

Economics of crime: the weaknesses of orthodox economic analysis of sporting abuses?

Sporting abuses

From the 1980s onwards, sport became global and gradually became the object of considerable financial stakes for a certain number of economic actors who could benefit from the development lever for their activity that the sporting spectacle represents. The media, marketing agencies and multinational sporting goods companies are particularly concerned. The fundamental question that arises from the arrival of new actors in the sporting sector is whether the financial logic will not pervert the sporting logic.

The first illustration of this kind of abuse concerns the role of television in modifying the rules of sporting competitions. Indeed, since broadcasting rights and sponsorship have become major sources of revenue for the professional sport sector, the television multinationals have been in a position of power to impose changes in the organisation of the sporting spectacle to adapt it to their financial self-interests. This is the case, for example, with the modification of the timetable of events according to the optimal television audience, which may result in sporting competition timetables that do not respect the biological rhythm of the athletes.

This domination of financial logic is expressed above all in the modification of sporting rules to make the sporting spectacle more televisual: tennis with the tie-break to shorten matches that had become too long for television or balls that have become yellow to be more visible on screen; judo with the abandonment of white for kimonos and the adoption of blue; rugby with half-time and its commercials; volleyball with the modification of the point count to shorten the duration of matches; table tennis with a shortening of the duration of sets and the magnification of the ball to be more visible.

Sports authorities have had to comply with the injunctions of television by adapting their competition formats. However, beyond these initial abuses, the financial stakes involved in the business of sport have attracted the interest of actors belonging to the world of organised crime into the sporting spectacle. It is possible to group all these abuses around three categories:

- ***Corruption: match-fixing, fixed-betting, mafias***

These are criminal manipulations that pose a mortal danger to the sporting spectacle. It is indeed the whole question of the confidence in the integrity of the competition, which, if it disappears under the influence of corruption, risks leading to a disaffection of the public, sponsors and patrons. The manipulation of sporting compe-

titions is the new scourge that threatens the sustainability of professional sport on a global scale. Organised crime uses sport and sports betting as a means of diversifying its traditional activities (drug trafficking, prostitution, arms sales, racketeering, etc.). International criminal networks are all the more interested in sport because the profits are considerable and the risks far less than for traditional activities.

- ***Questionable financing: tax havens, money laundering, accounting manipulations, financial doping***

These fraudulent financial operations take the form of false bank guarantees, false invoices and remunerations to accounts in tax havens, slush funds, and artificially listed immaterial assets (players). Sophisticated financial and accounting techniques are used to conceal fraudulent operations: player transfers, retro-commissions, remuneration of players' agents, purchases of clubs, etc. Professional sport has thus become a very attractive sector for many dubious financial operations, including money laundering.

- ***Doping: individual doping, collective doping, state doping***

Here again, criminal networks have found a very lucrative and low-risk market in sports doping. Drug routes, controlled by organised crime, can overlap with those of doping, especially as there are common substances. Once again, international networks are involved, which will make it even more difficult to put policies in place to combat the problem.

Faced with all these abuses, most of which are underground, economic analysis is relatively helpless.

Methodological individualism

The economics of crime proposed by Gary S. Becker is based on neoclassical methodological individualism and is consistent with the ambitions of the Nobel economist to explain all human behaviour by means of a cost-benefit calculation. An individual will commit a crime if the utility he expects from it is greater than that which he would obtain by opting for other activities. This is the opportunity cost of the crime. Generally speaking, by comparing the amount of the penalty, relativised by the probability of being caught, and the amount of the expected gain, the individual will choose whether to engage in criminal activity or not. Such a calculation can equally be applied to the analysis of doping or the analysis of corruption as in the case of fixed-betting.

- ***Doping***

The doped athlete makes their decision after a rational calculation that takes into account: his or her expected gains, the cost of doping, the gains without doping, the risk of being convicted, the risk of having his or her reputation tarnished and the risk of having his or her life expectancy reduced. If the net gain is positive, the athlete who decides to dope is rational in the sense of economic theory. Nevertheless, such a conclusion may be rash, insofar as two obstacles may tarnish the theoretical calculation:

- Elements of athlete arbitration are very difficult to evaluate and integrate into a monetary calculation. How do you measure the damage to an individual's reputation? How do you measure the value of human life?
- Elements of the arbitration are missing, as the cost of doping is not solely a matter of individual calculation. Factors external to the individual sphere or even to the sporting sphere may influence the decision: pressure from the team or the managers, professional culture, pressure from public authorities (State Department), etc.

All this makes it clear that the economics of crime model will not be able to help to fight effectively the plague of doping. The microeconomic analysis of a rational *homo economicus* does not reflect the complexity of the determinants of the behaviour of a real individual.

- **Corruption**

The same principle applies as for the analysis of doping: corruption is the result of a cost-benefit calculation that includes both monetary and non-monetary costs. If there is a net profit, a corrupt individual will be rational in investing in match-fixing or fixed-betting, for example. Nevertheless, the same shortcomings of microeconomic analysis are also present: non-monetisable features of corruption are not taken into account in the calculation, and many factors outside the individual sphere are ignored. In particular, corruption today requires sophisticated financial systems on an international scale to circulate the flows necessary to pay corrupt agents and all intermediaries. Such complexity cannot be addressed simply by a cost-benefit calculation. Economic rationality understood as the maximisation of expected utility does not reflect the reality of the behaviour of many economic actors. Methodological individualism is essential to the construction of the 'pure' neo-classical edifice, but it does not explain a reality that is primarily social and not individual. The best proof of this is the ineffectiveness of measures derived from the economics of crime to try to eradicate doping or corruption.

The ineffectiveness of control policies

- **Doping**

If we follow crime theory, the fight against doping should consist in playing on the model's levers:

- Increase testing and the likelihood of the athlete being sanctioned
- Increasing the penalties for positive tests

One is entitled to ask why such measures, which have been implemented for many years, have not produced any significant effects. The reality shows that the perpetuation of doping is due to a vast chain of diverse complicities that call into question the supposed rationality of individual behaviour.

- **Corruption**

Most of the proposals for instruments to combat the scourge of fixed-betting are based on the principles of criminal economics:

- Tightening of controls on the sports betting market
- Limitations on customer return rates

These measures have proved ineffective in the face of transnational criminal organisations, which require coordinated policies between states to better combat money laundering and tax havens.

The integrity of sport is in great danger and risks toppling the whole institution of sport. Economic research must go beyond the economics of crime, which does not allow us to address the problem of sporting abuses positively.

Further information:

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Jean-Jacques GOUGUET (Dir.), *Le sport spectacle en danger ? Une approche économique*, Reflets et Perspectives de la Vie Economique, Tome LIV, n° 3, De Boeck, Bruxelles, 2015.

Related articles: doping, sporting exception, regulation.