Edited by

TERRI BYERS

Contemporary Issues in SPORT MANAGEMENT

A Critical Introduction
Is the Olympic games safe from Asian match fixing gangs?
(Inside the Games, 3 December 2013)

Tracking corruption in the Sochi Olympics.
(ABC News, 29 January 2014)

Major Games: Let sport triumph, not corruption.
(Transparency International, 5 February 2014)

LEARNING OUTCOMES

Upon completing this chapter, students will be able to:

● Understand how an economic analysis of sport corruption can inform sport managers about the multifaceted nature of the concept of corruption in sport.

● Understand how corruption distorts sporting outcomes, infringes the rules of the game, destroys outcome uncertainty, dampens sport credibility and undermines sport integrity.

● Discuss how corruption may be combatted in sport through prohibition, sanctions, regulation, taxation and coordination between these policy tools.
INTRODUCTION

Corruption in sport is understood as any illegal, immoral or unethical activity that attempts to deliberately distort the outcome of a sporting contest for the personal material gain of one or more parties involved in that activity (Gorse and Chadwick, 2013). From an economic standpoint, corruption in sport was initially meant to refer to any action that aims at and succeeds in earning money by distorting the outcome of sport contests by means of bribery/throwing a game for money or non-monetary compensation. Nowadays, corruption in sport has extended to other unethical behaviors such as distorting the allocation of mega-sporting events, biasing decisions made by sport governing bodies and fixing bet-related matches. Corrupt sport dates back to the earliest centuries when sporting events emerged. Maennig (2006) reports documented cases of bribing competitors at the Olympic Games in 388, 332 and 12 BC. Corruption scandals have increased in modern sports, namely in boxing, US college basketball, South Korean, Swedish and Turkish basketball, English, Indian, Kenyan and South African cricket, French handball, Australian and English rugby, African, Asian, European and Latin American football, Japanese sumo wrestling, Austrian, Russian and Serbian tennis, South Korean volleyball, and Chinese and English snooker. With growing money inflows attracted into sport and the globalisation of the sports economy (Andreff, 2008; 2012a), nowadays corruption can plague, to some extent, any and all facets of sport business. Corrupt sport has become such a significant criminal economic activity that it deserves a deeper focus on the most global opportunity for corruption – sport betting scandals related to match fixing. With the emergence of online betting, the latter is the spearhead of borderline economic behaviour and, in many occurrences, of naked criminality, which is out of reach of both national governmental regulation and sanctions designed by national and international sport governing bodies.

A TYPOLOGY OF SPORT CORRUPTION

A typology of corrupt sport is featured below that may be useful for understanding and preventing corruption. It starts with cases currently considered as petty corruption between sport insiders. In some cases, corruption operates without significant amounts of money, which is known as barter corruption. Corruption may also affect the highest sport governing bodies, with some well known cases illustrated. With increased inflows of money into sport, new forms of corruption emerged through first sport betting scandals. With economic and sport globalisation, global criminal networks entered the sport gambling business; now they organise match fixing on a wide scale related to global online fraudulent sport bets. In the face of huge international betting scandals related to match fixing, the enforcement of a global taxation levied on sport bets is recommended.
PETTY CORRUPTION: ON-THE-SPOT CORRUPTION BETWEEN SPORT INSIDERS

The most ancient type of corrupt sport is the one spontaneously emerging during the course of a sporting contest between two competitors or two teams. Competitor A bribes competitor B to let him/her win. Or perhaps competitor A would bribe opponent B to accept helping him/her to win in the face of a third opponent. Such on-the-spot corruption is not planned in advance and occurs when an opportunity of securing a win randomly appears in the progress of a sport contest. It is a sort of petty (as distinct from heavily criminal) corruption that distorts a sporting outcome without endangering anyone’s life or creating a huge societal issue. For instance, in long-distance cycling races like the Tour de France, in some circumstances winning a stage happens to be bargained between two riders who finish ahead of the peloton, eventually with one rider bribing the other (Andreff, 2014). Caruso (2008) evidenced spontaneous cooperation between rivals in sport contests. In a football match, players from the two teams speak to each other – just like two cycling riders at the end of a stage – or simply signal to the opponents, by kicking the ball aimlessly and lazily, their willingness to exert less effort and fix the result. Such corruption usually involves monetary payments. Winning a Tour de France stage is bargained in the range of €100,000 with a variance depending on race circumstances and the type of (mountain or not) stage. This kind of corruption emerges between sport insiders (athletes/players, coaches, referees, umpires and sport managers from the club level up to international sport governing bodies), and not one of the corrupt or the corruptors will operate from outside the sports industry.

BARTER CORRUPTION: BUYING A SPORT WIN WITHOUT CASH

Another type of petty corruption between sport insiders works without money. In such barter corruption, an athlete or team A on the brink of being relegated downward in the sporting hierarchy, and thus in absolute need of a win, offers an athlete or team B a bribe to win; this bribe is not paid in cash but later on with some planned losses accepted by A in further matches against B. Barter corruption is difficult to detect since there is no money flow or material indices. A fascinating methodology consists of the creative use of existing data sources (Duggan and Levitt, 2002) to detect corruption in Japanese professional sumo wrestling. The incentive structure of promotion in sumo wrestling leads to gains from trading between wrestlers on the margins for achieving a winning record against their opponents. The authors show that wrestlers win a disproportionate share of the matches when they are on the margins. Increased effort cannot explain the findings. Match rigging disappears in times of increased media scrutiny. Wrestlers who are victorious when on the bubble lose more frequently than would be expected the next time they meet that opponent, suggesting that part of
the payment for throwing a match is a future payment-in-kind. Reciprocity agreements between stables of wrestlers appear to exist, suggesting that collusive behaviour is not carried out solely by individual actors.

