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A Contribution to the Theory of the Firm in Sporting Competition and in Market Competition

Walter C. Neale

Louis-Schmelling paradox, 1. — The inverted joint product or the product joint, 2. — League standing effect, 3. — Fourth estate benefit, 3. — Multifirm plants, 5. — Diminishing quality returns, 8. — Input-enthusiasm effect, 8. — Roger Maris cobweb, 12. — Bobby Layne rigidity, 12. — Archie Moore invisibility, 13.

Professional sport promoters and owners of professional teams have long claimed a special position in respect to the monopoly laws and the constitutional prohibition against slave labor, and recently they have been deservedly successful in appeals to Congress. This paper presents the results of serious thought about the problem, serious thought engaged in *after* choosing sides on the issue. I submit that the "firm" in professional sports is indeed in a peculiar position vis-à-vis our accepted way of looking at the firm in a competitive market. The basic proposition can be called the

Louis-Schmelling Paradox.

If we ignore for the moment the legal reasons in the United States for avoiding a monopoly position, it is clear that the ideal market position of a firm is that of monopoly, whether to maximize profits or to maximize the comfort of life. If we consider the monopoly laws, the ideal position is as close to monopoly as the antitrust division will permit without prosecution. In brief, a firm is better off the smaller or less important the competition, and it will try to attain a situation in which it is the sole supplier.

But now consider the position of the heavy-weight champion of the world. He wants to earn more money, to maximize his profits.

* For the original stimulus to this paper I am indebted to Mr. Charles Conerly of Mara University and to Coach Ole Pro of Falstaff University.

What does he need in order to do so? Obviously, a contender, and the stronger the contender the larger the profits from fighting him. And, since doubt about the competition is what arouses interest, the demonstration effect will increase the incomes of lesser fighters (lower on the rating scale or lighter on the weighing scales). Pure monopoly is disaster: Joe Louis would have had no one to fight and therefore no income.

The boxing champion is the striking case, but the problem is equally great for any professional team. Suppose the Yankees used their wealth to buy up not only all the good players but also all of the teams in the American League: no games, no gate receipts, no Yankees. When, for a brief period in the late fifties, the Yankees lost the championship and opened the possibility of a non-Yankee World Series they found themselves — anomalously — facing sporting disgrace and bigger crowds.[1] If the Yankees, then, do not wish to monopolize their own league, why don't they buy out the National League? The answer is, of course, all those World Series receipts. "Oh Lord, make us good, but not that good," must be their prayer.

Now we must face the question of whether it is possible that there is a business which, contrary to all we have learned about the business world, finds monopoly unprofitable. The answer, economists will be pleased to learn, is no — that a business monopoly is profitable in the sporting business as well as in the business of life. The first peculiarity of the economics of professional sports is that receipts depend upon competition among the sportors or the teams, not upon business competition among the firms running the contenders, for the greater the economic collusion and the more the sporting competition the greater the profits. The paradox appears because the firm in law, as organized in the sporting world, is not the firm of economic analysis; and the item sold by the sporting firm is not the product of these firms, or not entirely. We have, in fact, the phenomenon of

The Inverted Joint Product or the Product Joint.[2]

We have long been used to the idea of a firm producing several products from an indivisible process. The sporting firms produce

1. When the San Diego Chargers of the American Football League ran roughshod over their competitors in the fall of 1961 the fans began to stay away.

2. Since a joint product refers to two products technologically resulting from a single process, we need another term for a single product resulting from discrete technological processes, and following the profession's tradition of jumbling words (value of marginal product, marginal value product) we here invert the words to symbolize single product of two processes.

an indivisible product from the separate processes of two or more firms (in law). But the product itself is a peculiar mixture: it comes divisible into parts, each of which can be and is sold separately, but it is also a joint and multiple yet indivisible product.

To be specific, professional baseball teams produce a complex product; or in common parlance several interrelated streams of utility. There is first the saleable unit of the seat in the ball park during the game, the service sold by each firm (Yankees, Senators, and intermediates) and generally regarded as the business of and the utility produced by the sporting firm. Then there is that strange sale of the utility of TV viewing where we the people enjoy the utility while nonsporting businesses pay the bill for us.[3] However, there are two other streams of utilities. There is the pennant race enjoyed by all and paid for by none. This we call the

League Standing Effect.

