

Introduction

You see, this is the crazy thing about supporters, they want the best players, they want the best stadium. We spent £28 million in 1998, we are spending £30 million on the stadium in 1999, we are building a new training ground for £14 million. If you want these things you must be commercial. Unfortunately in this world you need money to expand stadiums, you need money to set up operations whether retail or whatever. Without money you can't do these things, so we are commercial. We do not make an apology for that, as long as we don't charge ridiculous prices or rip people off. We make no apology for being commercial. We still hope to be the wealthiest club in ten, 20 years' time, but think of the things it does to you, think of the things that it gets you. Players' wages today are going through the roof, but supporters want the best player, so we have to be prepared to be commercial because we want to afford those players.¹

This quote by Martin Edwards, the chairman of Manchester United Football Club from 1980 to 2002, shows the problem that has grown out of professional soccer to date. Clubs have continued to increase, year after year, the amount of money they spend on stadiums and, more importantly, players. For example, Manchester United sold David Beckham for a record high £25 million² in 2003 by selling for and then broke the record just six years later by selling Cristiano Ronaldo for £80 million.³ Despite making this money, though, the team is forced to spend huge amounts on each sold players replacement, though. This has been the reason that many of these clubs do not make profits and go into debt. Martin Edwards correctly identifies the proponents of this problem: the fans. Supporters have unreasonable requests in wishing to have the best of everything (i.e., players, stadiums, etc.), even though the clubs might be negatively affected. The supporters expect to pay the same amount for tickets to games as usual but

¹ Mihir Bose. *Manchester Unlimited*. (New York: TEXERE, 2000), xxvi-xxvii.

² "David Beckham." Accessed November 8, 2011.

http://soccer.net.espn.go.com/player/_/id/8880/david-beckham?cc=5901

³ "Cristiano Ronaldo." Accessed November 8, 2011.

http://soccer.net.espn.go.com/player/_/id/22774/cristiano-dos-santos-aveiro-ronaldo?cc=5901

have their club spend more on players and their stadium. In the pursuit of gaining the best players so that fans will continue to support and fund their team, teams around the world have stretched themselves economically, allowing themselves to fall into debt. This is not a new phenomenon, though, as this thesis will show through analysis of the historical experience over the last decade of two case studies: Liverpool Football Club and Manchester United Football Club.

There are many reasons for choosing to focus on Liverpool Football Club and Manchester United Football Club. First, they are the two most successful teams, to date, in the English Premier League. While it is true that the Premier League did not come into existence until 1992, this thesis maintains that the Premier League Champion is synonymous with the English Football Division I champion, which existed before the founding of the English Premier League, as these are the championships of the top division of English football. Understanding this, Liverpool Football Club has had 18 English championships and Manchester United Football Club has had 19. As this thesis is looking at the correlation between economics and success of football clubs, these successful clubs make for a better comparison. Second, this thesis argues that managers have played a crucial role in making successful economic decisions. Both Liverpool and Manchester United can be seen to have achieved their success in streaks under the management of one specific manager. Third, their success has led to huge followings, arguably the largest followings both domestically and internationally for English football clubs. Their success and popularity has encouraged researchers to document their histories. While clubs such as Arsenal Football Club, West Ham Football Club, or Blackburn Football Club may have equally as rich histories that help illustrate the

development of economics in professional football, the breadth of material written on these clubs is not as large. Fourth, the growth of each club is very different helping to prove this thesis. Liverpool Football Club, since its founding, has historically always done well and, under a strong manager, managed to win the English football championship, but in recent times, with bad ownership and lack of managerial control, has not been able to win the league. Manchester United Football Club, on the other hand, consistently had trouble and almost had to fold twice due to massive debt, but recently has become the best team in the English Premier League with 11 titles in the past 18 years.⁴ Finally, these two teams are bitter rivals. Partially this rivalry comes from all the reasons that these two teams are useful for the case studies presented but also because, generally, when one club is on a streak with championships, the other club is struggling.

The English Premier League is the top league in English football (there are four leagues in total). In order to allow for the best teams in England to play in the Premier League there is a process of relegation and promotion. This means that each year the worst teams in the Premier League, right now the bottom three teams, move down from the Premier League to Division II, known as relegation, and the top three teams in Division II get promoted into the Premier League. Also, there is the difference between owners and managers. Owners own the rights and make economic decisions for their team, providing the money for the teams' operations. Managers, on the other hand, are the coaches of the team, deciding which players start on the field, which players go on the bench, and the overall strategies that the team will use. Essentially, managers provide the expertise while owners provide the funding, creating a unique relationship between the

⁴ "Manchester United." Accessed November 7, 2011. <http://www.fchd.btinternet.co.uk/MANCHESU.HTM>

two that this thesis will discuss. Third, members of the English Premier League also play internationally. As a result, they play under the rules determined by the Union of European Football Associations (UEFA). This provides the justification for the recent rule change known as financial fair play regulations that are discussed in Chapter III. Lastly the timeframe for this thesis is over a hundred years. Both teams started in late 1880s and 1890s. The thesis examines their development until the present day and attempts to understand the necessity of a new rule, the Financial Fair Play Regulations, by taking their club histories as a long-term perspective of the history of the sport. This thesis will show that the histories of the clubs help illustrate why the new rules were needed. Economists only began looking at the issues with football clubs starting around the 1980's, which makes this analysis of the clubs' early history unique.

This thesis consists of three chapters. The first chapter is the case study of Liverpool Football Club, describing a long period of success under many different managers. The second chapter is the case study of Manchester United Football Club describing a football club that came close to folding twice, due to debt, but under the management of two men have become the most storied club in the world. The third chapter describes the three biggest changes in English football (formation of the English Premier League, the Bosman Decision, and the Financial Fair Play Regulations) and how the Premier League and Bosman Decision led to the formation of the third.

The remarkable growth of professional soccer during the 20th century has led various scholars to look at the sport from the perspective of economics and its effects on the sport and its growth. These scholars study how the sport developed and if it is possible to sustain this type of growth. Stephen Morrow discusses relegation (the process

of moving the three worst teams in the top league down to the second league and the three best teams up). He found that while this process allows for teams in the lower leagues to make it up to the English Premier League, it also leads to those relegated to lose out on the major television contracts associated with the English Premier League and thus make financially questionable actions in order not to be relegated.⁵ As Morrow puts it, “the consequences of the top-heavy financial reward mechanisms prevalent in leagues like the FA Premiership inevitably put pressure on clubs to spend to survive,” in order not to be a “yo-yo” club, being relegated the season directly after being promoted.⁶ This research sought to explain why football clubs spend the way they do, an idea elaborated on by others. Hallgeir Gammelsæter and Stig-Erik Jakobsen discuss the formation of the teams into limited liability corporations, which is a problem because this type of business is not concerned with making money.⁷ Stefan Szymanski in his many studies and publications followed this idea. He argues that it is extremely hard for teams to be taken over and as a result team owners do not need to have profit objectives since small groups make decisions which are not always in the club’s interest.⁸ In a later publication, Stefan Szymanski, with the help of Simon Kuper, look at data that proved that in the English Premier League there is a direct correlation between the amounts of money a team spends on its players and the team’s finish in the league.⁹ Looking at all this data we can see that

⁵ Stephen Morrow, *The People’s Game? Football, Finance, and Society* (New York: Palgrave Macmillan, 2003).

⁶ Ibid.

⁷ Hallgeir Gammelsæter and Stig-Erik Jakobsen, “Models of Organization in Norwegian Professional Soccer,” *European Sport Management Quarterly* 8 (2008).

⁸ Stefan Szymanski, *Football Economics and Policy* (New York: Palgrave Macmillan, 2010).

⁹ Simon Kuper and Stefan Szymanski, *Soccernomics: Why England Loses, Why*

teams are forced into spending more money than they reasonably should in order to stay in the English Premier League. Most clubs do not worry about consequences for spending more than they have.

In relation to Szymanski's point about limited liability corporations, it is also important to look at Hallgeir Gammelsæter and Stig-Erik Jakobsen's article "Models of Organization in Norwegian Professional Soccer."¹⁰ While focusing on Norwegian soccer, they use English soccer as a source of comparison. They discuss the problems with using a limited liability corporation model when combined with the already difficult ability to make money in the soccer business. Another interesting thing to note about this research is the discussion on clubs being part of the London Stock Exchange. Creating shares for football clubs to join the stock market shows how the soccer business is adapting to the new economic world order in an attempt to receive the money they desperately need, but given their limited growth in the stock market, it is evident that the clubs are not growing on par with the economy.

Recently, three decisions have greatly changed how the sport is played. The first decision was the formation of the English Premier League. Stefan Szymanski describes this as giving the clubs of the English Premier League more strength when discussing deals, such as with television rights. Also, the clubs also hoped that the English Premier League would protect against players demanding unreasonable wages.¹¹ While the

Germany and Brazil Win, and Why the US, Japan, Australia, Turkey-- and Even Iraq-- are Destined to Become the Kings of the World's Most Popular Sport (New York: Nation Books, 2009).

¹⁰ Hallgeir Gammelsæter and Stig-Erik Jakobsen, "Models of Organization in Norwegian Professional Soccer," *European Sport Management Quarterly* 8 (2008).

¹¹ Stefan Szymanski, *Football Economics and Policy* (New York: Palgrave Macmillan, 2010).

organized discussion of television deals has worked to the clubs' advantage and thus allowed for television and sponsorship, the added income was used primarily to buy better players with more money. The second decision is known as the Bosman Decision. This was a legal case based upon players being allowed to move teams after their contract had expired. This decision, while trying to help players not be sold out of contract or discriminated against based on their nationality (if they are from a European Union member state), it resulted in the continuous raising of prices of transfer fees. These first two changes led to the third biggest change: the Financial Fair Play Rules. Daniel Geey, a lawyer specializing in football, describes this as a soft-wage cap that will force teams to prove they are attempting to get out of debt in order to play in any international club tournaments.¹² This rules change is an attempt to try and get the clubs to at least attempt some fiscal responsibility after decades of ignoring economic consequences. Stephen Morrow discusses the small amount of areas for a football club to gain substantial income: game attendance, television contracts, and sponsorship.¹³ This means that players will have to take salary hits and transfer fees will not be able to continue at the high rate they are currently at. Essentially without building bigger stadiums, game attendance will not go up, so the best areas to focus on gaining this new money is from either sponsorship, television rights, and wage/transfer fee reductions.

¹² Daniel Geey, "The UEFA Financial Fair Play Rules: A Difficult Balancing Act" *Electronic Law Journals*, 2011.

¹³ Stephen Morrow, *The People's Game? Football, Finance, and Society* (New York: Palgrave Macmillan, 2003).

David Goldblatt is one of few scholars who look at the social aspects of football in his book *The Ball is Round: A Global History of Soccer*.¹⁴ He outlines the negatives that result from turning football (termed in this book as soccer) into a commodity. This thesis searches to describe how the commodification of football has affected the sport, adding a valuable perspective. Goldblatt discusses the eyesore that results from staring at brand after brand throughout a game because there are advertisements surrounding the field. He also discusses how teams search to get players for their squad not based on their skill and ability to help the team win, but for if they can make the club more endorsement deals. The rationale behind why managers choose players is interesting because these are the same players who are receiving tens of millions of dollars to change their teams. This book, however, is somewhat biased. Goldblatt is against the commodification of football. This thesis will examine to look at the issue without the bias that Goldblatt has, seeing both the good and bad elements of this commodification.