**THINKING POINT 4.1**

**Corruption in Japanese Sumo Wrestling with Payment-in-kind**

A sumo tournament involves 66 wrestlers participating in 15 bouts each. A wrestler who achieves a winning record (eight wins or more) is guaranteed to rise up the official ranking; a wrestler with a losing record will fall in the ranking. The critical eighth win results in a promotion rather than relegation. A dataset of over 64,000 wrestler matches (32,000 bouts) between January 1989 and January 2000 shows that 26% of all wrestlers finished with exactly eight wins compared to only 12% with seven wins. Distinguishing between match rigging and wrestler effort, a statistical analysis has shown an excess win likelihood of between 12–16% for wrestlers on the bubble. There is thus a significant probability that in a match involving a wrestler on the bubble, the two wrestlers will collude in favour of the former’s win – this represents match rigging and corruption though without any immediate money at stake. If this assumption were to be correct, one must find some sort of compensation provided to the wrestler who colluded to lose the match.

The likelihood that the two wrestlers will meet again soon is high: in the dataset, 74% of the wrestlers who meet when one is on the margin for eight wins will face one another again within a year. From this comes a second statistical test that confirms collusion-corruption. The wrestler who was on the margins in the last meeting is statistically less likely to win than would otherwise be predicted. This statistical finding is consistent with the fact that part of the compensation for throwing a match is non-monetary and consists of the opponent promising to return the favour in the next meeting. Corruption here occurs with a payment-in-kind. The statistical evidence is that wrestlers who were on the bubble do much worse in the next meeting with the same opponent, losing 10% more frequently than would be expected, which is consistent with the match rigging hypothesis. In 2000, the Japanese press published articles where two former sumo wrestlers made public the names of 29 wrestlers they alleged to be corrupt and 14 wrestlers who they claimed refused to rig matches. The conclusion? A creative use of data can reveal the evidence of corruption (see more details in Duggan and Levitt, 2002).

**TOOLS FOR ANALYSIS**

The Japanese Sumo Association attempted to eliminate the economic basis of match rigging in 2000 by changing the incentive structure for wrestlers on the margins; moreover the level of public scrutiny increased. Both changes
led to a significantly lower number of rigged matches until 2003 (Dietl et al., 2010). However, from 2003 to 2006, the abnormally high winning probabilities of wrestlers on the margin in bubble matches reappeared, as well as their loss in the next match with the same opponent, with an abnormally high probability. This confirmed Duggan and Levitt’s findings that the structure of promotion-relegation provides sumo wrestlers with incentives to rig matches. Comparable corrupt behaviour is tanking in US college basketball (Balsdon et al., 2007) or in closed leagues with a rookie draft system based on reverse-order-of-finish picks for new players entering the league. At a certain moment in the sporting season, some teams are no longer in contention for the play-offs; they then choose to deliberately underperform and unexpectedly lose games to go down the ranking and therefore improve their pick position on the reverse-order-of-finish draft. This sort of match rigging is called ‘tanking’, i.e. obtaining quality players at higher draft picks. As long as players are pressurised to throw games without monetary bribes, this is still barter corruption. All the types of corrupt sports that follow below to some extent involve sport outsiders, often termed ‘corruptors’ or ‘criminals’.

The statistical detection of sport corruption is fascinating but it requires a detailed dataset that is not available across all sports. Moreover, the same creative use of data would not work with team sports since it is much more difficult or impossible to detect in statistics from a match between two teams where one of the players has thrown the match. However, once detected in this way, is corruption more credible than if detected through the emergence of a match-fixing scandal in the media? And even if it were to be convincing enough, the next question is: could a wrestler or a player be sued in a court for corruption only on the basis of such statistical evidence? These questions open new avenues for reflection and debate about sport corruption.

**ACTION LEARNING**

- Could you imagine sport contests in which the competitors were not able to talk together and communicate in order to avoid petty corruption? Which ones? Are new communication technologies a hindrance or a facilitator to petty corruption?

- In which sports (beyond sumo wrestling) do you think that a creative use of databases could be replicated in view of detecting barter corruption?

**CORRUPTION AT THE LEVEL OF SPORT GOVERNING BODIES**

Corrupt sport insiders may belong to governing bodies. A major case in point happens to emerge when allocating mega-sporting events such as the Olympics and FIFA World Cup, or appointing someone to an honorary VIP position.
in a sport governing body (Maennig, 2005). Widespread rumours about such corruption are numerous but difficult to verify empirically. Sticking to evidence unearthed after a report written by a FIFA general secretary, a complaint introduced to the court in 2002 accused the FIFA president of corruption and embezzlement as regards diverting funds toward some FIFA members, namely the incumbent presidents of CONMEBOL (the Latin American football confederation) and CAF (African football). In the same vein, bribery was well-documented when allocating the 2000 Olympic Games to Sydney. A peak of corruption was reached in the allocation of the 2002 Winter Games to Salt Lake City, to such an extent that it triggered a widespread reform of the International Olympic Committee (IOC) and the exclusion of IOC executive committee members in 1999. In 2010, FIFA suspended two executive members suspected to have sold their votes for allocating the 2022 World Cup to Qatar, and the Qatari president of Asia’s football confederation (AFC) under the presumption of fraud. Executive members of sport governing bodies and government ministers were also revealed to have participated in betting scandals in Taiwanese baseball (Lee, 2008).

