

# Effect Of Parity Regulations on League Competitiveness in Professional Sports

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**Abstract:** Different sports leagues will have different management styles. This paper focuses on the impact of the different management systems of the NBA and Premier league, including whether there is a salary cap, whether there is the same draft lottery system, etc., on the competitiveness and economic benefits of each sport. At the end of the paper, it is concluded that there can be an overall broader sharing of social benefits from successful competition in society if competitive equity is maintained.

## 1. Introduction

This year, Milwaukee Bucks won the NBA championship, last won 50 years ago. This win not only brought happiness to each team member in the Bucks, but also united the Milwaukee city. Milwaukee County is divided along racial and political lines, and the city is the most segregated in America. An old, racist joke among locals is that the city's 16th Street viaduct bridge is the longest structure in the world, linking "Africa to Europe." However, The Milwaukee Bucks united their city together. Thousands of people from all backgrounds are gathering each playoff game outside Fiserv Forum, and the city is buzzing with the shared hope of an NBA championship. In addition, Claire Koenig, the communications director for the city's visitor bureau Visit Milwaukee, said each Bucks home game during the playoffs has brought at least \$3 million into the city's economy, not including the impact of events in the Deer District around the stadium. Obviously, a basketball team can affect its city positively, and a winning team even more so.

Not only the basketball, the other sports can also have positive influences on the city, including the soccer. In the past 30 years, Manchester United and Manchester City have won 21 premier league titles. According to the data survey, football added £330m a year to the Manchester economy, securing 8,500 jobs in the process. When United or City play at home, hotel occupancy rises from a typical 70% to around 90%, and one in eight international visitors to Manchester go to a game at Old Trafford (compared to an average of one in 40 elsewhere in Britain). Each of those visitors spends an average of £800 per visit to the city. The economic and financial effects of sport in Greater Manchester are not however simply an on-field phenomenon. Success fosters success, which has led to industrial clustering effects that have seen Manchester become one of the world's most important cities for sport and commerce. For instance, the world-famous Deloitte Annual Review of Football Finance is compiled in Manchester, where the company's Sport Business Group is based. Reflecting the importance of sports businesses around the region, there is even an organization – Pro Manchester – which helps bring people together to inform, educate and engage people working in the industry.

However, when we look at the two sports leagues, there is a big difference. In the NBA that has 30 teams in total, the worst teams are basically different every season, which means more teams are capable of hitting the top team every season. For example, L.A. Lakers was in the worse team in the 2006-2007 season, not even making it to the Western Conference Finals. But in the 2007-2008 season, the L.A. Lakers was in the top team, reaching the finals and playing against Boston. L.A. Lakers is not a rare case. In the NBA, there are other teams that are like the L.A. Lakers, although the previous season was in the worse team, but the next season was in the top team. As a result, more Laker's sports products are sold and more people visited Los Angeles, leading to the increase of Los Angeles's GPA.

Therefore, it is easy to conclude that more frequent success would benefit the team's local city. On the contrary, in the premier league that has 20 teams in total, the worst teams are basically the same every season, which means it's hard for these worst teams to escape the bottom of the table every season. For instance, Manchester United has been top team 25 times in the past 30 years, that is, finishing in the top four in the Premier League, and even 13 times as champions.

Table.1. NBA Teams' Superiority Score

Team	Superiority Score
L.A. Lakers	13
San Antonio	13
Cleveland	12
Chicago	7
Boston	6
Detroit	6
Golden State	5
Miami	5
Indiana	4
Oklahoma City	3
Utah	3
New York	2
Phoenix	2
Toronto	1
New Jersey	-1
Seattle	-1
Houston	-2
Sacramento	-2
Orlando	-3
Atlanta	-4
Brooklyn	-4
Dallas	-4
Philadelphia	-4
Denver	-5
L.A. Clippers	-5
Memphis	-5
Milwaukee	-5
New Orleans	-5
Charlotte	-6
Minnesota	-6
Portland	-6
Washington	-6

Table.2. Premier League teams' Superiority Score

Team	Superiority Score
Manchester United	50
Arsenal	42
Liverpool	36
Chelsea	36
Manchester City	22
Tottenham Hotspur	12
Newcastle United	10
Leeds United	5
Blackburn Rovers	4

Aston Villa	4
Everton	0
Wimbledon	-1
Swindon Town	-1
Swansea City	-1
Stoke City	-1
Sheffield Wednesday	-1
Nottingham Forest	-1
Leicester City	-1
Huddersfield Town	-1
Brighton and Hove Albion	-1
Bournemouth	-1
Blackpool	-1
Barnsley	-1
Wigan Athletic	-2
Reading	-2
Portsmouth	-2
Oldham Athletic	-2
Newcastle United	-2
Coventry City	-2
Charlton Athletic	-2
Cardiff City	-2
Bradford City	-2
Wolverhampton Wanderers	-3
West Ham United	-3
Sheffield United	-3
Norwich City	-3
Ipswich Town	-3
Derby County	-3
Burnley	-3
Birmingham City	-3
Aston Villa	-3
Watford	-4
Southampton	-4
Queens Park Rangers	-4
Middlesbrough	-4
Manchester City	-4
Hull City	-4
Fulham	-4
Crystal Palace	-4
Bolton Wanderers	-4
West Bromwich Albion	-7
Sunderland	-7

In this table, the Superiority Score is calculated as two points for finishing in top 4; -1 point for bottom. The reason why I choose + 2 points for success and - 1 pt for bottom tier is to highlight success. We can clearly see that in the NBA league, there are 11 teams that are top team more than 5 times, and the other teams are top team times are evenly distributed between 0-4 times. However, there are only seven teams in the Premier league that are top teams more than five times (four of those seven teams have won more than 15 times). Other than that, the other teams are basically not top teams, i.e., the number of times they are top teams is basically 0.