Authors Stan Liversedge, Alex Murphy, and Mihir Bose have written histories of specific clubs. Stan Liversedge gives a specific history of Liverpool Football Club in *Liverpool: From the Inside*.¹⁵ Liversedge frames this history by looking at the reigns of specific managers. Alex Murphy, however, focuses on Manchester United Football Club in *The Official Illustrated History of Manchester United*.¹⁶ This study shows the history of the Manchester United Football Club with photo illustrations. The book gives a factual history without much analysis and is mainly targeted towards a general audience.

¹⁴ Goldblatt, David. *The Ball is Round: A Global History of Soccer*. (New York: Penguin Group, 2006).

¹⁵ Stan Liversedge, *Liverpool: From the Inside* (Edinburgh: Mainstream, 1995).

¹⁶ Alex Murphy. *The Official Illustrated History of Manchester United*. (London: Orion, 2006).

As a result, the book is not very specific in its detail. Mihir Bose fills in the gaps in his book *Manchester Unlimited*,¹⁷ which provides details but, again, limited analysis. All three of these books provide a framework for understanding the histories of the football clubs chosen as case studies for this thesis. Also, these histories were written by supporters of the respective football clubs, so they must be examined for their bias.

¹⁷ Mihir Bose. *Manchester Unlimited*. (New York: TEXERE, 2000).

Chapter One: Liverpool Football Club, The Traditional Kings of English Football

In 1892, English football was forever changed when Liverpool Football club was founded. Liverpool is known for consistently remaining in the top of the league and has been led by a variety of very influential men. The story of this successful club starts at the beginning with owner John Houlding, who had the most control over the team acting as both owner and manager. After World War II, though, power over the direction of the club shifted to the managers (i.e., Bill Shankly, Kenny Dalglish, etc.). Since the formation of the English Premier League, however, a dichotomy of power has developed between the owners and managers seeking control over the team, which has led to the problems that ravaged the team during the 2000s.

This chapter will focus specifically on the growth and development of Liverpool Football Club and the role that economics played in this growth. The chapter will be structured into four sections. The first section is the origins and growth of the Liverpool football club. The second section is the post World War II period, which I will refer to as the managerial period. The third section is centered on the ownership of the club by Gillett and Hicks. The bad leadership of the modern period that grew out of the managerial period caused Liverpool to lose economically. Finally, the last period is the recent past.

I. Origins and Growth of Liverpool Football Club

Liverpool Football Club, one of the most storied and influential football clubs in England, was first founded in 1892 under the ownership of John Houlding. Houlding was a well-known businessman and owner of a brewery in Liverpool, England. He was originally involved with the operations of the other club team in Liverpool, Everton

Football Club. Everton originally played at the Stanley Park field, which was a public field, but they were forced to relocate after a new rule mandated enclosed fields.

Houlding was able to broker a deal with fellow brewer John Orrell to play on his field known as Anfield. The true founding of Liverpool Football Club was out of economic circumstances. On October 12, 1881, at a meeting of the Everton Football Club, the Chairman presented a letter from John Houlding explaining they would need to leave Anfield's training pitch.¹⁸ While it specifically said that the team had to leave, at further meetings Houlding asked for more money for John Orrell (£120), who owned part of the land they were on.¹⁹ Everton paid Houlding £250 a year since 1888,²⁰ but now that they would have to pay Orrell they thought the price was unfair.

The board thought that Houlding also wanted too much control in the running of Everton FC. He proposed a limited liability company to raise capital for the team (one of the first teams to use this method common for all teams to structure themselves today), but was shut down.²¹ At a later meeting, though, George Mahon presented the idea to form a limited liability company that was accepted. The English government, however, rejected this application because Houlding had already sent in an application for The Everton Football Club and Athletic Grounds Company, Limited to the government.²² Again, Houlding was attempting to assert his power. To prevent confusion the government would only allow for one Everton FC to exist.

¹⁸ "1891-1892: A new perspective on the birth of Liverpool FC." Accessed October 6, 2011. <http://www.lfchistory.net/Articles/Article/2022>

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Everton Football Club and Athletic Grounds Company, Ltd. *Provisional Prospectus*. London, 1892, 2.

This prospectus shows that by writing the company's provisional prospectus, Houlding could shape the club. It specifically laid out that the club would buy the land Houlding and Orrell owned (at a price the Everton leaders would not agree to) and the directors. Obviously Houlding was most concerned with the sale of his land as Everton buying it was one of the two goals outlined in the prospectus. Also, he was obviously biased in stating his land "is admitted to be a most valuable place for a football club to enjoy."²³ Houlding had to make sure he could get this application in before the other heads of Everton could take control of the football club. Houlding also added himself as president and his allies as directors to have even more influence and attempt to run Everton FC. The new company saw through this and on the March 15, 1892 meeting voted John Houlding out of his presidency and his allies Alexander Nisbet and Thomas C. Howarth off the committee. This was the final straw and finally Houlding and his land (Anfield) was done with Everton FC.

The Football Association would not allow two Everton FC, so Houlding was left trying to start a new football club to fill the stadium he had. March 30, 1892 was the day that Liverpool Football Club was first imagined. Houlding decided to form a team known as the Liverpool Football Club to play in the Football Association under his leadership as president. Officially, the Liverpool Football Club became a limited liability company recognized by the United Kingdom on June 3, 1892²⁴. This whole struggle is described in the Liverpool song "John Houlding":

²³ Ibid.

²⁴ "1891-1892: A new perspective on the birth of Liverpool FC." Accessed October 6, 2011. <http://www.lfchistory.net/Articles/Article/2022>

In the year of our Lord eighteen ninety and two
John Houlding evicted the blues
From their Anfield abode on the Walton Breck Road
He was tired of seeing them lose
Year's behind in rent all their money was spent
A bank that held nothing but zeros
But Houlding instead built a team dressed in red
Liverpool his Anfield heroes
John Houlding. [to the tune of Irish Rover]²⁵

This song, from a Liverpool perspective, shows how the fans see the beginning of Liverpool. First, this shows the importance of economics seeing as they recognize that Everton was not paying their bills. Houlding was essentially paying for the team to succeed and Everton dropped him to keep its independence. Second, it is very interesting that even as far back as the 1890s jerseys were very important. The color of each teams kit is a part of separating the two clubs. Lastly, this song creates a giant divide between Liverpool and Everton by saying Liverpool has money while Everton is in debt, Liverpool is heroic while Everton often lose, and Liverpool in red as compared to Everton in blue. This distinct separation would be needed for people to realize the existence of both clubs in the one city.

Liverpool, ever since the grand founding, was always innovative and interested in making a profit. Take, for example, the official programmes of both Liverpool Football Club²⁶ and Manchester City Football Club²⁷ from September 3, 1898 (just 6 short years after the founding). An official programme is how a team can communicate with its fans

²⁵ "John Houlding." Accessed October 6, 2011.

http://www.liverpoolfc.nl/songs/Liverpool/john_houlding.htm

²⁶ "Liverpool Football Club Programme: September 3rd, 1898." *Liverpool Football Club*. Accessed October 6, 2011.

<http://www.bl.uk/reshelp/findhelprestype/ephemera/football/index.html#ell>

²⁷ "Manchester City Football Club Programme: September 3rd, 1898." *Manchester City Football Club*. Accessed October 6, 2011.

<http://www.bl.uk/reshelp/findhelprestype/ephemera/football/index.html#ell>

on game day by discussing the opponent, who will be playing, and other information about the game. Just looking at these programmes, though, one sees Manchester City's program focusing on football, whereas Liverpool's has a gigantic advertisement (approximately ¼ of the cover page) for a tailor. Innovative ideas such as advertising on their Official Programme to gain extra capital shows the clubs focus on economics in an attempt get the best possible team. At the end of the season that year, too, Liverpool made it to the championship (losing to Aston Villa). While some might argue this great season (shortly after the clubs founding) was a coincidence, more recent studies prove a strong correlation between money spent on a club and their performance (as discussed in the introduction).²⁸

Liverpool was not only innovative with how they advertised, but also with whom they would play. In 1905, Chelsea Football Club came into existence. They applied to play in the Southwestern League (the first division) and were turned down, so they joined Division Two. However, for their second game ever, and their first ever home game, Liverpool, a first division team, agreed to play them in a friendly competition game.²⁹ This immediately validated the Chelsea because Liverpool was a name everyone knew and was a team to watch for winning championships. Chelsea may have been shut out of playing in the first league, but playing with Liverpool would show that the team had the ability to play with division one teams. Chelsea got the Football League's president and future president to be linesmen for the game, showing that they wanted the best on the

²⁸ Simon Kuper and Steven Szymanski. *Soccernomics: Why England Loses, Why Germany and Brazil Win, and Why the US, Japan, Australia, Turkey-- and Even Iraq-- are Destined to Become the Kings of the World's Most Popular Sport*. (New York: Nation Books, 2009), 43.

²⁹ "Unique Programmes: Chelsea's First Home Game." Accessed October 6, 2011. <http://www.lfchistory.net/Articles/Article/464>

field to cement themselves as a team to watch in English football. Chelsea even managed to win, showing they would be a force to be reckoned with considering Liverpool won the Football League and lost in the Football Association semi-finals. A victory against the best team in English soccer meant Chelsea Football Club would now be on the map, thanks to Liverpool.

The Second World War ravaged Britain. During the war, football had to be put on hold, but as soon as the war was over the Football League was back in action. This season was very important because the nation wanted to go back to the way things were pre-war. Liverpool dominated this season and became the champions of England. At the second home game of the season, Liverpool played Chelsea and the programme from the event tells more about Liverpool's innovation.³⁰ The programme describes the Liverpool tour of America. Many people think of traveling to America to gain extra capital and an international following as something new, but this shows that Liverpool thought of doing this as far back as 1946. Not only could this allow the team an extra opportunity to extra capital, but there was no food rationing in America like there was in Britain, meaning that the team could get as much food as necessary to be ready to play at the best level. Extra capital and a competitive advantage as a result of better food intake were huge when considering Liverpool won the English crown that year. So far, Liverpool had successfully managed to be the most innovative and one of the strongest teams in English football for half a century, and this would not end soon.

³⁰ "Unique Programmes: Two Legends Arrive." Accessed October 6, 2011. <http://www.lfchistory.net/Articles/Article/435>

II. Managerial Period

After World War II, team managers started acquiring serious power. They did not have to put up the money for operations and players, just getting the best players and coach them to win championships. The first manager to take the role of manager to new heights and become identified with the team was Bill Shankly, who was named manager on December 1, 1959.³¹

Twas on a cold December's day
Back in 1959
When a man came down from Huddersfield Town
To lead the Anfield line
He bought Yeats from Dundee and St. John
And the football world was shook
This man he became a legend
Bill Shankly from Glenbuck.
Bill Shankly from Glenbuck.³²

The lyrics to the song say it all, Bill Shankly came to Liverpool in 1959 and became a legend. It was not the players that fans to this day sing about in the stands, although some are mentioned in his songs (i.e., Yeats), but Shankly. When Shankly took over, some tough times had hit Liverpool FC and they had moved down to the second division. Shankly, however, took this team to the top of English soccer. Even after his first game at Anfield when Liverpool FC lost 4-0 to Cardiff City, when other managers would be worrying about losing their job, Shankly had no worries, walking into the locker room, as legend has it, and telling the team they would, “win a match at Anfield this season.”³³ He did not have time to deal with emotion; he just needed to fix this team.