CASE STUDY 4.1

Candidate Cities Bribing IOC Members for Votes

Following huge growth in the number of candidatures for hosting the Olympics during the mid-1980s, candidate cities attempted to influence IOC members in ways that were ethically questionable. A fairly significant number of IOC members accepted favours from candidate cities or even demanded for themselves or their entourage valuable gifts of all kinds, study grants, free vacations and flight tickets, paid internships and jobs, or even cash. These practices were made public in the media as of 1986 when electing the 1992 Olympic cities, although they probably existed before that date (notably regarding the election of Seoul over Nagoya for the 1988 Games) but in a more undetectable way. Illicit embezzlements and bribes had already occurred in 1991 when Nagano won the bid over Salt Lake City for the 1998 Winter Olympics. Around the same time, suspicion fell on Robert Helmick, a former president of the International Swimming Federation and the architect of the Atlanta victory for 1996. The head of the 2000 Sydney candidature committee openly admitted various questionable aspects of lobbying, including the use of ‘agents’ in charge of obtaining votes or grants to African national Olympic committees awarded on the eve of the vote. The Sheridan Report published in 1999 also established that Sydney 2000 bribed VIPs to become the Olympic host city. In September 1993, just before the IOC cast its votes, the Australian Olympic Committee had offered AUS$65,000 to two IOC members, the representatives for Kenya and Uganda.

1More about this case can be found in the book by Jennings (2006).
Four enquiry commissions were created in 1999 regarding the attribution of the 2002 Winter Games, which came out with around 30 IOC members in office (out of 104) who were implicated to varying degrees in vote rigging. Four of them resigned of their own accord, 10 were officially reprimanded with varying degrees of severity and around 10 were called into question by the media but escaped any form of action by the IOC. The six excluded IOC members were Augustin Arroyo (Ecuador), Zein el-Abdin Gadir (Sudan), Sergio Santander Fantini (Chile), Jean-Claude Ganga (Congo), Lamine Keita (Mali) and Paul Wallwork (Samoa). The infamous Mr Kim Un-yong (South Korea), a former President of the International Taekwondo and Judo Federations, and a former IOC Deputy President, was censured in 1999 and eventually resigned in 2005, under strong pressure. Unveiling naked corruption has triggered a reform of the IOC attribution rules (for more details, see Chappelet and Kübler-Mabbott, 2008, and Andreff, 2012b).

TOOLS FOR ANALYSIS

The question here is whether the reform of IOC attribution rules was enough to put a brake on corruption. According to Chappelet and Kübler-Mabbott the changes were going in the direction of improving IOC governance. Nevertheless, rumours were still circulating about corruption in the course of the attribution process of the 2014 Winter Games to Sochi and 2016 Summer Games to Rio de Janeiro. What would happen if Doha were to be a candidate to host the Games in the near future? Is there any way out from this third type of corruption? As suggested in Andreff (2012b), the first step would be to change the allocation mode for global mega-sporting events. One option could be to design a rotation rule across continents and countries to host a given mega-sporting event – FIFA has taken a step forward on this path since the attribution of the 2002 World Cup to two Asian countries, then to South Africa in 2010. However, this may not be enough as a corruption-hedging recipe. Another more radical option would be to uproot corruption in the allocation of mega-sporting events with a new regulation that weeds out city candidatures. This would consist of fixing once and for all a single site for each such event (as Greece unsuccessfully suggested with Olympia for the 1996 Summer Games). However, one would suspect that such an option would be resisted by the IOC as well as multinational companies for the sake of their own private financial interests and revenues.

ACTION LEARNING

- How do you understand the relationship between corruption and the quality of governance in sport governing bodies?
- Should the latter be submitted to a regular or permanent auditing of their decisions and expenditures?
BETTING SCANDALS AND POINT-SHAVING: THE ADVENT OF MAJOR FRAUDS

Before sport economic globalization and online betting, a major opportunity for corrupt sport to emerge was already present in sport gambling, which provided an opportunity for fraud since it created an incentive to lose a sport contest through match fixing in the hope of making money against the likelihood of a sport performance. The 1964 betting scandal in British football is a case in point. The Italian black market for football bets – Totonero – developed alongside the official and controlled Totocalcio; some matches were usually rigged in relation to Totonero betting. More recently, AS Roma was found to corrupt referees in 1999. The Calciopoli case in the 2000s revealed significant referee corruption. In 2006 some of Juventus Turin’s managers were convinced of rigging 18 matches by corrupting referees, and the club was then relegated for this (see Case Study 4.3 below). In 2011, the justice system revealed that 47 individuals in the Calcioscomesse case, including some criminals from outside football, had developed an entire system of illicit bets related to match fixing in the Serie B (second division) and Lega Pro (third division). In Spanish and Portuguese football in 2004, and in Brazilian football in 2005, several club managers and referees were arrested and sued for organising fix-related bets. The Japanese yakuza, which control the baseball betting system, are also known to fix matches. Even in the German Bundesliga, a referee, Robert Hoyzer, received a jail sentence for having rigged matches in 2004 whereby he himself was betting on the results along with Croatian punters and criminals. All of this created a base for global betting networks connected to match fixing that then emerged subsequently.

