The Impact of Revenue Sharing on Club Objectives in Professional Sports *

Shumei Hirai †
Graduate School of Economics
Chuo University
April 23, 2009

Abstract

This paper presents an $n$-club sporting contest model in which each club consists of an owner and its manager. It is demonstrated that sports clubs behave as if utility maximizers, while keeping the profit maximizing objectives at the level of owners. It is also demonstrated that revenue sharing arrangements by the leagues play an essential role in the club objectives. The results imply that club objectives and revenue sharing arrangements are endogenous.

JEL Classification: D72, L83, D43, C72
Keywords: club objective; revenue sharing; strategic delegation

*The earlier version of this paper was presented at the Annual Meeting of Japanese Association for Applied Economics, Kanazawa University, 22-23 November 2008. The author is greatful to Professor Junich Watanabe of Fukuoka University, the discussant of my presentation, for his comments and suggestions. I would like to thanks Professor Yasuo Kawashima, Toichiro Asada and Hiroshige Tanaka of Chuo University for their kind advice. All remaining errors are my own.

†Author for correspondence. Email: l3112013@grad.tamacc.chuo-u.ac.jp