³¹ Stan Liversedge, *Liverpool: From the Inside* (Edinburgh: Mainstream, 1995), 28.

³² “Bill Shankly from Glenbuck.” Accessed October 6, 2011.

<http://www.liverpoolfc.tv/history/kop-songs/a-d>

³³ *Ibid.*, 29.

Shankly intelligently changed the team and picked two strategies that are central to modern day football. First, determining which players would be bought, or determine which players would maintain their contract and which players would be released or traded. Second, using psychological tactics to help defeat opponents. Shankly was the first manager at Liverpool FC to ever be allowed to pick all of his players. This final say was very important because previous managers, such as Bob Paisley, had lost players they wanted to buy because the directors voted against it.³⁴ Moving towards this method allowed for complete control of the manager, and obviously with Shankly it was success. Shankly also used some psychological tactics. Liverpool has the nickname of the Reds because Shankly decided that the team would dress in all red. In a recent interview with the *London Times*, Ian St. John, a former player of Shankly's discussed this point: "Before another European game...he came up with the idea of wearing red shorts to match our red shirts. He thought the colour scheme would carry psychological impact — red for danger, red for power."³⁵ He understood the importance of jerseys even back then, partly showing why companies may be willing to spend tens of millions of dollars to get the rights to put their name on jerseys. Teams today are very meticulous with their choices for jerseys as this is a revenue source but also a way of identifying with the team. Shankly could see this decades before. Also, psychologically he understood the importance of the stadium itself: Anfield. Anfield, the area that Everton decided not to rent, paving the way for the Liverpool Football Club, was a symbol of the unity of Liverpool. The most popular song one hears at the stadium is "You Never Walk Alone

³⁴ Ibid.

³⁵ St. John, Ian. "Shankly: The Hero Who Let Me Down." *The Sunday Times* 9 October 2005. <http://www.timesonline.co.uk/tol/sport/football/article576372.ece>

At Anfield.” This is also the team’s motto and on their crest, which is found on most Liverpool memorabilia. To even further the importance of this phrase, Shankly had a sign hung on the tunnel from the opposing team’s locker room to the pitch saying, “This is Anfield,”³⁶ reminding every opposing player where they were walking out to.

When Bill Shankly decided to step down in 1974, his successor Bob Paisley tried to get him to stay. Paisley was Shankly’s second in command at Liverpool Football Club. Unable to persuade Shankly to stay as manager, Paisley was thrust into the job. Paisley’s reluctance makes complete sense, however, because of the legendary status that Shankly had. He had helped Shankly build his highly successful team and now was his time to prove himself. He did this by continuing to win and making big choices for the team. One of his biggest decisions concerned Kevin Keegan and Kenny Dalglish. Keegan was the idol of the Liverpool team, and a key to their success. Keegan was bought for only £35,000³⁷ in 1971 and by 1977 Liverpool began receiving offers for him from teams for over half a million pounds. Paisley made the decision to sell Keegan and spend most of this money to buy Kenny Dalglish. This was very important for the club because Dalglish became one the greatest heroes ever to come through Liverpool. This is also important because the process of buying and selling of players for huge prices has continued prompting the new regulations discussed in the chapter on the Financial Fair Play Regulations (Dalglish being the most expensive player ever bought by the club at the time for £440,000).

Paisley made another huge decision in 1979, when he helped broker a sponsorship

³⁶ Stan Liversedge, *Liverpool: From the Inside* (Edinburgh: Mainstream, 1995), 32.

³⁷ *Ibid.*, 43.

deal between Liverpool Football Club and Hitachi, a Japanese technology company, to have their name put on Liverpool's jerseys. This was immensely important because Liverpool was not only the first professional English football club to use corporate sponsorship on their jerseys, but also the first professional football club in the world to do this. This was unexpected, however, because the Football League of England banned sponsorship on jerseys in English football in 1972.³⁸ Also, a small team in Kettering, England attempted to have sponsorship in 1976 but was forced to take the sponsorship off their jerseys after one game.³⁹ Liverpool Football Club, with its large following and more money was able to pay any fines and thus sponsorship became accepted. This was a big deal because in the modern game, corporate jersey sponsorship is a major component of revenue that is increasingly important, and addressed in the Financial Fair Play Regulations.

After Bob Paisley decided to step down from his position as the manager, Joe Fagan stepped up. Fagan was only manager of Liverpool Football Club for a short amount of time (July 1983 to May 1985) but achieved greatness during this time.⁴⁰ He was the first manager to ever achieve to win the three big trophies in one season: League Championship, European Cup, and League Cup.⁴¹ Under his tenure they continued to increasingly spend more on players, buying Paul Walsh for £700,000. While he was very successful, his managing is also shadowed by the tragedy that occurred on May 29, 1985

³⁸ Mark Tinklin, and James Dart. "Has a stalker ever scored?: Plus: The Real History of Shirt Sponsorship; and Coventry City and Elephants." *Guardian News* 6 July 2005. <http://www.guardian.co.uk/football/2005/jul/06/theknowledge.sport>

³⁹ Ibid.

⁴⁰ "Joe Fagan." accessed October 23, 2011, <http://www.lfchistory.net/Managers/Manager/Profile/11>.

⁴¹ Stan Liversedge, *Liverpool: From the Inside* (Edinburgh: Mainstream, 1995), 48.

in Brussels, Belgium, known as the Heysel Stadium disaster. This was a horrible accident that occurred at Fagan's last game, at the European Cup final between Liverpool FC and Juventus, an Italian football club. At this time, hooliganism was a large part of English soccer, which culturally separated English football from other international fans.⁴² At the game a large grouping of Liverpool supporters broke the fence separating their fans from the Juventus fans causing a massive riot. While trying to escape the Liverpool hooligans, a wall in the stadium crumbled causing the death of 39 fans and hundreds of injuries.⁴³

The Heysel Stadium disaster, while tragic, would shape the future of football. First of all, it hurt English football internationally. Every club coming out of England was banned from European Competition for the next 5 years and Liverpool was originally banned for 10 years, but only had to stay out for 6 years.⁴⁴ This deeply hurt the English Football teams because they were not able to win the European Cup, causing players and managers to leave to other countries. England was the country to beat in European competition before this disaster with the most titles (including a six-year period where an English team won the European Cup (1977-1982)).⁴⁵ After this English football fell in the UEFA coefficient list (a database ranking clubs by country with their success against teams from foreign countries), only returning to the top spot (over Spain) in

⁴² Paul Coslett, "Heysel Disaster." *British Broadcasting Corporation* 4 January 2008. http://www.bbc.co.uk/liverpool/content/articles/2006/12/04/local_history_heysel_feature.shtml

⁴³ Ibid.

⁴⁴ Ibid.

⁴⁵ Union of European Football Associations. *50 European Cup Years*. Switzerland, 2004. 11.

2008.⁴⁶ This meant that after the disaster English football went from having the best clubs in the world to losing this title for another 23 years. This incident also showed the drastic need for improvement in the football stadiums throughout the world. It set in motion the government attempts to create legislation to protect fans at games, but this did not occur until the Hillsborough disaster in 1989 during Kenny Dalglish's management.

Since Paisley had declared to step down before the game when the Heysel Stadium disaster occurred, Liverpool Football Club needed a new manager. On May 30, 1985 many people were very surprised when the club decided to name "King" Kenny Dalglish. This was surprising because Kenny was both not one of the higher-ups in the organization that had been breeding managers ever since Bill Shankly, and he was a playing on the team at the time. He was not just any player, though, and was regarded as one of, if not the, best player in England. Not only that, Liverpool made another innovative move when they made Kenny the first ever player-manager in England.⁴⁷ It was hard at this time to find a big name manager who would want to manage a team banned from international competition (more so because Liverpool had the extra 5 year ban). Kenny had helped with Paisley so they knew he could do this job and he did it wonderfully. When the team won the 1989/1990 Championship, he was voted Manager of the Year for the third time in five years.⁴⁸ He was highly successful, losing only a few games and collecting many championship trophies.

During the Dalglish period, however, another tragedy struck, known as the

⁴⁶ "UEFA Country Coefficients" accessed October 23, 2011.
<http://kassiesa.home.xs4all.nl/bert/uefa/data/method3/ccoeff2008.html>

⁴⁷ "Kenny Dalglish." accessed October 23, 2011,
<http://www.lfchistory.net/Managers/Manager/Profile/12>.

⁴⁸ Ibid.

Hillsborough disaster. This incident took place in Hillsborough, England in a Football Association Cup semi-final between Liverpool and Nottingham Forest on April 15, 1989.⁴⁹ During the game there was no police control helping to guide fans into the standing room portions of the stadium. As a result, Liverpool fans continued going into the main area instead of the side standing areas. Soon, the overcrowding was getting too intense, but with the game just beginning to start only the fans at the very front could feel or notice anything was wrong. Eventually the pressure was so large that the only escape was by climbing the fence keeping the fans out of the field. In the end, 96 people were crushed to death by this tragedy with another 200 injured in some way.⁵⁰ While there have been accusations of foul play, from police officers not being there to direct fans to putting more Liverpool fans into a smaller area than the Nottingham Forest fans,⁵¹ what remains is this was the second disaster for Liverpool fans resulting from poor stadium structuring and questionable crowd control.

English football was devastated, but given the ability to get better. The government finally got the push it needed to pass new legislation to change stadiums for the better. The English government finally came up with the Football (Offenses) Act of 1991, stating its goal as “An Act to make further provision with respect to disorderly conduct by persons attending football matches; and for connected purposes.”⁵² Finally the government would begin trying to fix problems resulting from faulty stadium design

⁴⁹ “On This Day: 15 April 1989: Football Fans Crushed at Hillsborough.” *British Broadcasting Corporation* 4 January 2008. http://www.bbc.co.uk/liverpool/content/articles/2006/12/04/local_history_heysel_feature.shtml

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² United Kingdom Parliament under Elizabeth II. *Football (Offenses) Act 1991*. London, 1991. 1.

and stop hooliganism as much as possible. The Act provided for making illegal the throwing of objects at other fans, chanting things of a racialized nature (defined as threatening a person's "colour, race, nationality (including citizenship) or ethnic or national origins"),⁵³ and going into any areas not officially recognized as space for fans.⁵⁴ Out of this incident came the Taylor Report, an inquiry into the causes of this tragedy and how to avoid it in the future. Lord Justice Taylor found the three biggest causes to be inadequate police control, an inefficiently built stadium, and the fans being overly drunk and unruly.⁵⁵ This report recommended the rebuilding of stadiums to have all seated areas and no standing room. There have also been changes to ticketing, with only members of club (at some teams) being allowed to purchase tickets and introduction of cameras in stadiums so that fans breaking the rules of the Football (Offenses) Act of 1991 can be barred from attending football matches. This will be very important when looking at the Financial Fair Play Regulations that make spending on stadiums (to improve upon them) exempt from being considered expenditures.

After Dalglish left the job in 1991, no manager ever was able to reach the previous successes until Rafael "Rafa" Benitez got the job in 2004. Benitez, a Spanish manager, was able to match Paisley's feat by winning the European Cup in his first season. While not always consistent when it came to matches in the Premier League, he was very consistent against foreign competition, reaching the final again in the European

⁵³ Ibid.

⁵⁴ Ibid.

⁵⁵ Lord Justice Taylor. *The Hillsborough Stadium Disaster: Interim Report*. London, 1991, 47.

Cup, where Liverpool lost to A.C. Milan.⁵⁶ Everything was about to change in 2007 with the coming of the new American owners George Gillett and Tom Hicks.