In North America, point-shaving is a specific kind of corrupt sport in which an athlete is promised money in exchange for an assurance that the team will not cover the point spread. The corruptor then bets on that team’s opponent and pays the corrupt player with proceeds from a winning wager. Few cases of point-shaving have been documented. However, the practice has been found to be widespread in National Collegiate Athletic Association basketball by comparing bet and game outcomes with those in professional sports (Wolfers, 2006). In examining 44,120 men’s college basketball games played between 1989 and 2005, Wolfers offers evidence that point-shaving occurs far more frequently than previously believed and estimates that at least 1% of games involve gambling corruption. Borghesi’s (2008) results suggest that unusual patterns previously suspected to be indicators of point-shaving are ubiquitous throughout sports and unlikely to be caused only by corruption. Line shading by sports bookmakers may explain the anomalies in game and bet outcome distribution as well. Legal and illegal gambling markets are thus intertwined because illicit bookmakers often balance their positions by placing bets at legitimate sports bookmakers.
Referee Match Rigging in Italian Football Serie A

Rigging a match plays a crucial role in its outcome. For example, in the 1994–1995 championship, one minute before the end of a Juventus–Brescia match, the referee offered a non-existing penalty to Juventus. In Italian Serie A, the assignment of referees was extremely complex and highly discretionary. Matches were classified on different levels (the so-called griglie) depending on their importance for the championship final outcome. Many referees in each griglia were selected on the basis of (non-publicly) evaluating their past performance. In May 2006, a major scandal was uncovered by Italian prosecutors after tapping phone conversations as part of an investigation at Juventus with regard to the 2004–2005 football season. They found that the general manager of this football club, Luciano Moggi, had had a great deal of contact with referees, football federation officials and journalists during the 2004–2005 season.

### TABLE 4.1 Matches likely to have been rigged by Juventus managers before the 2004–2005 season

<table>
<thead>
<tr>
<th>Season</th>
<th>Match day</th>
<th>Match</th>
<th>Result</th>
<th>Rigged episode</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994–1995</td>
<td>18</td>
<td>Juventus–Brescia</td>
<td>2–1</td>
<td>Last minute irregular penalty</td>
</tr>
<tr>
<td>1996–1997</td>
<td>20</td>
<td>Juventus–Perugia</td>
<td>2–1</td>
<td>Perugia was denied penalty</td>
</tr>
<tr>
<td>1997–1998</td>
<td>3</td>
<td>Juventus–Brescia</td>
<td>4–0</td>
<td>Brescia was denied penalty</td>
</tr>
<tr>
<td>1997–1998</td>
<td>30</td>
<td>Empoli–Juventus</td>
<td>0–1</td>
<td>Empoli was denied a goal</td>
</tr>
<tr>
<td>1997–1998</td>
<td>31</td>
<td>Juventus–Inter</td>
<td>1–0</td>
<td>Inter was denied penalty</td>
</tr>
<tr>
<td>1999–2000</td>
<td>33</td>
<td>Juventus–Parma</td>
<td>1–0</td>
<td>Parma was denied goal</td>
</tr>
<tr>
<td>2001–2002</td>
<td>15</td>
<td>Inter–Chievo</td>
<td>1–2</td>
<td>Inter was denied penalty</td>
</tr>
<tr>
<td>2003–2004</td>
<td>10</td>
<td>Modena–Juventus</td>
<td>0–2</td>
<td>Referee favours to Juventus</td>
</tr>
<tr>
<td>2003–2004</td>
<td>16</td>
<td>Sampdoria–Juventus</td>
<td>1–2</td>
<td>Referee favours to Juventus</td>
</tr>
</tbody>
</table>
championship, won by Juventus. These contacts were finalised to rig matches by choosing referees favourable to Juventus. Referees were then selected by a team of former referees with whom Moggi had extensive phone conversations.

The tricky strategy used by Moggi was to ask referees to give a red card to the most important players on a rival team during the match directly before the rigged match in order to minimise the risk of a loss or a draw in the latter. For instance, Jankulowski was given a red card for futile reasons in the Udinese–Brescia match, and consequently missed the following match he should have played against Juventus. Thus the rigged match resulted in a seemingly ‘fair’ outcome despite the fact that one or two key players were out of the game and this could have significantly affected the result. In other cases, the referee in matches under investigation offered a penalty kick or neglected an offside presumably in favour of one team. In all of these occurrences, tapped phone conversations certified direct contacts between the managers of the corrupting team, the official selecting referees and sometimes the referees themselves. Corrupting managers were threatening to destroy referees’ reputations if they had not complied with their requests.

A total of 78 matches (i.e. about two fixtures per week) were likely to have been rigged. These did not only involve Juventus, but were also mostly in favour of Juventus since they were favourably conditioning the outcomes of other Juventus matches. Other teams involved in the scandal were A.C. Milan, Fiorentina, Lazio and Reggina. A.C. Milan was accused of having influenced the assignment of linesmen for its match against Chievo Verona in April 2005, while Fiorentina’s owner and Lazio’s chairman were accused of having used a match rigging method similar to Moggi’s for referee designation. The Italian Football Federation decided that Juventus should be relegated to Serie B (second division) with a nine-point deduction for the 2006–2007 championship; the sanctions were eight points for A.C. Milan; 15 points and exclusion from the Champions League for Fiorentina; three points and exclusion from the UEFA Cup for Lazio; and 15 points for Reggina. Very low pecuniary sanctions were sentenced to those managers presumably involved in match rigging. Moggi was fined €30,000, while his annual wage with Juventus at that time was in the range of €2.7 million. Most of these sanctions had small effects on the involved teams’ budgets. Effectively it was the fans of those teams caught for corruption who were de facto the major losers since their favourite team was relegated (for more details see Boeri and Severgnini, 2008).

