still, years after the Bosman judgement, we hear that the transfer system is the automatic mechanism that re-distributes money from rich clubs to poor clubs, that it ‘cascades’ cash down the pyramid of clubs, that it is the ‘life-line’ of the smaller clubs who, somewhat oddly in this official vision of what the transfer system does, seem better placed than the big clubs to find and develop talented youngsters. In addition, we hear that many small clubs are in danger because of the effects of the Bosman ruling. The plain truth is, however, that the available evidence does not allow anyone to assess the full economic effects of the traditional transfer system, but it is relatively easy to show that it did *not* do, and does *not* do, what the football authorities like to assert it does. Sensible policies cannot be built on fiction.

Since the Bosman case, football authorities have placed an even greater emphasis on the training and development clubs give to young players as their justification for the retention of some kind of transfer fee in the future, setting it, apparently, on a more substantial and secure foundation. The Advocate General of the Court of Justice seemed to accept some of this argument, though from his own prejudice rather than any evidence, but was sceptical about the utility of the argument that transfer fees in future should be regarded as legitimate compensation for training and development of young players, stating: ‘However often that view has been repeated in the course of these proceedings it still remains unconvincing’ (Court of Justice, 1995a: para 236).

He gave a number of reasons for his view, one of which was that fees paid bore no earthly relation to the apparent costs of training and development, another that clubs had benefited from the players performance as enhanced by training and development so why should they expect more reward? He further stated about any new transfer system:

Such rules would in my opinion have to comply with two requirements. First, the transfer fee would actually have to be limited to the amount expended by the previous club (or previous clubs) for the player's training. Second, a transfer fee would come into question only in the case of the first change of clubs where the previous club had trained the player. Analogous to the transfer rules in France, that transfer fee would in addition have to be reduced proportionately for every year the player spent with that club after being trained, since during that period the training club will have had an opportunity to benefit from its investment in the player (Court of Justice 1995a: para 239).

The new transfer systems proposed or implemented in Europe certainly do not align with these suggestions, and it is as well to note that the actual judgement in the Bosman case was more dismissive of this line of argument than the Advocate-General if anything (Court of Justice 1995b: paras 108-9). So the new, emerging, transfer systems are based on shallow foundations. Both these authorities emphasised the alternative of rewarding smaller clubs via some more general redistribution of football income. As I have indicated these have been the options since professional football began, and the governing bodies of soccer have never presented solid arguments as to why the second option cannot be adopted. Moreover, despite all the assertions of the football authorities, there is little or no evidence about what most football clubs actually do with or to all the youngsters that pass through their hands! The truth is that current arguments that clubs deserve a fee for all the 'investment' they make in 'training and developing' youngsters are just as unsubstantiated as the supposed economic effects of the traditional transfer system – a but that's another story (Moorhouse, 1997).

REFERENCES:

- Arthur Andersen & Co. (1982). *The financing and taxation of football clubs*. London: The Football Association and The Football League.
- Business Ratio Report (1991) *Association football clubs*. Hampton: ICC Business Ratios.
- Commission on Industrial Relations (1974). *Report no.87: Professional football*. London: Commission on Industrial Relations.
- Court of Justice of the European Communities (1995a). 'Opinion of Advocate General Lenz', Case C-415/93, Luxembourg.
- Court of Justice of the European Communities (1995b). 'Judgement of the Court', Case C415/93, Luxembourg.

- Deloitte Touche/Touche Ross & Co. (1992/93/94/95/96/97/98). *Annual review of football finance*. Manchester.
- Department of Education and Science (1968). *The report of the committee on football* (The Chester Report). London: HMSO.
- Football League (1983). *Report of the committee of enquiry into structure and finance*. Lytham St. Annes: The Football League.
- Football Trust (1992/93/94/95/96). *Digest of football statistics*. London Football Trust.
- Harding, J. (1991). *For the good of the game: The official history of the Professional Footballers' Association*. London: Robson Books.
- Home Office (1990). *The Hillsborough stadium disaster 15 April 1989: Inquiry by the Rt. Hon. Lord Justice Taylor*. London: HMSO.
- Miller, F. (1993). 'Free market football: The effects of the EC law on the professional football industry in Europe with specific reference to the restraint of trade', M.Phil. thesis, University of Coventry.
- Moorhouse, H.F. (1993). 'The economic effects of the transfer system in professional football: Evidence from Scotland 1982-1991', Research Paper no.6, Training and Employment Research Unit, University of Glasgow.
- Moorhouse, H.F. (1997). *The training and development of young footballers in Scotland*. Edinburgh: The Scottish Sports Council.
- Parry R. (1996). 'Contribution to the FA Premier League seminar on the Bosman case', British Association for Sport and the Law, Manchester.
- Political and Economic Planning (1966). *English professional football*, London: PEP.
- Taylor M. (1997). 'Proud Preston: A history of the Football League, 1900-1939', Ph.D. thesis, De Montfort University.
- Tischler S. (1981). *Footballers and businessmen: The origins of professional soccer in England*. London, Holmes and Meier.
- Union des Association Europeennes de Football (1995). 'Update to UEFA member associations concerning the Bosman Case', Nyon, Switzerland.