III. Gillett and Hicks Period

Both Gillett and Hicks owned profitable teams in the National Hockey League and hoped to continue their success at Liverpool Football Club. In a battle over control for Liverpool with Dubai International, Hicks and Gillett finally won the battle by valuing the club at £174.1 million and agreeing to pay off their £44.8 million in debt, making their total payment of £218.9 million.⁵⁷ Additionally, they promised two things to the club: not to allow the team to go into debt again and to build a brand new stadium. Liverpool seemed to be a great investment because a new television deal was formed with the Premier League to be seen overseas which would give a minimum of £26 million to each club with payments of up to £50 million for the champions (up £20 million from the year before).⁵⁸ Also, with the building of a brand new stadium they could receive more money per game with the increase of seats (as Manchester United Football Club, with 30,000 more seats averaged £2 million per home game more than Liverpool Football Club).⁵⁹ The future looked bright for the club with new owners willing to spend money and Rafa Benitez's success internationally.

The owners fronted Rafa the money to bring in big names such as Fernando

⁵⁶ Union of European Football Associations. *50 European Cup Years*. Switzerland, 2004. 11.

⁵⁷ "US Pair Agree Liverpool Takeover." *British Broadcasting Corporation* 6 February 2007. <http://news.bbc.co.uk/sport2/hi/football/teams/l/liverpool/6323037.stm>

⁵⁸ Daniel Geey. "The Takeover Code: Liverpool FC Case Study." *World Sports Law Report* March 2007.

⁵⁹ *Ibid.*

Torres, Yossi Benayoun and Javier Mascherano⁶⁰ because the owners understood the need to win in order to make a profit. While during 2007 Liverpool was able to do well in national competition, internationally the team was struggling and suddenly the owners started making their opinions known. The owners, along with the Board of Directors, began to undermine Rafa's leadership by choosing which players they would take and whom they would not; notably passing on Rafa-backed Gareth Barry and gaining Robby Keane even though Rafa did not wish to have this player.⁶¹ Also, the owners began discussing other managers to take Rafa's place (publicly discussing to Jürgen Klinsmann).⁶² The fans, however, were loyal to Rafa Benitez. By March of 2009 the Chief Executive of the Board of Directors, Rick Parry, who had made things difficult for Rafa, decided to step down and Rafa then agreed to a five-year contract extension.⁶³

Things looked promising as Parry was leaving that Rafa might receive the power that was characteristic of the Managerial period. With just narrowly missing winning the Premier Championship in the 2008/2009 season (Manchester United won it), fans were excited for the 2009/2010 season. Even though Rick Parry had left, the owners were still not going to front Rafa the money to make big signings similar to football clubs like Manchester United and Chelsea, which both then did better in the Premier League that year. The owners had allowed the club to go into debt, which they promised not to do,

⁶⁰ "Rafa Benitez." accessed October 23, 2011, <http://www.lfchistory.net/Managers/Manager/Profile/20>.

⁶¹ Ibid.

⁶² "Liverpool manager Rafael Benítez hits back at Jürgen Klinsmann and Graeme Souness." *The Telegraph* 11 December 2009. <http://www.telegraph.co.uk/sport/football/teams/liverpool/6791627/Liverpool-manager-Rafael-Benitez-hits-back-at-Jurgen-Klinsmann-and-Graeme-Souness.html>

⁶³ "Rafa Benitez." accessed October 23, 2011, <http://www.lfchistory.net/Managers/Manager/Profile/20>.

and wanted to move all proceeds the team received to helping pay down this debt, whereas Rafa wanted to use proceeds to strengthen the team. Rafa was not sure if he would stay with the team if he could not get money for a transfer budget (the budget for buying players from other teams), and this worried the team. Fernando Torres, the team's star striker Rafa had discovered (worth around £70), said publicly that if Rafa was fired or quit, he would leave the club for somewhere else.⁶⁴ This was a bold statement but the board would need to decide if they would keep the manager and put the money up for him to do his job or get rid of one of their best players.

The Board decided that they would need to keep Rafa and let him continue with the season. However, when the team did not turn around, relations between the owners and Rafa continued to get worse and worse. Rafa resented the fact he would have to sell his own players in order to afford new players such as Xabi Alonso in late 2009 for £30 million so that he could buy Alberto Aquilani and Glen Johnson.⁶⁵ Always sticking to his point that he would stay with the club, by summer of 2010 it looked as if Rafa's departure was imminent. On June 3, 2010 it was official; after six years Rafa Benitez decided to part ways with Liverpool Football Club by a "mutual consent".⁶⁶ Instead of allowing the man to build the team the he wished, the owners chased him away (Rafa was then picked

⁶⁴ John Edwards. "Fernando Torres: If Rafa Benitez is too slow, I'll leave Liverpool (for £70 million)." *Daily Mail* 7 May 2010.

<http://www.dailymail.co.uk/sport/football/article-1274073/Fernando-Torres-If-Rafa-Benitez-slow-Ill-leave-Liverpool-70million.html>

⁶⁵ John Aldridge. "John Aldridge: Funding Woe Sure to Frustrate Rafa Benitez." *The Liverpool Echo* 22 August 2009.

⁶⁶ John Ashdown. "Rafael Benitez Leaves Liverpool." *The Guardian* 3 June 2010.

up by the reigning European Cup champions Internazionale Milan).⁶⁷

Liverpool was left without a manager and bad ownership leading the team. The team chose to give the position to Roy Hodgson from Fulham FC in London.⁶⁸ He is the second shortest reigning manager Liverpool ever had and basically showed the world how far Liverpool had fallen. The fans could not stand to watch their beloved team be dragged down any longer by the terrible ownership that had dragged them into having debt so large it was estimated at £425 million and had not started any building on a new stadium in the three years they were at Liverpool.⁶⁹ There was massive unrest by fans attempting to get rid of these owners that had only spent about £9.28 million on new players, yet had enormous debts.⁷⁰ In order to buy the team, the two had taken a large loan from the Royal Bank of Scotland and, instead of paying it back quickly, continued going farther into debt. Worse, the owners did not understand that in order to be successful the club needed to spend money.⁷¹ Fans rallied against the ownership, took to the Internet to complain, and even attempted a financial embargo on the club known as *Not A Penny More*.⁷² The pressure got too intense and the Board decided that they would force Hicks and Gillett to sell the club to New England Sports Ventures (the company

⁶⁷ “Rafa Benitez.” accessed October 23, 2011, <http://www.lfchistory.net/Managers/Manager/Profile/20>.

⁶⁸ “Roy Hodgson.” accessed October 23, 2011, <http://www.lfchistory.net/Managers/Manager/Profile/21>.

⁶⁹ “LFC Debt – Thanks to Gillett and Hicks.” Accessed October 16, 2011, <http://www.notapennymore.net/debt.html>.

⁷⁰ Ibid.

⁷¹ Simon Kuper and Steven Szymanski. *Soccernomics: Why England Loses, Why Germany and Brazil Win, and Why the US, Japan, Australia, Turkey-- and Even Iraq-- are Destined to Become the Kings of the World's Most Popular Sport*. (New York: Nation Books, 2009), 43.

⁷² “LFC Debt – Thanks to Gillett and Hicks.” Accessed October 16, 2011, <http://www.notapennymore.net/debt.html>.

that owns the Boston Red Sox).⁷³ While Gillett and Hicks tried to get an enormous amount for Liverpool, English courts ruled they would have to take the price the club decided on and pay the debt themselves. The future looked bright for Liverpool with these new owners, fans hoped they would be able to recover from the Gillett and Hicks period.

IV. The Present

This period started as Roy Hodgson was still managing the team after being appointed by Hicks and Gillett. After the first 20 games of the 2010-2011 team, the team had lost nine and only won seven, and by January 8, 2011 the team had decided to part ways with Hodgson. The first big test was finding a replacement for Hodgson and the New England Sports Ventures (NESV) did not disappoint. They brought back the legend “King” Kenny Dalglish on January 8, 2011 to finish out the rest of the season.⁷⁴ Even though the new owners had never owned a football club, a choice such as Dalglish showed that they did understand how to run a sports team. Kenny was able to prove his skill, too, by taking the team from possible relegation (being in the bottom three teams) to fighting for the fifth spot in the league and qualifying for European competition.⁷⁵ The new owners gave Kenny enough money to get transfers and picked up big players such as Luis Suarez for £25 million. The board also announced they would be willing to listen to Kenny on player and personnel issues. From the actions the new ownership has taken, it appears they understand the method to success: owners willing to spend money while

⁷³ “Liverpool Takeover completed by US company NESV.” *British Broadcasting Corporation* October 15, 2010.

⁷⁴ “Kenny Dalglish (2nd term).” accessed October 23, 2011, <http://www.lfchistory.net/Managers/Manager/Profile/24>.

⁷⁵ *Ibid.*

allowing an intelligent manager to have complete control over his team. It is difficult to give control of the team over to someone else when it's the owners' money at risk, but the managers are the people who know soccer.

The case of Liverpool gives interesting insight looking into the problems that have arisen. Their ability to create new economic opportunities has been astounding, from sponsorship in programs very early to introducing sponsorship on jerseys. The club was one of the first to bring up these new measures that led to more money entering clubs that has been exacerbated with recent times. Second, their history shows the two largest tragedies to ever occur in European soccer. This was one of the first times the government had truly got involved in regulating the sport, with their stadium standards. This will give justification for future rule changes seen in the sport. Lastly, this history shows a problem that arises with a bad relationship between a manager and an owner.

Chapter Two: Manchester United Football Club, The World's Most Successful Team

During the late 20th and early 21st century, Manchester United Football Club has dominated the English Premier League and become the most financially successful team in the world. Manchester United Football Club was not always this dominant team, and has had a very similar story to Liverpool Football Club, reaching success when the other team failed. The story starts with the founding of another team: Newton Heath Lancashire & Yorkshire Railway. Manchester United grew out of this club and became established under the managerial control of Ernest Mangnall. After this, the team went into deep debt, only to be saved again by manager Matt Busby. After his departure, though, the team would suffer again until the arrival of the new and current manager Sir Alexander Ferguson.

This chapter will focus specifically on the growth and development of Manchester Football Club and the role that economics played in this growth. The chapter has four parts. The first section is the founding of the Newton Heath Lancashire & Yorkshire Railway. The second section is pre-World War II Manchester United Football Club (from the change from Newton Heath into Manchester United Football Club to the Club's decline before World War II). The third section is on the Post World War II Era (from the rise under Busby until the takeover by Alexander Ferguson). Finally, the last section is about the 1990s and 2000s under Sir Alexander Ferguson.

I. Origins of Newton Heath Lancashire & Yorkshire Railway Company Cricket and Football Club

Newton Heath is an urban area within greater Manchester, England. This area exploded with factories when the Industrial Revolution occurred in England. Liverpool-born Frederick Attock formed Newton Heath Lancashire & Yorkshire Railway in 1878.⁷⁶ Frederick Attock had moved to Manchester and been appointed superintendent engineer of Lancashire & Yorkshire Railway.⁷⁷ Attock proposed to the Lancashire & Yorkshire Railway to form a social men's club consisting of a football team comprised of the railway workers.⁷⁸ Football is largely seen as a blue-collar sport in England, and it is important to realize that the beginnings of Manchester United Football Club came from these roots. This team was formed to allow the workers a chance to play football against other workers. The dining room committee of Lancashire & Yorkshire Railway, who had the authority to form this club, allowed Attock to form a team making him President. The Vice President was Member of Parliament Arthur Balfour (who would go on to become Prime Minister).⁷⁹ This is very important because of two things. First, Manchester United was first given shape by a citizen of Liverpool (their fierce rival), which points to the early connections with Liverpool. Beyond this, though, is the story of the Vice President Balfour. As will be shown further on, football has had a strong correlation to politics. The Vice President, a member of Parliament, helped form a team and eventually went on to become one of the most powerful political figures in Britain.