TOOLS FOR ANALYSIS

The aforementioned telephone calls were tapped as part of an investigation into the use of doping by the Juventus team. Sport corruption is often unveiled only by chance. Referee assignment is the weakest link in the sport chain which is targeted by corruptors. Sport insiders must always be involved for sport corruption to operate smoothly. Thus the cure, if any, must be applied first within the sport movement itself. A question then arises: are the above-mentioned sanctions harsh enough to prevent sport corruption from being
CONTEMPORARY ISSUES IN SPORT MANAGEMENT

Juventus’s relegation was a rather significant sanction but its effect was not long-lasting as the team was promoted the next year in Serie A. And what of the fine of 0.01% of the corrupting manager’s annual revenue? Why not envisage a life-ban for the corruptors and corrupt from the football world to uproot corruption? Short of lifelong sanctions, match rigging had been virulent in (Italian) football even before 2004–2005 (see Table 4.1).

ACTION LEARNING

- Is it conceivable to prohibit sport betting for the sake of sport integrity? Would not such a prohibition be frustrating to consumers – those who were keen on or attracted to betting? And would not such prohibition fuel even more illegal activity in the sport gambling market?

MATCH FIXING-RELATED BETS AND GLOBAL ONLINE FRAUDULENT SPORT BETTING NETWORKS

Globalisation has brought about increased economic competition in the sport gambling market due to both the internet and market deregulation. Punters now have direct access to foreign bookmakers, while the gambling business must be liberalised under pressure applied by international organisations such as the World Trade Organization (WTO) or European Union (EU). The volume of sporting bets has skyrocketed, along with the opportunities for fraud (Forrest et al., 2008). With globalisation came product differentiation in the bets offered, such as live betting (currently 60% of all placed bets), in-play betting, handicap betting, spread betting, proposition betting and betting exchanges, all of which encompass new risks. As a result, frauds often materialise in spot fixing instead of match-outcome fixes.

Match and spot fixing has become the most widespread form of corrupt sport in recent years. Fraudulent networks of punters and criminals rig matches by bribing players or referees or place bets on the fix via the internet. Despite the surveillance of 30,000 games per season in 43 European football leagues, such corrupt business is skyrocketing; in 2011 about 10% of matches were felt to be suspicious, while in 2012 about 700 games were found to be rigged, primarily in lower professional divisions. Many of these fraudulent networks are based in Asia, namely China, Malaysia, Singapore and the Philippines, where betting outlays are not limited, and in some central Eastern European countries. Interpol dismantled 272 of such irregular bookmakers in 2007, arrested 1,300 people suspected of organising bets on fixed matches in Asia and seized US$16 million in cash in 2008. Before cracking down on these networks, Interpol assessed the volume of irregular bets at $1.5 billion. Talk of corrupt sport in 2013 cannot avoid focusing on match fixing connected to irregular betting.
By the 1960s, with a growing interest in football and an increased demand for bets, a second form of betting was introduced with football pools or Toto-betting: all bets placed were pooled and the winners shared the money between them less charges. Thus the fixtures and results were utilised by a growing number of independent betting providers and the football property rights were moderately attenuated. In the twenty-first century, with football globalisation and the invention of the internet, a third type of betting emerged with betting platforms: anyone can offer a bet on any game in the world and punters can take up the bet and bet against it by choosing from the various products mentioned above in the sport betting market. National betting regulation can be easily circumvented through global online betting possibilities. Today the fixtures and results are used by so many providers that football property rights are completely attenuated (Dietl and Weingärtner, 2012).

Then there is the over-use of those public goods which consist of football fixtures and results, and as for any public good the variable cost of offering a single new bet is negligible, i.e. close to nil. Coupled with new sport-betting products, this has resulted in explosive market growth, with the situation becoming uncontrollable for football. This extensive usage of a public good by the gambling industry, and the possibility of betting high sums, increase the likelihood of match fixing. The direct cost of prevention and investigation against match fixing grows and by the same token the indirect cost of more frequent betting scandals rises. This new analysis ends with examining various solutions for football getting rid of these external costs for fix-related betting.

CASE STUDY 4.3

The Match Fixing Technology of Gambling Corruptors

The journalist and academic Declan Hill has spent over 10 years getting close to and observing from within some of the match fixing networks operating in soccer; the outcome has been his famous book The Fix (Hill, 2008). He inferred from this long-lasting experience a sort of check list of all that a gambling network has to do to successfully fix a match and pocket a huge amount of money from betting on the fix.

Let us call it the five-stage technology of successful bet-related match fixing.

Stage 1: Access. The first problem that confronts a gambling corruptor is how to gain access to the players or the referee. The easiest access is to be a soccer insider working with a league, a club or some governing body. Otherwise a second method of ensuring access to players relies on ‘runner-arranged contacts’. Corruptors have to employ ‘agents’, known as ‘runners’, to access players or referees.

Stage 2: The set up. There are two options here. In some highly corrupt Asian leagues, corruptors will use a fast and direct
approach (for instance, a telephone call) to the targeted player or referee. In leagues with low corruption, corruptors face a more difficult job. A counterfeit intimacy method must often be implemented. The idea is to find a player/referee weakness (he likes drugs or expensive watches or blonde prostitutes, etc.) and then exploit it to compromise the targeted match fixer. Once the latter has accepted gifts or money, he is ripe for corruption.