Of itself there is excitement in the daily changes in the standings or the daily changes in possibilities of changes in standings. The closer the standings, and within any range of standings the more frequently the standings change, the larger will be the gate receipts. Thus the free provision of the *race utility* has a favorable feed-back effect upon gate receipts, and we may treat this effect as a kind of advertising. Note that this advertising is also free to the advertising sporting firms — it has no opportunity cost — and that it too illustrates the Louis-Schmelling Paradox in that the more successful in sporting competition the firm is, the less effective is the advertising feed-back of race utility. The "league standing effect" is not limited to the consumer utility stream and the advertising feed-back because it is also a marketable commodity, but not for the producers. This quirk we may call the

Fourth Estate Benefit.

Newspapers report the play, the outcomes, and the resulting "league standings" of games, and these reports are a major cause of sales and therefore of direct and advertising revenues to newspapers (and of course to sports magazines): in fact, a case of economies external to the industry. Two separate sets of activities are needed to produce the game write-up — the game and the reporter-newspaper-printer-distributor complex. The former could occur without the latter, but the latter cannot occur without the former,

3. Which raises an interesting question about whose marginal rates of substitution on what indifference map.

yet the latter is the financial beneficiary of this product joint from two different economic spheres (although we must allow for the advertising feed-back to gate receipts from press stories).

So far as the argument has carried us we may conclude that the product of professional sporting activity is not merely (1) the match, but also (2) the "league standings" (or championship), the progress towards a championship or changes in the standings, topics of conversation, and press reports. Furthermore, (3) a business firm — Joe Louis or the New York Yankees — cannot produce any of these streams of utilities alone. It must have the cooperation of a second business firm even to produce the game; to produce the other utilities it must have the cooperation of several business firms.[4]

The conclusion, then, is that the business firm as understood in law (and therefore in common discussion) — Louis or the Yankees — is not the firm as understood in economic theory. Rather, the firm is the league, or all professional heavyweights. Once this point is realized, the theoretical conclusion is clear: each professional sport is a natural monopoly. The several joint products which are products joint of legally separate business firms are really the complex joint products of one firm, and this firm is necessarily an all-embracing firm or natural monopoly.

A natural monopoly as commonly understood is an industry in which a single firm can satisfy the market in the declining portion of its long-run average total cost curve. If defined as one in which a single firm can satisfy demand at a lower long-run average total cost than can be achieved if two or more supply the industry's product, it would be possible to have a natural monopoly where long-run costs are constant, if their level varies with the number of firms, or where average costs are rising if the minimum and rising portions are so low that any division of the market between two firms results in higher costs for both on the declining portion of the cost curve because of diseconomies external to the firm although internal to the industry.

In law a firm is regarded as a person, persons, or organization having the right to own property and to contract. In economics a firm may be defined as a "decision-making unit whose major objective is profit" (however Harry Wismer may define the term), but this definition assumes that the "decision-making" and the

4. It might be argued that any firm buying inputs from another firm requires the cooperation of the second firm, but this is stretching the meaning. The cooperating firms in sports are not willing buyers and sellers from and to each other but together (and with the press) sell to third parties.

"profit-taking" units are identical, whereas in professional sports, while the legal firm takes the profits, the league makes the decicions. Professor Robert Dorfman suggests parallels to the league in trade associations, the Eastern Railway Conference, the combination of various firms for construction jobs, and the joint ventures of Gimbel's and Macy's in the United Parcel Service and the bridge connecting the stores, holding that in none of these cases have the business firms merged. But each of these organizations is a firm by the definition, "a decision-making unit whose major objective is profit." The railways make decisions jointly about through-routing and rates, to maximize their profits, and so small a cooperative effort as common billing by a trade association is a joint decision made to reduce costs (i.e., increase profits). In short, although legally separate, in substance the associations and conferences act as would the management of a trust or holding company insofar as they reach joint decisions on marketing and pricing, and therefore can be regarded as merged.

If department stores were to withdraw from all business except the joint ownership of a delivery firm, or if railway companies were to restrict their activities to the joint management of a terminus, one would think of them as merged for any questions of economic substance. Operations such as the cooperative selling to each other and to other buyers by plumbers, carpenters, and builders in the construction industry do parallel sporting firms in that both are

Multifirm Plants.

Familiarity with the concept of a multiplant firm should not blind us to an occasional reversal of form created largely by the peculiarities of our law of property. The "plant" of the construction trades is the building site. At a minimum one might say that the "plant" of the sporting firms is the playing field, but without the league the playing field is incapable of producing the championship product, so the concept of "plant" must be enlarged to encompass the league. Furthermore, the parallel between the building industry and the sporting firms is not complete, for the sporting firms sell an indivisible product (once divided it is no product at all) to the consumer and *contribute exactly the same inputs*. The parallel should be with two or more plumbing companies joining together to sell their services as a single source of supply. Where there is joint decision-making because it is cheaper to do so, the resulting arrangement may be more easily seen as a monopoly if a (partial) cartel may be considered, as I would, a firm.