⁷⁶ Brian Belton. *Red Dawn - Manchester United in the Beginning: From Newton Heath to League Champions*. (London: Pennant Books, 2009), 5.

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Ibid.

The Newton Heath Lancashire & Yorkshire Railway finally got a chance to prove its skill in 1885 when the Manchester Football Association (the governing body over football in Manchester) founded the Manchester Cup.⁸⁰ This was a contest to determine the best team in Manchester. In this first tournament Newton Heath Lancashire & Yorkshire Railway managed to get second, losing in the final.⁸¹ This showed that Newton Heath Lancashire & Yorkshire Railway would be able to compete with many other teams. In 1888 when the Football League (now the English Premier League) was formed, Newton Heath was not asked to join, however.⁸² They were not seen as competitive as the twelve teams chosen to be a part of the Football League. Newton Heath, in a response with eleven other clubs, formed the Football Alliance the next year.⁸³

Within three years after forming the Football Alliance, financial troubles in the Football League and a rise in competition among the Football Alliance teams led to the leagues combining, with the Football League division one and Football Alliance division two.⁸⁴ This was extremely important for a several reasons. First, this was the first step to forming the English soccer structure as it is known today. Adding divisions allowed for more national competition and the possibility to move up and down in divisions. Secondly, this shows another time that economics helped change the sport of football. Funding problems caused the necessity for the combination of the two leagues. Finally, Newton Heath Lancashire & Yorkshire Railway was asked to move up to the first

⁸⁰ “Newton Health NYR.” Accessed November 7, 2011. <http://www.manchester-united-fans-site.com/newton-heath.html>

⁸¹ Ibid.

⁸² Ibid.

⁸³ Ibid.

⁸⁴ Ibid.

division showing the club was gaining more respect, which would remain with the club for the rest of its history.

Newton Heath struggled in the Football League. During the first two seasons, Newton Heath found itself at the bottom of the first division standings.⁸⁵ During the 1892-1893 season, however, the Football League decided to change its rules to allow relegation and promotion within divisions. They would do this by pitting the lowest team in division one against the best team in division two and allowing the winner to play the next season in division one. The historic first ever relegation match was between Newton Heath and Small Heath. Newton Heath won the match and remained in the first division.⁸⁶ The next year Newton Heath was back, though, this time playing Liverpool. This time history was made with Liverpool Football Club winning and sending down Newton Heath, the first English football team ever to be relegated, creating a deep rivalry between the two heavy industrial cities and starting the process of relegation.

The rivalry between these two teams goes back to this game 1894. Again this was very important because this would help structure the way the English Premier League is structured today (both with respect to relegation/promotion and the bitter hatred between Liverpool Football Club and Manchester United Football Club). In addition it led to the formation of Manchester United Football Club from Newton Heath Lancashire & Yorkshire Railway. Relegated into division two and without a strong manager, Newton Heath continued to struggle season after season, going deep into debt.⁸⁷ Failing to win

⁸⁵ “Manchester United.” Accessed November 7, 2011. <http://www.fchd.btinternet.co.uk/MANCHESU.HTM>

⁸⁶ Ibid.

⁸⁷ “Newton Heath NYR.” Accessed November 7, 2011. <http://www.manchester-united-fans-site.com/newton-heath.html>

was causing many fans to stay away. For the next twelve seasons the team continually underperformed and further ran into debt. By January 1902, Newton Heath owed creditors £2,670 (equivalent of about £210,000) and was being forced to pay or disband.⁸⁸

The team would find salvation, however, in John Davies, a local businessman who owned a brewery. Captain Harry Stafford met with Mr. Davies and three other prominent businessmen and convinced them to buy the club out of its debt. Davies agreed on the condition that he would be allowed direct influence in the management of the club (eventually becoming the Club president). This event was the birth of Manchester United, spurred out of economic debt and encouraged by an attempt to compete. It is also very interesting to note, the importance that alcohol had in the formation of the English Premier League, with both Liverpool and Everton being founded by brewers. The brewers were able to sell their own alcohol on the grounds without any competition from other breweries. As it was common for fans to drink at matches, buying clubs was a good investment for brewers.

This is also important because this change of ownership shows the importance of a name. Just as there was a struggle over which Liverpool team would be called Everton, this new ownership meant there would be a change of name for the club to reinvent the club's image. Both Manchester Central and Manchester Celtic were names given some consideration⁸⁹ Manchester Central could not be used⁸⁹ because it sounded too much like a train station and the team was no longer associated with the railway. Manchester Celtic could not be used because the club was not associated with a Celtic movement. Then, in

⁸⁸ Lawrence H. Officer. "What Were the U.K. Earnings Rate and Consumer Price Index Then? A Data Study." *MeasuringWorth*, 2011.

⁸⁹ "History By Decade: 1900-1909." Accessed November 7, 2011.
<http://www.manutd.com/en/Club/History-By-Decade/1900-1909.aspx>

a meeting with fans set up by Davies, a Manchester local named Louis Rocca suggested the name Manchester United and it stuck.⁹⁰ Manchester United Football Club was born.

II. The Beginning of Manchester United

Davies appointed Ernest Mangnall to be secretary of Manchester United Football Club.⁹¹ Mangnall acted as manager for the club and under his leadership the team prospered. Mangnall was not known as a very good manager, focusing his squads on being the most in shape team and conditioning instead of focusing on strategy and finesse.⁹² John Davies decided to allow Mangnall to form the team Mangnall wanted and pay for whatever players he wished (even paying a record setting £600 for Charlie Roberts).⁹³ Within three years he had gotten Manchester United Football Club promoted back to the first division. This shows the combination between having the money to pay for a good team, combined with good managing, could give good results. Also, this pattern shows the continuing raising of transfer fees could create a problem for teams.

Under the management of Mangnall, John Davies built a brand new stadium known as Old Trafford in 1910 (named after the area in Manchester with the same name). This state of the art stadium was massive, allowing for 80,000 fans to watch a game.⁹⁴ The year the stadium was finished, Manchester United went on to win the League

⁹⁰ Robert Philip. "How Matt Busby Arrived at Manchester United." *The Telegraph*. 01 February 2008. <http://www.telegraph.co.uk/sport/football/2290610/How-Matt-Busby-arrived-at-Manchester-United.html>

⁹¹ "History By Decade: 1900-1909." Accessed November 7, 2011. <http://www.manutd.com/en/Club/History-By-Decade/1900-1909.aspx>

⁹² "James Ernest Mangnall." Accessed November 8, 2011. <http://www.spartacus.schoolnet.co.uk/MANUmangnall.htm>

⁹³ Ibid.

⁹⁴ "History By Decade: 1910-1919." Accessed November 7, 2011. <http://www.manutd.com/en/Club/History-By-Decade/1900-1909.aspx>

Championship for the second time in the club's history.⁹⁵ The building of a new stadium was hugely important for the club. First, on February 17, 1910, two days before the first ever game played at Old Trafford, the old stadium was destroyed by strong winds. Seeing the tragedies that occurred to Liverpool Football club, this further shows how new stadiums were needed for safety. Second, the first ever game played here (which Manchester United lost) was to Liverpool Football Club, adding more fuel to their rivalry. Finally, Manchester United Football Club won the Football League Championship the same year they made more money because their stadium could seat so many spectators. This, over a season, would give vast sums of capital for the team to spend on creating the best team. While it can't be proven that this stadium directly caused their victory, it is an interesting coincidence.

James Mangnall also showed how ruthless a manager could be to achieve results. Billy Meredith, a Welsh player for Manchester City Football Club was caught up in a bribery scandal at the end of the 1905-1906 season.⁹⁶ The Football League decided that Meredith, and some other Manchester City players, would not be allowed to play for Manchester City as a result. At the time, Manchester City was arguably the best team in England and this decision decimated the team. With money from John Davies, Mangnall bought many members of the Manchester City Football Club squad. With the capital to choose the players Mangnall wanted and his strong managerial skill, Mangnall took a struggling division two team to winning the League Championship twice (1908 and

⁹⁵ Ibid.

⁹⁶ "History By Decade: 1900-1909." Accessed November 7, 2011. <http://www.manutd.com/en/Club/History-By-Decade/1900-1909.aspx>

1911) and the Football Association Cup (1909).⁹⁷ A disappointing season in 1911-1912 would end Mangnall's relationship with the team, he took the blame and resigned to manage Manchester City.⁹⁸ The lack of a strong manager cost the team and before they could fix things World War I broke out.

The four years of World War I took its toll on Manchester United, playing with a largely different squad when the war was ended. During the war the Football League was suspended. When it was over, Manchester United had lost players in the war and some were too old to compete. Their squad was not strong enough to compete in division one and once Mangnall came and bought Billy Meredith back, Manchester United Football Club found itself relegated again in the 1921-1922 season.⁹⁹ Manchester United was in serious trouble. By the 1930-1931 season most fans were not interested in the team. At the opening game for that season, only 3,507 fans showed up leaving over 76,000 empty seats at Old Trafford.¹⁰⁰ The team was going broke and had no money to pay its players. There was a serious chance that Manchester United Football Club would be no more.

Again Manchester United was struggling economically and again someone would come to the rescue. This time it was James Gibson, a producer of army uniforms who became extremely rich after World War I. In 1932 Gibson promised to "inject an immediate £2,000 (about £90,000 at 2008 values) to guarantee the wages of players and staff, while guaranteeing a further £40,000 (£1.8 million) to pay off debts brought about

⁹⁷ Mihir Bose. *Manchester Unlimited*. (New York: TEXERE, 2000), 124.

⁹⁸ "History By Decade: 1910-1919." Accessed November 7, 2011.
<http://www.manutd.com/en/Club/History-By-Decade/1900-1909.aspx>

⁹⁹ "History By Decade: 1920-1929." Accessed November 7, 2011.
<http://www.manutd.com/en/Club/History-By-Decade/1900-1909.aspx>

¹⁰⁰ "History By Decade: 1930-1939." Accessed November 7, 2011.
<http://www.manutd.com/en/Club/History-By-Decade/1900-1909.aspx>

by the Great Depression.”¹⁰¹ Gibson sank a fortune into the club so that it would be able to recover and thrive. The investment came with a price, though, Gibson wanted control as President of Manchester United Football Club and the ability to choose a new board of directors. Again this shows, similar to Houlding with Liverpool Football Club, a man trying to use his economic stature to take control of a team. Without a strong manager, however, the team would continue to struggle, even without having to worry about money. Before a proper manager could be found, World War II broke out.

III. The Post World War II Era

When the war had ended, Manchester United Football Club needing fixing. First, Old Trafford had been damaged during the German blitz. In fact, nine other clubs also had their stadiums bombed by Nazi planes. Gibson was innovative with dealing with the situation, getting the government to financially support the clubs affected to help with the rebuilding costs. Gibson’s economic status and persistence with the British Prime Minister Clement Attlee worked, although with other issues prevailing it did take awhile to get the funds.¹⁰²

Gibson also had to deal with rebuilding the fan base. Manchester United’s lack of success since Mangnall left had caused many fans to stop supporting the club. Intelligently, Gibson realized that if he could make attending games easier, more fans would come. He did this by convincing Midland Railway, which controlled the

¹⁰¹ Robert Philip. “How Matt Busby Arrived at Manchester United.” *The Telegraph*. 01 February 2008. <http://www.telegraph.co.uk/sport/football/2290610/How-Matt-Busby-arrived-at-Manchester-United.html>

¹⁰² Ibid.