Stage 3: Calling the fix. Since the ultimate goal of fixing is profit maximisation two fixes must go together: fixing the game and fixing the gambling market. To fix the latter corruptors have to find out the spread of the betting market and place the bet that will ensure the greatest profit. They must also make completely sure that players will deliver that result by following their instructions. In the gambling market, corruptors will usually not place a bet in their own names, and will preferably use third parties known as ‘beards’, ‘mules’ or ‘runners’. Technically there are many ways of legally rigging the betting market, while some other possible methods are dishonest and fraudulent; corruptors must choose the most appropriate method each time. Finally, it is crucial that corruptors signal to the corrupt players or referees what is to be done on the pitch without attracting any attention, and then give a signal that they have understood (for instance, shooting the ball offside or into the corner, etc., with live betting).

Stage 4: Performance. For the most part, players do not perform fixes by deliberately losing matches. They simply underperform at the appropriate time in the game to achieve the desired result, or referees take a wrong decision as if it were a slight mistake in judgement.

Stage 5: Payment. Over 70% of the payments to corrupt players in gambling fixes are in cash, often in stepped amounts. An initial symbolic payment settles the deal that a player will take part in fixing a match. The main payment is reserved for after the match once the fix has been achieved (for more details see Hill, 2009).

TOOLS FOR ANALYSIS

The technology of match fixing related to betting is rather sophisticated. In practice, a corruptor cannot operate alone through the five aforementioned stages. Thus corruptors act within hidden networks that are not easy to detect. Nowadays, sport corruption is far removed from initial petty corruption and has reached a high degree of networking and organisation. Since it is not possible to put a policeman on the tail of any potential match fixer, and even less so for potential fraudulent gamblers, combatting this last type of sport corruption therefore requires sophisticated technology (i.e. electronic surveillance to instantly check unbelievable odds) and coordination between a network of various international organisations. In recent years increasing cooperation has been apparent in the fight against betting-related match fixing, namely between the United Nations (UN), the Council of Europe, the EU, Interpol and Sport Accord. Would this be enough to detect such sophisticated match fixing? Alas not, because as you will have noticed a sport insider (player, referee) must always be involved as a
match fixer: in practical terms a fix cannot materialise without some active participation from inside the sport. Thus combating match fixing must come first and foremost from within the sport movement’s governing bodies as they have obviously not done enough so far.

CASE STUDY 4.4

Some Football Leagues are More Affected by Match Fixing than Others

Following on from Declan Hill’s works, a Fixed-Match Database (FMD) has gathered evidence about 301 fixed matches in 60 different countries and 55 different soccer leagues and cup games; data are structured along with 39 quantitative and qualitative variables. A second database (FMD2) only selects 137 games with the highest degree of certainty that a fix actually occurred. Next, these games were matched with a randomly selected control group of 130 honestly played games. From this comparison, the aspects that point up wide-scale match corruption are: leagues marked by high relative exploitation of players (low wages, non-payment of wages); an expectation of official corruption; and the presence of large illegal gambling networks. Country ranking on the World Bank’s Corruption Perception Index (CPI) does not affect the presence of high levels of match fixing in the country. Singapore, ranked fifth in the CPI index, has a soccer league that suffers from high levels of corruption, as do countries like Vietnam, which is ranked 106 places below it on the CPI listings. Some leagues defend their product quality by actively sanctioning players or coaches who suggest that any match corruption may be going on. On the other hand, some football associations themselves may be corrupt organisations (e.g. those in Colombia or Brazil).

From the database, it is also possible to pinpoint who has detected match corruption. The largest number of fixes (42%) was revealed by police investigations. Confession by a participant in the media and independent media investigations represent about 18% each in total detection. Outside confessions make up slightly over 10% of detection occurrences. One finds betting patterns, and spectators below 5%, and the football association administration at only 2%. This confirms that most football associations do not publicise corruption cases, and on the contrary attempt to blur or hide them. If transparency is not present this always facilitates and triggers extensive corruption (for more details see Hill, 2010).

TOOLS FOR ANALYSIS

One variable of course does not appear on the database, i.e. the overall inflow of money at stake in each federation-fixed match. The richer a federation is the higher the probability of attracting corruptors and criminals drawn by the apparently unlimited amount of money on tap. The greatest numbers of
detected corruption cases have been in football, cricket, tennis and snooker (i.e. wealthy sports). Therefore an economist would infer that a radical option to eradicate sport corruption seems to be to draw a final halt to the inflow of money in sports. The question here is whether this is feasible or even realistic when rich sports are so much more financially awash and economically globalised. That is the reason why less comprehensive solutions are looked for, such as prohibitions, sanctions, regulations and taxation (see the conclusion below).

ACTION LEARNING

- Could sport hedge against economic market globalisation, in particular sport betting and gambling? (See also below.) Are the various sports evenly threatened by betting-related match fixing? Which ones seem safer to you? Which ones seem most exposed to the above-described match fixing technology?

COMBATTING MATCH FIXING: WHAT IS TO BE DONE?

