

Beyond Market Power

Managerial Efficiency in American-Style Structures of Major League Organization^{*}

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ABSTRACT

So far the “market power view” has been the dominant perspective of looking at the institutional setup of American major leagues. As useful as the insights generated by this approach may at the level of competition policy, they do not shed much light on the question of internal league organization. The reason is straightforward: A wide range of hybrid as well as all integrated structures of league organization provide an institutional infrastructure for crafting regulations aimed at the extraction of monopoly rents. A different perspective is needed in order to be able to understand institutional choice within the range of structures “guilty” for the potential abuse of market power. This paper shows that basic structures of major league organization can be explained as the result of a general attempt to increase managerial efficiency in sports production. They contribute to the reduction of shirking in teams and to the protection of specific investments.

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