As for Gimbel's and Macy's, my mother-in-law assures me that "everyone knows they are in each other's pockets." [5]

An objection may be raised that one can have several leagues, and that these leagues are, or should be, competing firms. As one surveys the history and present state of the sporting trades one must admit the possibility, but one must also recognize that as a matter of observation there appears to be a strong tendency toward a single league, and this for one good reason: only a single league can produce that most useful of all products joint, the World Champion. Analytically we must regard the National League and the American League as one, for they come together each autumn to produce the World Series. Despite the differences in form, the substance of this World Series product is identical with the single league championship in the National Football League arrived at by business collusion in cooperative sporting competition between an "eastern division" and a "western division" team. Hereafter we should therefore refer to the two major leagues in baseball as "divisions" within the larger league-firm.

At the present time the trade of professional football is divided in two in the United States, with a competitor in Canada. There is no meeting on the field of play between the National and the American Football Leagues. The result is an absence of sporting competition, but very strong interfirm competition between the old and new leagues. Do we therefore have oligopoly? Yes, in the short run, in the same way that some American railroads have tried to compete; but in the long run, No, because this is inherently a temporary state of affairs. We witnessed a similar situation just after World War II when the All-America Conference challenged the National Professional Football League. The result in that instance was the demise of the Conference with the older League absorbing some of the teams of the bankrupt Conference. Logically we may distinguish four cases or four possible histories of interleague business competition:

1. The Major League Baseball solution: the joining of economically competing oligopolistic firms into sportingly competitive natural monopolies.

2. The professional football solution of the forties: bankruptcy for one or the other of the economically competing firms.

3. The survival of two or more leagues because they are not economically competitive. This case occurs when the leagues are

5. Mrs. Paul B. Sheldon, New York City, oral communication, March 23, 1963.

operating in different geographical areas or are inherently noncompetitive in both the sporting and economic sense, as in the case of boxers of different weights, or, a few years ago, baseball players of different colors.

4. The survival of two or more leagues which are economically competitive and which could be sportingly competitive.

The first two cases have been historically the common ones. The third case is actually rarer than one might expect. Of course, when it is patently ridiculous to compete in sport — to match a heavyweight with a flyweight — two leagues or championships coexist, but where sporting competition is prevented by geographical difference the tendency is to enlarge the area of sporting competition until in fact there is only one league. Thus we find that Australian, West Indian, Indian, Pakistani, and English cricket, separated about as much as is possible (or was possible before Gagarin) merge in that great international cartel, the Test Matches. Again, soccer (mistakenly called football by literally minded foreigners), which is formally organized in teams merged in national leagues, has become a cartel of international matches. Since cartelization is necessary not only to maximization of profits but also, even especially, to maximization of output, the geographical division of the market is an inherently unstable situation usually replaced by a naturally monopolistic firm whose market region is everywhere that the sport is played.[6]

Whether or not two leagues can survive within the market area — our fourth logically possible case — depends on the facts of the matter, or, put more realistically, on the relative shapes and positions of the demand and cost functions. From the sports pages it is difficult to glean solid data to which to fit functions, but one does form the impression from the history of sports that such survival is unlikely. In effect, the argument here depends upon the acceptance of premises for which direct evidence is thin on the grounds that the conclusion reached from the premises is consistent with observation.

The long-run cost curve of seats-at-games for the league-firm is

6. The apparent exceptions of United States and Japanese baseball and of the sportingly independent United States and Canadian football leagues partly reflect difficulties of amalgamation across national boundaries, but more important, both Japanese and Americans agree that the Japanese teams could not win an international World Series and it is thus unnecessary to prove by formal competition that the American winner is the champion. But even here when exhibition games begin to show the American superiority at its own sport is questionable, one should expect cartelization into an international league. Perhaps, too, the pressure for Canadian-United States competition is low because it is not widely believed that the Canadians might win.

probably flat or almost flat. As one expands the firm the quality of the product is affected by two contrary tendencies. The first is