All economic analyses conclude that the more money there is flowing in to sport, the greater the sport corruption. Since a drastic money withdrawal from sport, however appealing, is an unrealistic solution with current sport economic globalisation, other options must be looked at. One of these is the prohibition of those activities that most likely channel corruption, for instance sport betting. Some countries have opted for prohibiting sporting bets: for example, the USA, Brazil, Cuba, Indonesia, India, Malaysia and several Commonwealth of Independent States (CIS) countries. Another group still maintains a state monopoly over sport betting, made up of countries such as Canada, Chile, China, Colombia, Japan, South Korea, Singapore and a few European countries (Finland, Greece, Hungary, the Netherlands, Norway and Portugal). The bulk of irregular fix-connected sport bets emanate from China, Malaysia and Colombia. National prohibition or a state-owned betting system generates, in a global sport betting market, a worldwide black market that is primarily based in those countries where punters have to circumvent a legal impossibility to bet or a legal possibility to bet under state control only. A safety valve was created in countries like the USA with a local exemption to overall betting prohibition in Delaware and Nevada: the outcome has been that illegal bets overall – and not only sporting bets – are 99 times bigger than legal ones (AGA, 2012).

Standard counteracting policies against corruption are sanctions that raise the cost of corruption, and regulation that increases corruption prevention, surveillance and detection. In terms of sanctions, criminalisation of corruptors and corrupt activities is seen as the major tool by which to combat match fixing and illegal or irregular betting (UNODC and IOC, 2013). Maennig (2008) advocates sanctions that would maximally worsen the bad reputation of corrupt sport insiders, and by the same token would increase
the ex-post non-monetary costs of corruption: corruptors and corrupt insiders would have to be more cautious to avoid detection and sanction so the expected value of the direct monetary costs of corruption would increase. When it comes to regulation, the target may be either the price to pay or the volume of sport corruption. Regulation maintains some ex-ante control over potential corrupt activities, for example, as regards sport betting delivering licences to gambling operators (in Panama, the UK and most European countries). For Maennig, controls over sport bets must be strengthened in order to make punters more aware of their responsibilities. In some countries, gambling operators are imposed with the payment of a property right to offer sport bets (1% to 2.5% of bets), or certain kinds of bets are forbidden such as spread betting, which favours match fixing.

Another option for public regulation would be to fix a very high minimum price for sport bets that would put a ceiling on and reduce the rate of return to punters: at the end of the day this would deflate the volume of bets and thus the likelihood of match fixing. Fine-tuning a regulation can diminish the number of betting scandals though not definitely phase them out. Moreover, domestic regulation against sport corruption and match fixing enforced on a national basis would crowd out corruptors and match fixers to those countries without regulation or where regulation is usually circumvented. Illegal bets would then migrate to China, Colombia or Malaysia: in fact, this has already happened. Last and not least, the more significant the regulation, the more crucial the issues in enforcing it and avoiding the regulators themselves becoming interested in corrupt business.

Dietl and Weingärtner (2012) follow up on work by Coase (1960) in assuming that transaction costs are nil or negligible, and thus the identity of whoever holds the property rights on an asset does not matter. They suggest an original solution to resolve the issue of external costs borne by football due to completely attenuated property rights on public goods (i.e. fixtures, results). This is to find a reallocation of property rights over sport betting that would nullify the external costs for football, once it has been recognised that the objective is a ‘social optimum, but also with regard to the optimum outcome for the game of football and its institutions’ (1960: 10). And since ‘the government will always aim for the social optimum rather than the football optimum’ (ibid.: 12), they do not view regulation or taxation as the best solution. Therefore they would advocate allocating the property rights over sport bets to productive football institutions rather than the exploitative betting providers. A complete elimination of betting scandals simply requires that football institutions stop selling any property rights to the gambling industry.

Is such a radical solution realistic? For example, would football’s (sport) institutions decide to deprive themselves from attracting money into their industry through sport betting? Would they cut themselves free from the godsend of betting simply to clean up betting scandals? Here the issue of good or bad governance of sport clubs and governing bodies arises, in particular with regard to football (Andreff, 2007). If the transaction costs are not nil, the allocation of property rights over public goods (fixtures, results) to football’s (sport) private institutions – a solution that must be called ‘privatisation’ – often leads, in different contexts, to embezzlement,
cheating, asset grabbing ... and corruption (Andreff, 2005). Combatting corruption by creating new opportunities for corruption is paradoxical to say the least. Eventually, such a privatisation drive would not phase out the illegal sport betting market, since those bookmakers or operators who had not paid for the rights to use sport results for offering bets would now become ‘unofficial betting providers’ (2005: 15). Betting scandals will continue. Finally, if we actually consider betting scandals as a social issue, it is debatable whether to look for a football (sport) social optimum instead of an overall social optimum (for all industries and the whole of society). The latter has no chance of coinciding with the specific aspirations of football’s (sport) institutions and industry.

Dietl and Weingärtner (2012) contend that taxation of bookmakers and betting operators whose receipts would compensate football for the burden of its external costs is likely to significantly reduce the quantity of betting scandals, but they point out that the tax must be extremely high and perhaps so high that it would dissuade all football betting. Such taxation would not necessarily affect bookmakers’ behaviour in such a way that they would avoid those types of bets that facilitate match fixing. At a more basic level also, domestic taxation in a national betting market would not be efficient in the face of global fix-related sport-betting markets. Thus we would suggest a new tool to combat fix-connected sporting bets, a so-called global ‘Sportbettobin’ tax with a variable tax rate (see Appendix 1). This is inspired by the famous Tobin (1978) tax, and closer to the sports industry, the so-called ‘Coubertobin’ tax (Andreff, 2001, 2004, 2010). The former targeted a slowdown in global financial transactions and international capital flows, while the latter was actively proposed with the aim of hindering and scaling down the flourishing international trade (transfers) in athletes below the age of 18 from developing to developed countries. One interesting aspect of the latter is its variable rate, which increases when the age of a transferred athlete goes down, whereas the Tobin tax was designed with a 1% fix rate and its first ongoing implementations retain an even lower rate.