Manchester Central Station to London rail line to make a stop right by Old Trafford on match days. He explained that they would gain added revenue.¹⁰³

Finally, Gibson had to fix his team. He needed to do this by getting better players, which meant convincing players that Manchester United was going to turn itself around, and gaining a manager to actually do that. Gibson came up with a revolutionary idea that is common today: creating the Manchester United Junior Athletic Club (essentially an early version of the academies today).¹⁰⁴ Gibson understood that this system would allow the team to train young players in Manchester and then have them attached to the team when they are ready to play professionally. This innovation is amazing because this is such an integral part to the modern game. The academies are so important that money spent on this is not counted against getting out of debt when it comes to the new regulations under Financial Fair Play Rules.

To get a manager Gibson looked towards Liverpool. At the time, Matt Busby was registered as a player coach for Liverpool. Manchester United saw greatness in him and hired him to be their new manager. As Mihir Bose puts it, “The Manchester United inheritance is summed up in one name: Matt Busby. Before he arrived at Old Trafford the club was nothing; after him it was set on a path to glory which others...have struggled to emulate.”¹⁰⁵ While saying the club was nothing before Busby is an overstatement, the fact is that the only titles Manchester United was able to win before Busby were under Mangnall’s leadership. Under Busby’s leadership, Manchester United managed to win five Football League Championships (1952, 1956, 1957, 1965, 1967), seven second place

¹⁰³ Ibid.

¹⁰⁴ Ibid.

¹⁰⁵ Mihir Bose. *Manchester Unlimited*. (New York: TEXERE, 2000), 123.

finishes, two Football Association Cups (1948, 1963), one charity shield (awarded to the winner of a match between the Football League Champion and Football Association Cup champion), and a European Championship.¹⁰⁶ Manchester United finally moved from the team that had struggled to not declare bankruptcy to a well-respected team in English soccer.

Busby got his job as manager fifteen years before Bill Shankly and redefined the job of a manager of Liverpool. Managers after Busby became immensely powerful. Busby would not compromise on his beliefs on playing style or players and would dictate what he wanted, accepting nothing less.¹⁰⁷ The growing capital allowed him to spend to make the team relevant. Busby also became famous from his use of young players, known as Busby's Babes. These players, many of whom were home grown players that came up through the Manchester United Junior Athletic Club, showed the practical use of setting up academies. Tragedy struck, though, on February 6, 1958 when an airplane crash killed 8 members of the squad and almost killed Busby.¹⁰⁸ Busby would have to start all over again. In the rebuilding process Manchester United, once again, broke the transfer price record by paying £115,000 for Denis Law, revealing Manchester United's ability to continually outbid opponents.¹⁰⁹

Within ten years after the horrible plane accident that decimated Busby's team, Busby rebuilt the team to get Manchester United's first ever European Cup. While this

¹⁰⁶ "Manchester United." Accessed November 7, 2011.

<http://www.fchd.btinternet.co.uk/MANCHEsu.HTM>

¹⁰⁷ Robert Philip. "How Matt Busby Arrived at Manchester United." *The Telegraph*. 01 February 2008. <http://www.telegraph.co.uk/sport/football/2290610/How-Matt-Busby-arrived-at-Manchester-United.html>

¹⁰⁸ "History By Decade: 1950-1959." Accessed November 7, 2011.

<http://www.manutd.com/en/Club/History-By-Decade/1950-1959.aspx>

¹⁰⁹ Ibid.

feat was amazing, and Busby would be knighted for it in 1969 Matt Busby decided to step down as manager of Manchester United Football Club. The team had serious troubles finding a manager for multiple seasons or to lead the team to success. The team needed another manager with the legacy of Sir Matt Busby and after 17 years and seven different managers they would finally find him.

IV. Manchester United under Sir Alexander Ferguson

Manchester United Football Club needed to find a manager to bring their team back to greatness. By November 1986 the team believed they had found their man managing Aberdeen, a Scottish football Club. The Scottish League was dominated by two teams, Celtic Football Club and Rangers Football Club, yet Alexander Ferguson had managed to achieve every Scottish award over these teams and even beat international powerhouse Real Madrid.¹¹⁰ If Alexander Ferguson could make a smaller team with fewer funds than Manchester United into a competitive team, Manchester United was interested in seeing what he could do managing a football club with their resources. It would take a some time before Ferguson could get his type of players. By the start of the 1990-1991 season Ferguson would have his squad and would begin the most successful career of any English football club manager.

It started with Manchester United winning the 1990 Football Association Cup, which essentially saved his job.¹¹¹ Now that Manchester United had managed to win a major title, fans had something to hope for. Fans did not have to wait long as in May of 1991 in Rotterdam, Netherlands Manchester United made it to the European

¹¹⁰ "History By Decade: 1980-1989." Accessed November 7, 2011. <http://www.manutd.com/en/Club/History-By-Decade/1980-1989.aspx>

¹¹¹ "History By Decade: 1990-1999." Accessed November 7, 2011. <http://www.manutd.com/en/Club/History-By-Decade/1990-1999.aspx>

Championship and beat Barcelona.¹¹² For only the second time in Manchester United history and 23 years after the previous European championship, Ferguson had cemented his status in English Football. These two victories were some of the most important of Ferguson's career for several reasons. First, Ferguson now had job safety. After attempting to find the next Busby, Manchester had been unhappy with the lack of championships. Now, however, Ferguson had brought the team two and the ownership trusted him. This trust would open the door to the type of spending that the owners had allowed with Busby. Second, Manchester United was now given back the respect of a successful club. They had proved they could compete nationally (with the Football Association Cup) and internationally (with the European Championship).

Lastly, this would set up the illustrious career in which Manchester United (under Ferguson) would dominate football nationally and internationally for the next 25 years. Under his tenure Manchester United has won 12 Premier League titles, 5 Football Association Cups, 10 Community Shields, 4 League Cups, 2 Union of European Football Associations (UEFA) championships, a UEFA Cup Winners' Cup, a UEFA Super Cup, an intercontinental cup, and a International Federation of Football Associations (FIFA) Club World Cup.¹¹³ To put this in comparison, Ferguson's Manchester United has won the third most Premier League titles (following Liverpool with 18 titles and Arsenal with 13). Furthermore, since the 1991-1992 season, Manchester United has yet to fall below third place in the Premier League and only fallen behind second in three seasons. The

¹¹² Ibid.

¹¹³ "Manchester United." Accessed November 7, 2011.
<http://www.fchd.btinternet.co.uk/MANCHESU.HTM>

success that has been generated under Ferguson in a mixture of skillful player choices, well spent transfers, and strategy against other football clubs.

This success has been recognized by the world of football. First, Ferguson has been able to attract some of the highest profile and best players in the entire world. The most recognizable was David Beckham. Taught through the academy of Manchester United, Ferguson helped to develop Beckham into one of the best football players of our generation and an English celebrity. Coming up through the ranks shows the skill Ferguson had at developing a player. Eventually, in 2003, he sold Beckham to Real Madrid for £25 million, the largest ever transfer fee.¹¹⁴ This is important because it further shows the great increase in prices being paid for players but also because it shows the ability teams have to make massive amounts on players they sell. Ferguson had to make up for his loss of Beckham by buying Cristiano Ronaldo for £15 million (so making £10 million on the move for the club). Ferguson did not disappoint and Ronaldo became the new “it” player in Europe, winning the FIFA World Footballer of the Year in 2008 for Manchester United. However, Ferguson also understood the financial opportunity Ronaldo presented and again sold a star to Real Madrid (this time shattering the Beckham transfer fee record by selling for £80 million in 2009).¹¹⁵ Ferguson’s continued success of making big financial moves and bringing in new players got notice from the national government.

¹¹⁴ “David Beckham.” Accessed November 8, 2011.
http://soccer.net.espn.go.com/player/_/id/8880/david-beckham?cc=5901

¹¹⁵ “Cristiano Ronaldo.” Accessed November 8, 2011.
http://soccer.net.espn.go.com/player/_/id/22774/cristiano-dos-santos-aveiro-ronaldo?cc=5901

The English government, fans' following of sports and specifically of Manchester United, have made moves to glorify the heroes of the people. First this was done by knighting Matt Busby in 1968 after winning the European Cup. This was not his only honor, however, as he was also made a Knight Commander of Saint George by the Pope in 1972. The English government followed suit with Alexander Ferguson by also bestowing the Knightship in 1999, after his fifth F.A. Championship. Both of these men were members of Manchester United Football Club and managers such as Kenny Dalglish and Bill Shankly were never given these honors. This could be because, unlike the Liverpool managers who ran the football club for a small amount of time and then moved on to allow another manager to flourish, both Ferguson and Busby managed their football for over twenty years. Also, this could be the government gaining popularity by associating with football, as both men were knighted while the Labour party was in charge. Football continues to gain popularity in England from the sport of the working class to a broader social following. The Labor Party was elected in Parliament less than two years before Manchester United won its second ever European Cup, fifteen years since England had last accomplished a European Cup, and the first European Cup since the ban on international play. The Labor Party represents the blue-collar citizens and, as it is the blue-collar sport, could have been using the knighting of Alexander Ferguson to gain more support for their party.

What remains, though, is that Sir Alexander Ferguson has capitalized on his opportunities. Using the economic capabilities given to him and his skill to take over both English and international football. The rocky road has led to this place where economics

can mix with managerial skill to create the perfect situation to dominate the league as was shown under specific Liverpool Football Club managers.

The case of Manchester United, while very different than Liverpool, gives a large amount of insight into problems that have arisen as well. For example, Manchester United went into debt twice and had to almost fold their team. Back in this time the team needed money to pay their debt to continue, yet today most teams are in massive debt and are not forced to do this. Second, they were the first team to utilize youth development plans that are essential when looking at the new Financial Fair Play Regulations. Third, in a different way it is seen the role government has played in the history of the sport. Increasingly the government is connecting with the sport, as seen by the knighting done to Busby and Ferguson. Lastly, they're history, just like Liverpool's, shows that a strong manager with economic control, shown here by both Busby and Ferguson, is necessary for continued success.

Chapter Three: The Rules That Changed European Football As We Know It

Economics has always played a large role in English football, but the booming in transfer fees shows the rapidly increasing influence of money on the sport. Three changes have happened since 1990 that have completely revamped the way that professional football works, the first two helping to increase funds entering into the modern sport and increase the problem that this thesis has identified and exacerbated it and the third attempting to fix the problem. The first change was the formation of the English Premier League out of the English football first division for the 1992-1993 season, which allowed the top division to collectively argue for more money. The second change was a court case, referred to as the Bosman case, which would change the way transfers worked in professional football for all teams in the European Union member states. Finally, the third change is the Financial Fair Play Regulations, adopted to take effect for the 2013-2014 season, which was created to fix the problems, outlined by this thesis, in modern professional football.