Diminishing Quality Returns

because the quality of raw materials declines as less efficient inputs are drawn into the sport. One may treat this as producing an inferior product for which there is another, lower demand function for lower quality "game seats" (which means a reduction in revenue per game seat).[7] Alternatively one may regard the diminishing quality returns as an increase in the cost of producing the same quality of game seat. In either case there is a limit to the size of the most efficient (least minimum average cost per constant quality game seat) league-firm, given by the cost function. The limit on size applies no matter how few or many leagues there are, so that one large league can provide any quantity of product as cheaply as two or more smaller firms. Thus there is no efficiency argument against monopoly, and there is a likelihood that the first league in the sport — like the first utility in a city — will become a monopoly. But any upward shifts in costs (or downward shift of quality and therefore the substitution of a new demand curve) are counteracted by the

Input-Enthusiasm Effect.

Whereas one finds that human abilities in various directions are randomly distributed in any population, one also finds that skillabilities in sports are concentrated regionally. How else can we explain the disproportionate number of first class tennis players and cricket batsmen from Australia, or runners from Australia, England and Scandinavia, or of passing quarterbacks from Texas, other than by reference to the public attention and private concentration put into the development of these particular skills? And this input into the inputs is a result of the enthusiasm for the sport in the area, which in turn is both a consequence and a cause of the scale of operations of the sport in the area. In other words, the larger the scale of operations, the higher the quality of inputs and of products, or the lower the cost of a constant quality game seat.

When one shifts one's focus from the use of resources or the quality of product to the money costs it is reasonable to suppose that less perfect inputs (producing lower quality games) will earn a lower return, so that the cost per quality unit will not change as much

7. However, we know by introspection that the reduction will be small since the appeal of the seat depends mostly on the uncertainty of the outcome and on the weather.

as the quality changes. Both the "enthusiasm effect" and the lower salaries of lower quality sportsmen will flatten any rising tendency in money costs consequent upon diminishing returns. Enthusiasm simultaneously increases (1) the demand for game admissions and therefore the derived demand for skilled players and hence their salaries, so that the monetary cost of each unit of the larger supply of higher quality players rises; and increases (2) the supply of skilled players. The net effect of the increase in demand on gate receipts and on derived demand will merely tend to shift the curves northeastward without a "squeeze" on profits, while the underlying "enthusiasm effect" will lower the supply schedule of inputs. Larger scale, therefore, does not necessarily increase costs more than revenue.

All this, of course, is in conformity with our economic expectations, but the supply mechanism is not market pricing. The supply of skilled inputs is developed in the sphere of amateur activity — specificially in the schools — so that the equilibrating mechanism works not through price response but through enthusiastic response and the human desire to conform to standards of group approval.

The net effect of diminishing returns, of the tendency toward constant money costs in quality units of input, and of the "enthusiasm effect" may be constant costs, increasing costs, or decreasing costs. In the absence of information, I guess that the long-run supply curve of the league-firm is roughly constant for output units of games by pairs of teams.

One usually expects a constant cost industry to be competitive, *ceteris paribus*; but *cetera non sunt paria*. Even if professional sports are constant cost industries the "World Champion utility" can only be created by cartelization. Furthermore, there is interdependence between demand and supply. The total size of the industry (in game-seats) is determined by the intersection of demand with supply, and if the long-run supply curve is horizontal, one might say that it is strategically determined by demand. But demand itself is in large part a reaction to the sporting importance of the events, the sporting importance depends upon the "fourth estate effect" and the "public conversation effect," and since these effects in turn depend upon the scale and universality of the championship at stake, the function will move up to the right for a more conclusive championship, and down to the left if the leagues decided to avoid meeting in a play-off. Thus demand and supply tend to intersect at the point of a single, monopoly championship wherever that intersection may be (the You Don't Say Law).