More than seven teams in the NBA have won consecutive championships at different times. On the contrary, only three teams in the Premier league have won successive championships at different times. In the NBA league, the number of times a top team is ranged from 0 to 11; however, in Premier League, the number of times a top team is ranged from 0 to 25. Narrower range for NBA league indicates that success is more evenly spread around.

## **2. Why is that**

### **2.1 Salary cap**

This relates to industry regulation. In sports, there are different rules and systems for each different league, each different sport. In the NBA league, there is a salary cap system, and other mechanisms designed to increase competitive parity. The premier league has few such mechanisms, which lead to two different systems. A salary cap (or wage cap) is an agreement or rule that places a limit on the amount of money that a team can spend on players' salaries. To be specific, salary cap is based on the total income of the NBA league in the previous year, and then take 48% of this total income as the capital of the NBA league team to spend money, and then take this 48% after the income and then divide by 30 (the total number of teams in the NBA league last season), the resulting average is the salary cap for the year, the total amount of wages spent by the teams on the players shall not exceed this figure. It exists as a per-player limit or a total limit for the team's roster, or both. Salary caps can keep overall costs down, and also maintain a competitive balance by restricting richer clubs from entrenching dominance by signing many more top players than their rivals. Thanks to the salary cap, the competitiveness of each NBA team is a little more balanced.

### **2.2 Draft lottery system**

The draft lottery system is another important mechanism is important to maintaining balance and equity. How specifically does it work?The NBA draft lottery is an annual event held by the National Basketball Association (NBA), in which the teams who had missed the playoffs the previous year participate in a lottery process to determine the draft order in the NBA draft. The NBA Draft lottery started in 1985. In the NBA draft, the teams obtain the rights to amateur U.S. college basketball players and other eligible players, including international players. The lottery winner would get the first selection in the draft. A lottery pick denotes a draft pick whose position is determined through the lottery, while a non-playoff team involved in the process is often called a lottery team.

Other North American sports league also use some version of the draft picks system, including the NFL, MLB, and NHL. The Draft brings a sense of equality to the sport. It prevents a free-for-all of teams attempting to sign the best prospects without restriction, which would inevitably lead to a sustained disparity among teams. Essentially, the draft limits the rich get richer scenario we often see in other sports. The reason why many different sports leagues use salary caop is that the salary cap can maintain a degree of competitive balance. Competitive balance is something every league should strive for, even if this approach sometimes works better in theory than it does practice. This does not mean that every team should be exactly equal, as that would be impossible to do. What it does mean, however, is that every team should have equal opportunities to develop the best team possible. While there have been dominant teams in all these leagues, they do not always come from the teams based in the largest cities or with the most potential resources. It would be unlikely for the Green Bay Packers, San Antonio Spurs or St. Louis Cardinals to achieve the success they have if not for these

structures that limit the amounts teams based in larger markets can spend on players. The growth of these markets has enabled the NFL, NBA and MLB to create better products to market to fans.

Another mechanism to improve competitive parity and fairness in the NBA are restrictions on player movement. There are rules regarding trades, free agent entry, and waivers on players. The only possibility of player movement between cross-country clubs is that the player will be able to join the NBA only after ending his contract with the original club, and the other new team will pay the original club a certain amount of compensation. Currently all the NBA teams, no team will lose money, because the NBA has a salary cap policy, no matter how bad this team is, how much business operation failure, the NBA league will still make up the difference to the poor team from the revenue of the high revenue team. So the NBA team may not make money, but never go bankrupt.

Therefore, from a big picture, compared with the opportunities to be the top team, the rules that at least give the bottom teams an edge to avoid being the worst every year seem matter more, since they can balance the strengths of different teams, make the game fairer, and the audience will not be helpless because their favorite team keeps losing and there is no way to get great players.

The Premier League, on the other hand, can't. Because the premier league does not use the salary cap, the perennial winning championship teams have enough financial power to compete for awesome players. Those teams that lose often lose the ability to compete for good players. Each team's winnings are all on their own, the lower and middle class teams will certainly be finely tuned to ensure both preservation in the Premier League and open source savings, once bent, it's easy for the team to enter a dead-end cycle, the last resort will have to sell stars to pay back the debt, so many Premier League lower and middle class teams in the UEFA competition are not performing well, because compared to a UEFA Cup A few million dollars in bonuses, relegation is 100 million pounds of revenue and expenditure, nothing is more important than the league.

### 3. Conclusion

Competitive equity refers to the open, equal and fair competition among competitors. Competitive equity plays an important role in the development of things. It motivates the participants and makes them improve continuously to enhance their competitiveness. This improvement is beneficial to the progress of the whole industry and society. Competition in sports allows people to create new records, break human limits, and gain happiness and confidence; competition in business makes the quality of products better, the price better, and consumers gain more benefits; competition in science makes the world civilization progress, people have more understanding and use of unknown things, and human beings gain more freedom.

Our examination of competitive equity in sports leagues suggests that there can be an overall broader sharing of social benefits from successful competition in society if competitive equity is maintained.

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