Formation of the English Premier League

During the 1980's, English football gained international notoriety. Hooliganism was more common and violent. The stadium disasters identified with hooliganism resulted in English football losing respect internationally.¹¹⁶ Before this, the English football division one consistently ranked as the best professional football league in the world, but the lack of international prestige and competition after the Heysel Stadium disaster in 1985 led to lower fan attendance and many of the best English players leaving

¹¹⁶ Paul Coslett, "Heysel Disaster." *British Broadcasting Corporation* 4 January 2008. http://www.bbc.co.uk/liverpool/content/articles/2006/12/04/local_history_heysel_feature.shtml

to leagues in Italy, Spain, and other countries.¹¹⁷ However, England responded by reaching the quarterfinal of the 1990 International Federation of Football Associations (FIFA) World Cup.¹¹⁸ After this, the international ban on English Clubs contending in international competition was lifted, showing that the world had forgiven the English for the Heysel Stadium disaster. During the next season Manchester United went on to win the Union of European Football Associations (UEFA) Cup, showing that English football clubs were, again, a powerful force to be reckoned with.¹¹⁹ During the same year the Taylor Report was released, addressing the problems associated with modern day stadiums, so that another Hillsborough disaster would not occur.¹²⁰

These two events were very important. First, Manchester United's victory of Football Club showed that, even though English clubs had been removed from international competition for five years, they had not lost any skill. English players, who were very good and would be willing to stay in England if they could win, which Manchester United had proven they could do. The Taylor Report showed the international community that the British government was taking the stadium incidents seriously. Foreign teams would not want their fans to travel to British stadiums if they were unsafe and the new stadium guidelines, as determined under the Taylor Report, would force the stadiums to be safe. These changes also meant a great impact for English football clubs economically. Greater success internationally meant that television

¹¹⁷ "History of the Football League." Accessed December 8, 2011, <http://www.football-league.co.uk/page/History/HistoryDetail/0,,10794~1357277,00.html>.

¹¹⁸ "Previous World Cups: 1990 FIFA World Cup Italy." Accessed December 8, 2011, <http://www.fifa.com/worldcup/archive/edition=76/index.html>.

¹¹⁹ "Manchester United." Accessed November 7, 2011. <http://www.fchd.btinternet.co.uk/MANCHESU.HTM>

¹²⁰ Lord Justice Taylor. *The Hillsborough Stadium Disaster: Interim Report*. London, 1991, 47.

networks, which were increasingly spending more on the rights for football, would only be interested in covering leagues with great football players and playing great football, which Manchester United had shown possible. Also, with the increase in investment going into English football, corporations would want to know they would not be associated with a disaster (such as happened at Hillsborough in 1889). The Taylor Report would protect against that.

With this increasing economic promise, many of the top clubs in England had discussed breaking off from the Football League in England to create a super league. By doing this, the members of the super league would be able to make their own contracts with television providers (even more lucrative since satellite television) to make more money than before.¹²¹ The aims of the super league would be specifically for them, instead of for the Football League as a whole (all four divisions). On June 14, 1991, the 22 teams of the first division signed a plan to form the English Premier League.¹²² By late September, the English Premier League became official, with a continuation of promotion and relegation for three teams between the Football League's top division and the English Premier League.¹²³ This meant that the top teams in English football lucky enough to be in the English Premier League would receive a lot more money than the Football League teams. For example, after the formation of the English Premier League, they made a £304 million deal with SkySports and BBC for coverage of their games, while the Football League made £24 million with ITV for the same coverage.¹²⁴ More

¹²¹ "History of the Football League." Accessed December 8, 2011, <http://www.football-league.co.uk/page/History/HistoryDetail/0,,10794~1357277,00.html>.

¹²² Ibid.

¹²³ Ibid.

¹²⁴ Ibid.

money would come into these top teams. The only change that took place was the ability of the members of the Premier League to have commercial independence from the Football League. The structure of English football would remain the same so this change was specifically made for economic reasons. This change, however, would lead to excessive amounts of money becoming available to teams to be spent on new players, stadiums, etc., which will lead to the problem teams have been recently experiencing.

The Bosman Decision

Union Royale Belge des Sociétés de Football Association ASBL v Jean-Marc Bosman, also known as the Bosman Decision, was a court case between Jean-Marc Bosman and the Belgian Football Association, the Royal Football Club de Liège (Jean-Marc Bosman's football club), and the Union of European Football Associations (UEFA).¹²⁵ This case, brought to court by Jean-Marc Bosman, challenged the legality of the transfer system as it existed in professional football at the time and the use of quotas on international players on each football club. This court case was very interesting because it shows the connection between football and European Union politics. One man with problems over the way football was run used the E.U. court system to change the rules. The Football Industry Group of Liverpool University describes this relationship saying:

Although the EU accepts the “specificity of sport,” and article 165 of the Treaty of Lisbon makes specific reference to the special nature of sport, it grants no exemption from EU law for the industry. Where purely sporting rules are integral for the sport and are considered proportionate (e.g. eligibility rules for International football) these can be justified, but where rules are either not integral

¹²⁵ “THE BOSMAN CASE, EU LAW AND THE TRANSFER SYSTEM.” Accessed December 8, 2011, <http://www.liv.ac.uk/footballindustry/bosman.html>.

for sport or have a disproportionate impact on EU rights they can be challenged by the Commission or in the European Court of Justice.¹²⁶

This quote from the Football Industry Group shows that there are certain rules that, while contrary to European law, can continue if justified as necessary for the sport. If Bosman could show the current transfer system and quota system in place were not integral for the sport, the rules could be banned by any football club in a European Union member state to citizens of any European Union member states.

First, there was the issue of quotas that were imposed on specific nations. These quotas stated that each club could have only a certain number of people from foreign nations (i.e., Spaniards playing in England). For example, in UEFA club competition, there was a maximum of three foreign players and two “assimilated” players (a.k.a. foreigners who came up through the teams youth training programs).¹²⁷ The idea was that this would foster a place for their citizens to compete on the field. The ruling, however, found that this was illegal because, under the E.U. law, no person could be judged based on their nationality as long as they were citizens of a member state.¹²⁸ This ruling would have a huge impact on the sport of football, allowing for teams, such as Chelsea Football Club and Arsenal Football Club, to play without a single player from Britain.¹²⁹ Without the necessity to employ British players, there was less need to develop a youth training program because the football clubs could just go abroad to field their team. Also, this would cause teams to spend more on acquiring players, as they try

¹²⁶ Ibid.

¹²⁷ Tom Fordyce. “10 Years Since Bosman.” *British Broadcasting Corporation* 14 December 2005.

¹²⁸ “THE BOSMAN CASE, EU LAW AND THE TRANSFER SYSTEM.” Accessed December 8, 2011, <http://www.liv.ac.uk/footballindustry/bosman.html>.

¹²⁹ Tom Fordyce. “10 Years Since Bosman.” *British Broadcasting Corporation* 14 December 2005.

to get the best players in all of Europe instead of needing a certain amount from their own nation. If a team was large enough and had the money to spend, they attempted this strategy. Lastly, this ruling was extremely helpful to the English football clubs, most notably Manchester United. English football clubs were under greater pressure because Scottish and Welsh players were not considered English and thus were part of the foreigners they could only have a select number. In European play during 1994-1995 season, Manchester United lost to Barcelona FC 4-0 after switching English goalkeeper Gary Walsh in for the Danish Peter Schmeichel to meet the rule.¹³⁰ Furthermore, during the 1999 Champion's League Championship victory over Bayern Munich FC, Manchester United Football Club had only five English players of the thirteen that played.¹³¹ There is no denying that this rule allowed for more internationally fielded teams, which is much more alarming when looking at the second change that the Bosman decision made.

Second, and more importantly, Bosman attacked the transfer system. The way it worked, any player who wished to switch between one team to another had to have the new football club 'buy' him by paying a transfer fee. While a player is under contract, this makes sense because the new club is essentially buying the player's contract. However, the football leagues were operating on a system of needing to pay transfer fees even after a player's contract ran out and he was no longer playing for that football club. The European Union found that this practice was illegal under Title III: Freedom of Persons, Services, and Capital of the Treaty of Rome.¹³² As a result, now players can

¹³⁰ Ibid.

¹³¹ Ibid.

¹³² European Commission. *Treaty of Rome*. Rome, 1957, 21.

move from any European Union member state association football club to another for free at the end of their contract meaning that non-European Union member states would still be forced to pay transfer fee.

This case, meant only to allow Jean-Marc Bosman, an average midfielder, to leave his football club for another to make more money, had a much larger impact than Bosman ever imagined. This ruling allowed for players to take complete control of their career in an attempt to gain more money. Teams wishing to keep their players were forced to sign players to larger contracts or offer more money to sign players.¹³³ When a player's contract did run out, it became his decision to sign with whatever club he wanted, meaning teams would be forced to pay exorbitant amounts to land a player or keep him on their team. Teams now have to make more money to pay for the increased salaries of players.¹³⁴ Combined with the fact that teams can now be all foreigners, the ruling has allowed for the best teams to try and get the best eleven players in Europe, if they can afford it. Worse, this ruling caused a larger discrepancy between the wealthy, successful clubs and the poorer, less successful clubs. Football clubs were forced to pay huge salaries for players, which led to many players, who underperformed, to leave large holes in the budgets of these clubs.¹³⁵ Even worse, this hurt the training programs of many of the smaller clubs. Before they could rely on training a player well enough to have him help the club or make a lot of money off of a transfer of the player, but now those players only need to wait until their contract ended to make a massive signing

¹³³ Tom Fordyce. "10 Years Since Bosman." *British Broadcasting Corporation* 14 December 2005.

¹³⁴ *Ibid.*

¹³⁵ *Ibid.*

bonus and salary from a bigger club.¹³⁶ Lars-Christer Olsson, the UEFA chief executive, explicitly stated this problem saying, “Education of home-grown players doesn’t mean anything any more. Those clubs who had access to all the money started to rob the smaller clubs, not just to get stronger themselves but to weaken the opposition.”¹³⁷ The Bosman decision, resulted in a lack of domestically brought up players and wealthier clubs taking control. This shows the importance of a good manager who can understand which players will work well in the manager’s system. This way the football club does not have to spend a huge amount to have a player who is not good enough to compete at the level he is being paid for.

The Financial Fair Play Regulations

The Bosman Decision created a situation that continually got worse. Finally, in 2010 the Union of European Football Associations (UEFA) decided to attempt to remedy the problem with the Financial Fair Play Regulations. Gianni Infantino, the UEFA General Secretary, states that the objective is, “to have a healthier club football financial situation, and also, a little bit, to decrease this inflationary spiral on transfer salaries and so on.”¹³⁸ These regulations will attempt to force teams to make more economically intelligent moves. The specific legislation is very difficult to understand because, as Daniel Geey puts it,

there is little doubt that the rules are dense, detailed and complicated. I’m sure that UEFA would argue that the rules have needed to be drafted in such a way so that there is adequate detail, guidance and explanation as to what clubs need to do to comply with the rules. Let’s not forget that the Financial Fair Play Rules

¹³⁶ Ibid.

¹³⁷ “UEFA Says Bosman Ruined Football’s Values.” *The Telegraph* 13 December 2005.

¹³⁸ “Financial Fair Play Regulations Are Approved.” Accessed November 12, 2011.