On the supply side the long-run cost curve is horizontal, but the height of the curve above zero depends on the costs to the business or league-firms. These costs consist mostly of two elements: (1) fixed costs of interest or rent on the stadium capital and the cost of equipment and transportation for the firm, and (2) quasi-rents for the players. The price of any player is partly a function of his willingness to play, for the athlete need not enter the players' market since he has alternative opportunities, but once his minimum supply price is met the team firm is paying for an unreproducible talent, or a quasi-rent. If there are two firms bidding for his talents the quasi-rent will probably be higher than if there is only one bidder who is engaged with the player in bilateral bargaining. Since league firms typically prohibit multiple bidding by their team component firms counterbidding arises only when there are two independent leagues.[8] The existence of economically but not sportingly competing leagues thus raises the money costs to both leagues and so endangers profits. While in logic there is no reason why both leagues cannot continue to enjoy profits, or at least no losses, they are unlikely to do so. The salary of a player has much in common with ground rents, but the analogy must be understood to apply by lot, and is not complete. As in the result only one store actually uses one lot, so only one league employs one player. But whereas several stores can compete in a shopping area when they sell the same products because nonrental costs of and demand for the products of each store are the same, two or more leagues probably will not enjoy identical nonrental costs and demand. Transport to and from Kansas City from other points will not be the same as to and from Houston, while the urge to go to a ball game will differ from city to city (or from the Bronx to Brooklyn). Only in the unlikely event that both leagues field teams in exactly the same cities (and with exactly the same appeal to historic loyalties) will there be a no-profit-no-loss Chamberlinian equilibrium. One therefore expects competitive bidding eventually to raise quasi-rents for one league or the other above the spread between its other costs

8. A variety of liberties and restraints characterize the quasi-rent bargaining process in professional sports. In American football the "player draft" eliminates within-league counterbidding; in baseball the teams must bid against each other to contract with a new player but once the contract is signed the other teams cannot make counteroffers during the following years. Similar arrangements exist in other team sports, but in the sports of individual competition, e.g., boxing, the player and the business firm merge so that the quasi-rent payment to the competitor merges with his windfall profits and his income is undifferentiated.

and its receipts, at which point the fourth solution becomes the second.[9]

Competition exists not between teams or leagues but between sports. Paying fans and newspaper readers prefer one or another sport — I suspect largely because Dad preferred it — but shifts in taste do occur and the leagues, or even the component teams acting independently, can encourage such shifts. Between the wars the New York (football) Giants built a loyal following by selling tickets extremely cheaply to children. Colorful people, youth leaders, immoral people, all can be used to attract attention to a sport. Ice hockey undoubtedly has increased its popularity over what it would otherwise have been by the public notice of brawls during games.

Definite divisions of the sports market seem to be characteristic. First there are the national divisions, marking off American baseball from Commonwealth cricket, American football from international soccer. Second, there are the seasonal divisions, leaving baseball dominant in the spring and summer, football in the autumn, and basketball in the winter. Third, there are divisions among social classes: cricket is upper-class and soccer working-class in England; baseball was the sport of the small town in America while professional football grew up in the industrial cities. Although these divisions may not be immutable they are certainly hard to change. Professional football has crept back into the late baseball season and forward into the basketball-hockey season, but efforts to establish an American soccer league in monopolistic competition with baseball (during June, July, and August) have met with little favor.

Within the general framework of a whole-sport monopoly there are some additional peculiarities. We are familiar with the cobweb theorem, which depends upon next period's supply responding to this period's demand. But in professional sports we have the

9. Professor Benjamin Higgins pointed out that some other trades require competition to succeed. One is law, a single firm needing others to fight in court; another is fashion, the interest arising from the differences between two designers. There are perhaps more for there is no reason to believe that a "peculiar economics" is confined to professional sports alone. However, the two examples, while requiring competition for profits, are not cases on all fours with professional sports. Fashion requires separate, economically as well as aesthetically, competing units and so does not tend to coalesce into a monopoly. Furthermore, the supply of fashionable goods is the product of many factories and stores all over the world, not of the designers themselves. They are more like leading architects than leading coaches. The practice of law also does not tend toward monopolization of the business firms; and unlike both sports and fashion its practice cannot be called inconsequential. The need for competition within the courts stems not from the economics of business, as it does in professional sports, but rather from the adversary structure of our system of justice. Whereas sports require sporting competition and business monopoly, fashion and law require both interfirm business as well as aesthetic and legal competition.

Roger Maris Cobweb.

The demand for Roger Maris' services for next year depends upon his performance this year. The cobweb has been inverted with demand reacting after a delay to supply; and the 1962 quasi-rent depended upon how ruthlessly Maris pursued the home-run mantle in 1961. Note that to introduce the concept of expectations does not alter the point, for the famous hog cycle — in which the sex urge of pigs responds to slaughtering prices in Chicago — is also one of expectations. Here one might note that an explosive cobweb is unlikely since the supply curve of talent in the quasi-rent range must be vertical and the height above the minimum price which Mr. Maris will accept and the depth below the maximum which the Yankees will offer Mr. Maris depends upon bargaining technique. Below the minimum which Mr. Maris will take we have a horizontal supply curve and Mr. Maris leaves the market.