In order to adapt the concept to sport betting, one must first sketch the threshold over which the ‘Sportbettobin’ tax should be levied, i.e. the amount of bet winnings that triggers taxation, say at the lowest 1% rate. A low tax rate may have a sort of moralising impact on punters as well as a low threshold for winnings above which the tax is levied. But we cannot expect to actually slow down sport betting on fixes only with such a moralising effect. The debate remains open as to how high this threshold should be: €50,000, 100,000, 500,000 or 1 million? It would be more efficient to put a brake on fix-connected sport betting with a variable tax rate rising above the moralising 1% level. A tax rate growing with the amount of winnings above the threshold is likely to dissuade the number of bets placed by match fixers or crowd out criminals using those bets to enrich themselves; they would move away from sport corruption and focus on some other criminal activity. If the highest rate of taxation is fixed high enough, the worst of fix-connected sport betting would vanish since the tax would confiscate the bulk of winnings and lower match fixing profitability enough to cause it to dry it up. With such a tax, the hyper-gains on rigged bets would shrink due to the hyper-taxation of winnings.
What would the revenues from the ‘Sportbettobin’ tax be used for? Overall the fiscal receipts would first finance more efficient and widespread surveillance systems of online sport betting and match fixing. It might also help some countries, and especially the Asian and less developed ones where betting on fixes is the most concentrated, to implement rigorous surveillance systems. Which body would be accountable for levying the ‘Sportbettobin’ tax? Various options may be envisaged such as a specific worldwide organisation (like a World Fund for the Tax on Sport Betting) or a branch of an existing intergovernmental body under the aegis of the UN (as with the United Nations Development Programme or the World Bank). In any case, it should not be an international sport governing body (an international sport federation or the IOC), firstly because it would consist of plenty of sport insiders, who as the most greedy may also be corrupt, and secondly because the accountability of public taxation must never fall into a private body’s hands. Levying a global tax must remain the responsibility of a public governing body.

CONCLUSION

Beyond the aforementioned steps to cleanse sports of match fixing corruption, a more general worldwide anti-corruption programme should be further elaborated on. Obviously athletes, sportsmen and women, coaches, sport managers and governing bodies must be involved in and receive good incentives for such involvement. However these are probably not enough. As recently stated on the ‘Play the Game’ network, corrupt sports organisations cannot be trustworthy partners in the fight against match fixing and corruption. On the whole, sport needs better governance to deal effectively with global challenges, such as creating more transparent and sustainable mega-events, recruiting more people for physical activity, protecting children against abuse and providing equal rights for women. And even sport organisations and governing bodies must admit that, to some extent, government interference may help in combatting sport corruption, for example the international taxation on sport betting mentioned above.

REFERENCES


Council of Europe (2008) Why sport is not immune to corruption, Enlarged Partial Agreement on Sport, December.


UN Global Compact (2013) Fighting corruption in sport sponsorship and sport-related hospitality: a practical guide for companies, draft for consultation, July.


### USEFUL WEBSITES

American Gaming Association: www.americangaming.org/industry-resources/research/fact-sheets/sports-wagering

Council of Europe, Enlarged Partial Agreement on Sport: www.coe.int/t/dg4/epas


European Lotteries: www.el-sport.org


Interpol, Integrity in Sport – http://www.interpol.int/areas/integrity-in-sport/Integrity-in-sport

Money laundering through the football sector, FATF report: www.fatf-gafi.org/NCCT_fr.htm
APPENDIX 1: A ‘SPORTBETTOBIN’ TAX

A simple model of a Tobin tax adapted to sport betting that should be dissuasive and likely to de-link bets from match fixing is:

$$T_b = G \cdot [t + s_x \cdot G_X]$$

with

- $T_b$: overall fiscal receipts derived from levying the ‘Sportbettobin’ tax;
- $G$: gains drawn from sport betting;
- $t$: the first tax rate over the lowest threshold that triggers tax enforcement, say 1%;
- $s_x > 1$ ($x$ being variable): a super-tax at a variable rate which depends on different higher thresholds from the first one, i.e. a super-tax varying with the taxation tranche;
- $G_X$: different thresholds of betting gains that delineate upper taxation tranches (and thus rates).

For example, assume that the first threshold for levying the tax is $G_X = G_a = €50,000$: with a 1% tax rate someone having bet and gained €60,000 would pay $T_b = 0.01 \times (60,000 - 50,000) = €100$.

If the gain jumps over a second threshold $G_b = €100,000$, the winner also has to pay the super-tax $s_x$, say at a 5% rate. A winner who had gained €200,000 would pay an overall tax $T_b = 0.01 \times (100,000 - 50,000) + 0.05 \times 150,000 = €8,000$.

If the gain passes over a third threshold $G_c = €1$ million, the tax reaches a 30% rate. A winner of €2 million would pay $T_b = 500 + 0.05 \times 950,000 + 0.30 \times 1,000,000 = €348,000$.

Assuming that the tax must be nearly prohibitive over some very high threshold, say $G_d = €10$ million, then the rate is as high as 90%. A bet winner gaining €20 million would pay an overall tax $T_b = 500 + 0.05 \times 950,000 + 0.30 \times 9,000,000 + 0.90 \times 10,000,000 = €11,748,000$ (over 55% of its gains). Winning €100 million a match fixer would be levied as a punter €82,748,000; at this level, the tax is confiscatory. A match fixer (and of course any punter) would quit the match-fixing business ahead of reaching such heavy taxation.