<http://www.uefa.com/uefa/aboutuefa/organisation/executivecommittee/news/newsid=1493078.html>

(FFPRs) are probably the most significant rule changes that have been brought into govern football club finances in a very long time.¹³⁹

While the rules are very detailed, the Financial Fair Play Regulations focus on three elements: first, the payment to clubs for their transfer fees and their wages is done in a timely manner; second, the promotion of investments into infrastructure and academies; and third, the break-even principle. Essential to this legislation is the study that would be undertaken during the 2010-2011, 2011-2012, and 2012-2013 seasons to determine where clubs finances lie.¹⁴⁰ Using this information, the UEFA will judge the team's expenditures during the 2013-2014 season. There needs to be a proven record of the football club attempting to get out of debt. From this the UEFA officials will determine where every football club is financially to judge whether or not they are fulfilling the regulations specified in the legislation. These regulations aim to “further promote and continuously improve the standard of all aspects of football in Europe and to give continued priority to the training and care of young players in every club,” and to “improve the economic and financial capability of the clubs, increasing their transparency and credibility.”¹⁴¹ Essentially the goal is two fold: to promote the sport domestically and to increase economic accountability, both things having become more important following the Bosman Decision.

First, the Financial Fair Play Regulations attempt to force teams into paying their debts to other clubs and players. It does this by “Article 49 – No overdue payables

¹³⁹ “Financial Fair Play Rules: Q&A with football lawyer Daniel Geey.” Accessed November 12, 2011 <http://www.latetacklemagazine.com/?p=139>.

¹⁴⁰ “Financial Fair Play Regulations Are Approved.” Accessed November 12, 2011. <http://www.uefa.com/uefa/aboutuefa/organisation/executivecommittee/news/newsid=1493078.html>

¹⁴¹ Union of European Football Association. *UEFA Club Licensing and Financial Fair Play Regulations: Edition 2010*. Switzerland, 2010, 1.

towards football clubs”¹⁴² and “Article 50 – No overdue payables towards employees and social/tax authorities.”¹⁴³ Basically, this states that teams cannot make commitments to both players and clubs for money they are willing to pay and then not pay them in a timely fashion because they do not have the funds currently. With teams running into debt, as they are currently, they cannot even afford these monstrous transfer fees they are proposing to get the best players in the world. While teams did go into debt previously, as shown in the Manchester United chapter, the recent influx of money has led to greater debt for most teams. It results in a downward spiral: teams making unreasonable contracts and transfer fees (to get the best players in the world after the Bosman decision), then not being able to pay these players and clubs back because they are so unreasonable, and then being forced to try and get the next biggest player to stay a top team. This rule change will force teams to pay their overdue funds so that they cannot make deals, just go into debt, and still play and win internationally. Football clubs that owe others are not allowed to play internationally because, as Gianni Infantino puts it, “you don’t win competitions if you didn’t pay what you have to pay to your players or to the clubs... a similar rule already exists, but we will enhance this rule.”¹⁴⁴ With the Financial Fair Play Regulations, the UEFA is actually stepping up to monitor the football clubs of Europe.

Second, the Financial Fair Play Regulations will demand that the football clubs, participating in the international competition, must have the infrastructure and long term

¹⁴² Ibid., 26.

¹⁴³ Ibid., 27.

¹⁴⁴ “Financial Fair Play Regulations Are Approved.” Accessed November 12, 2011. <http://www.uefa.com/uefa/aboutuefa/organisation/executivecommittee/news/newsid=1493078.html>

goals that are deemed necessary by the Union of European Football Associations. While the infrastructure refers to many elements of the football club, the two biggest rules are that clubs must, under Article 17, have a youth development program,¹⁴⁵ and, under Article 25/26, have training facilities (as defined by having at least indoor and outdoor facilities, a dressing room, and a medical room).¹⁴⁶ The use of academies and youth development became unnecessary after the Bosman decision when any European Union citizen could play for any club in the European Union, and it was unnecessary to have players from a club's nation or foreigners who came up through the training program (the "assimilated" players).¹⁴⁷ While some of the heroes of their football clubs came up through their academies, such as Steven Gerrard with Liverpool, Lionel Messi with Barcelona, and David Beckham with Manchester United. By having bare minimums, the UEFA cannot force teams to rely more on their academies, but can attempt to make them have a larger impact. Also, Article 24 is important because it states a standard that the stadiums must meet.¹⁴⁸ After the disasters at the Heysel Stadium in 1985 and Hillsborough Stadium in 1989, UEFA needed to come up with criteria of safety standards for stadiums for teams wishing to play internationally, as they need to protect the fans. While the UEFA had made measures for this safety, this part of the document reinforces that. Also, both setting up the club infrastructure and stadiums is reinforced because, the document states that:

¹⁴⁵ Ibid., 14.

¹⁴⁶ Ibid., 16.

¹⁴⁷ Tom Fordyce. "10 Years Since Bosman." *British Broadcasting Corporation* 14 December 2005.

¹⁴⁸ Union of European Football Associations. *UEFA Club Licensing and Financial Fair Play Regulations: Edition 2010*. Switzerland, 2010, 16.

relevant expenses...does not include depreciation/impairment of tangible fixed assets, amortisation/impairment of intangible fixed assets (other than player registrations), expenditure on youth development activities, expenditure on community development activities, any other non-monetary items, finance costs directly attributable to the construction of tangible fixed assets, tax expenses or certain expenses from non-football operations.¹⁴⁹

This means that the Financial Fair Play Regulations allow for teams to spend as much as they deem necessary on training, stadium development, and other areas above without having to worry about breaking even, as described next. Daniel Geey says, “The idea [of adding this part to the document] being that the more the commercial revenue growth funded by long term infrastructure investment the larger the revenue will be to balance against expenditure.”¹⁵⁰ Essentially, the UEFA is attempting to think long term for the football clubs who are unable to do so for themselves because of the structure international club football currently has. By changing the structure, hopefully, they will be able to fix the short-term problem, which is resulting in massive debt.

The final and “most important” change in the Financial Fair Play Regulations is the break-even portion.¹⁵¹ This part of the legislation says that a football club can only spend as much as it earns in income. This would seem like something that is not necessary to specify, but this is the major part this thesis has been examining: teams spending (expenditures) more than they receive in revenue (income). According to Gianni Infantino about 25% of football clubs are in massive debt.¹⁵² As stated above, all funds spent on academies, stadiums, training grounds, or any other infrastructure is not a

¹⁴⁹ Ibid., 34.

¹⁵⁰ “Financial Fair Play Rules: Q&A with football lawyer Daniel Geey.” Accessed November 12, 2011 <http://www.latetacklemagazine.com/?p=139>.

¹⁵¹ “Financial Fair Play Regulations Are Approved.” Accessed November 12, 2011. <http://www.uefa.com/uefa/aboutuefa/organisation/executivecommittee/news/newsid=1493078.html>

¹⁵² Ibid.

part of the expenditures. This will force teams to act within their economic means if they choose to participate. There is the fear that teams will forgo international competition so that they do not need to comply with these rules with the plan to dominate their national leagues. However, the football club's players have to be willing to not play internationally and the UEFA has discussed transfer bans on teams who do not comply.¹⁵³ The UEFA will use the data it collects over the 2010-2011, 2011-2012, and 2012-2013 seasons to determine the club's worth, income, and variable amount to spend. However, understanding that clubs in massive debt cannot suddenly come out of it within three seasons, the UEFA created an acceptable deviation level.¹⁵⁴ This means that football clubs can get out of debt if there is a sufficient amount of debt taken off every year, becoming debt free by 2018/2019 season.

The Financial Fair Play Regulations is just the start. The Union of European Football Clubs has created the model and opportunity for football clubs to get out of debt, but it will only be possible by action of the clubs. Even with the inevitable regulations soon coming into effect, some teams seem still defiant, such as Manchester City Football Club posting their largest losses to date.¹⁵⁵ What remains is hope that the problem, illustrated by the case studies and shown in this chapter, will be fixed and the sport will be healthier as a result. The Bosman decision only exacerbated the problems of the

¹⁵³ Ibid.

¹⁵⁴ Daniel Geey. "The UEFA Financial Fair Play Rules: An Introduction to Breaking Even." Accessed November 12, 2011
http://www.isportconnect.com/index.php?option=com_content&view=article&id=7989&catid=61&Itemid=177.

¹⁵⁵ "Fair Play? Man City post English record £195m losses with UEFA deadline looming." Accessed November 20, 2011.
<http://www.dailymail.co.uk/sport/football/article-2063243/Manchester-City-post-record-losses.html#ixzz1gU9fgGbR>

increasing expenditures on players with new revenue sources, shown throughout the case studies shown on Liverpool and Manchester United, and Financial Fair Play Regulations is the only way to try and curb these problems for a more profitable and sustainable future for European soccer.

Conclusion

Looking at the case studies of Liverpool and Manchester United, one can see how the Financial Fair Play Regulations are a response to Martin Edwards's quote at the start of this thesis. Fans want two things: the biggest stadiums and the best players. This leads to teams continually spending more and more in order to keep their fans happy, because as seen with Manchester United, losing their fans is the first step towards going bankrupt and having to fold as a team. Furthermore, looking at the work of Stefan Szymanski, one can see that teams are forced to pay to reach success as a result of the correlation between transfer budget and success in the Premiership. This rampant continuing of spending is what led to the necessity of the Financial Fair Play Regulations.

While it is much easier to see the economic rational behind creating these new rules of the UEFA international competition, the legislation is not merely intended at stopping teams from going into debt, but also at addressing problems that have characteristically been associated with football in England. Specifically, this condition is shown by the allowance for no economic consequences in response to building stadiums and training grounds. The reason for the lack of economic consequences makes sense because of the stadium catastrophes, as were seen in Liverpool's history, and the economic benefits to the local community, by investing money into the local community and benefiting the team as seen with Busby's Babes and developing David Beckham. Only by looking at the historical accounts of these very influential teams can we truly understand the goals behind the new legislation in general.

The scholarly study of the sport of football is relatively new. While there have always been club historians looking to tell the story of their beloved club, these often do

not seek to look at broad, all-encompassing themes in English football but focus on just giving the facts of their clubs often with an understandable bias. However, with the economic boom that occurred during the 1990's and has continued since, economists interested in sports have gotten into the discussion about the clubs. These scholars, though, attempt to just look at the situation in economic terms. I, however, tried to combine the two approaches by looking at how the sport developed economically up until the creation of the Financial Fair Play Regulations, and also looking at the role specific individuals played in the historical development to this point. Specifically I focused on the two most successful teams that shared similar success. The economists, mainly Stefan Szymanski, looked specifically at economic causes for a team's position in the league. This thesis goes beyond this and also examines the importance a manager plays, as can be seen historically.

The biggest reason, however, that this research is significant lies with the UEFA. Manchester United can almost go bankrupt twice and yet someone still paid for the team to continue. Also, almost all European teams that are top tier are also in debt, yet never are forced to get out of debt. While many might not understand this, these football clubs are not just teams and leagues are not just about sports. These clubs can amass huge debts because they mean so much to their fans, so they are not treated as normal companies. Professional football clubs will do anything to please their following, even if it means unsound business decisions. Further, while the UEFA's new rules may hurt some clubs, the prestige of winning the European Club championship is so great that the teams will follow suit. Football clubs in England, and broadly in Europe, occupy a place so great that they trump economics in a way that is seen in the United States such as

knighting members of teams and managers. This thesis attempts to understand the sport from this perspective to give an honest portrayal of how the sport has developed to this point and better understand why this legislation was needed, how the specific elements of the legislation were chosen, and the past events it is trying to protect against. The old saying is that one must learn their history or they are doomed to repeat the mistakes of the past, and this thesis shows that by examining the history of these football clubs, the new Financial Fair Play Regulations creates a structure to not allow repeating the same mistakes.

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