Whether marginal analysis of input pricing will work at all is doubtful. Whereas one can speak of the marginal steel worker without naming him it seems a little foolish to speak of the marginal quarterback of the Steelers. Marginalism seems to break upon the

Bobby Layne Rigidity.

There are possibilities of substitution of an indirect sort. Clearly one cannot field more than eleven laborers in a football game, "nor can one use two poor quarterbacks instead of one good one"; but one can use a better line to give a weaker passer more time or a faster fullback to make up for the absence of two first-class halfbacks. Such considerations obviously weigh with teams in their drafting and trading operations since Baltimore let Mr. Lipscombe go and the Giants put more effort into finding defensive personnel than into finding new offensive backs. But here one fails to see just how the Colts and the Giants compute the marginal returns of tackles, of pass receivers, and so forth. In baseball batting averages and earned-run ratings provide a better guide to marginal productivity computations; but in both sports the value of the marginal product is only indirectly and roughly related to these sporting measures since it is the effect upon the gate receipts which counts and gate receipts have no stable functional relationship with the sporting measures. In boxing the idea breaks down completely since the entire labor input is one and always tries to be its best. Thus the ultimate of the Bobby Layne Rigidity is the

Archie Moore Indivisibility.

Having discussed the demand and cost structure of the professional sports industry certain parallels with other industries will be apparent. The firm of economic theory is the league, and the league is a natural monopoly with demand and cost and profit adjustments always tending toward unification of all league-firms into a single *firma-firmorum.*

The plant of economic theory is the game, which requires three factors of production: namely, land, labor, and labor. In different sports each of the factors has a critical minimum beyond which additions to output fall off rapidly; but the law of variable proportions is here invariable since two of the factors can be used simultaneously only in specified quantities and in some sports all three are subject to this limitation and the additional inputs logically come under the classification "repair and renewal." At this point one can also see the importance of institutionalism for the limits on the employment of labor trace back to ancient and irrational traditions of sportsmanlike behavior, and to break them by, say, fielding a fifth back armed with a switch blade would be impermissible to members of the tribal society despite the fact that any United Nations expert could point out the obvious technical advantages. To my knowledge only the Canadians have adopted the fifth back, and there is no evidence in published reports that even the Canadians have equipped this man properly. On the other hand, economic sophistication of a high order is shown by the larger end zone and the elimination of the fourth down in a country with large unused areas of land and a small population.

We often think that if plant costs are constant (but here remember that the team or business firm does not constitute a plant) there can be no advantages of scale except as monopsonistic power is exerted; but we have already established those internal and external economies of scale called "league standing" and "fourth estate effect." Thus we justify horizontal integration in a natural monopoly.

Vertical integration takes different forms in different sports. We would have to stretch meanings to visualize vertical integration in boxing, but we are all familiar with the phenomenon in baseball. Here one familiar with the problems of underdeveloped countries and the earlier stages of industrialization will recognize the characteristic need to recruit and commit the labor force. It is also the arena of free contract negotiation; and is finally analogous to the tomato farms held by Heinz.

In American football there is still another organization often referred to as the university. The idea is to develop commitment before recruitment largely on the grounds that it is cheaper — or rather, on the grounds that the social costs of selection and training are shifted onto the community of academics, alumni, and taxpayers. But here we can go no further since this information is as well hidden as are the accounts of peasants.[1]

Variety of organization is found in the organization of recruitment more than in any other facet of the economy of professional sports. One can mention, in addition to the two forms already discussed, the feudal organization of village and county cricket, the climatic-linguistic character of ice-hockey recruitment, and less recently the religious qualifications for animal wrestling in the Roman arena. Here alone I feel economists should support the remaining elements of freedom, conflict, and competition in the business organization of professional sports.

Otherwise it is clear that professional sports are a natural monopoly, marked by definite peculiarities both in the structure and in the functioning of their markets. Consequently professional leagues have every economic ground to appeal to legislatures, to courts, and to the public on the ground that

We fall if you divide us;
We stand if Johnny Unitas.

1. The university farm team also appears to be the last stronghold of the third kind of integration problem. Most economists oppose integration of business firms either horizontally or vertically, but somehow manage at the same time to favor racial integration. This paradox is explained by the economic inefficiency of racial segregation, and the uneconomic character is perhaps sufficiently illustrated by an old lament of the Southwest which my daddy used to sing:

There was a blackguard from the South
For our sisters he was born too uncouth;
He couldn't play Royal's
Or even Frank Broyles',
So Syracuse hired the youth.

UNIVERSITY OF TEXAS