Democratising Football
A report produced by Common Wealth and the Centre for Local Economic Strategies (CLES)

—Joe Bilsborough, Jonty Leibowitz & Josh Gabert-Doyon
November 2019
Football has always been moulded by and reflected the broader state of Britain’s political economy, and (as with the rest of the economy), recent decades have seen the game transformed by extractive capitalism, financialisation, and petrodollar-fuelled elites. From Bury to Barcelona, modern football is increasingly marked by inequality, debt, and a growing detachment from the communities that sustain the clubs. But it doesn’t have to be this way; democratic forms of ownership and governance, coupled with clubs employing intentional, place-based anchor approaches, can help bring the people’s game back home to fans and communities.

The current state of football clubs is predicated on a debt-leveraged operating model, with owners taking out sizeable, long-term loans to pay for new players, facilities, and club growth. These clubs are incredibly profitable, and are treated by owners as another financial asset among a portfolio of investments. As capital pours into football, clubs in the UK have suffered a number of high-profile crises of management, often compounded by a loosening of regulations. At present, the model of football institutions in the UK is one where owners extract value from clubs, taking advantage of fans’ commitment to the sport. At the same time, the growth of women’s football – especially at the grassroots level – signifies an alternative future for the game. However, it is crucial that as these institutions grow and develop, they don’t replicate the mistakes of the past.

In Germany, the 50+1 fan ownership scheme was established to address similar systemic issues within football, and has helped to grow a more sustainable and fan-accessible Bundesliga. Fan ownership of football clubs enables collective decision-making that reflects the significance of clubs for a large community base, while a collective ownership model can help to insulate clubs against unsustainable, profit-driven management practices. For UK clubs to advance towards a more democratic model, a 1 or 2% levy on transfers could be used to capitalise a solidarity fund for fan buyouts made available to fans in the case of club bankruptcy or collapse. Alongside regulation and democratic reforms for day-to-day operation – such as a cap on ticket prices, a legal obligation to pay a living wage, and prioritising local procurement – clubs need to meaningfully advance their own roles as anchors in communities: as large employers and purchasers, they have the ability to catalyse economic and social justice in the areas they are based, as well as acting as cultural landmarks.
1

Introduction

In August 2019, Bury Football Club were expelled from the Football League after 134 years of professional football membership. Faced with over £1 million of debt, unpaid wages, and gruelling legal battles, Bury became the latest club which could not sustain itself in the modern game, with an estimated 75% of football league clubs in the bottom two divisions in danger of going bankrupt in the next decade.

Yet whilst the lower league clubs suffer, elite football is more profitable than ever before; in the 2017/2018 season, Premier League revenue grew to a record £4.8 billion. Over the course of the 2018/19 season, an estimated 29 million fans watched Premier League matches live, with the top division now more profitable than at any time in its history. As women’s football expands at an ever-quickening pace – in Europe, the number of professional and semi-professional female players in Europe nearly doubled between 2013 and 2017 – football is at a crucial impasse.

However, from the standpoint of political economy, the game has long been a curious paradox. Few other brands or commodities retain the same loyalty from their customers even when the fare on offer can vary wildly in quality, from game to game and season to season.

Yet this intimate relationship between fans and clubs – instead of nurtured and empowered – is now being utilised to extract ever-more profits, producing stark inequalities between those who benefit financially from the game and the fans who watch it week-to-week. Across the UK, football clubs represent a vital part of local cultural heritage, but they continue to be treated differently to other historic institutions.

We need to begin recognising these clubs as sites of deep cultural impact. These institutions are part of daily life that we would hope to preserve for future generations. Like the properties preserved by the National Trust and English Heritage, there’s a high level of public buy-in for local clubs, and a collective obligation to steward and maintain them. Whereas football was once a social institution with deep roots in local communities, club owners have begun to extract the value of these institutions – value derived from the passion of club supporters – for private gain. Much has been written about football’s drastic transformation, whether it be the fate of Bury, the powerlessness fans feel when clubs are run by greedy owners, or the dodgy deals undertaken between the game’s governing powers and autocratic regimes across the world.

At the eye of this storm is the question of how the game is owned and governed. How can it be the case that Steve Dale – a businessman responsible for the liquidation of almost four dozen companies – was deemed ‘fit and proper’ to purchase Bury in light of his previous financial misdeeds? How were Manchester City allowed to become a glorified PR campaign for a petrodollar regime? Why do so many local teams keep folding under high levels of debt? To answer these questions, we need to consider the wider political economy of football, from its Victorian roots to the present day. Fundamentally, it is the collective historical significance of football as an institution which best illustrates the need for a new approach to club ownership. Though it may seem tangential to the wider debates surrounding ownership, democratisation, and control, the fundamental – often unbreakable – bonds between fans and clubs means football is a natural sphere in which to expand this agenda.
The failure of the football authorities to prevent the collapse of Bury – and the toothlessness of regulation to stop reckless club ownership in general – is a far cry from the original vision of club stewardship set out by the FA at the inception of the modern game in the Victorian era. The formation of the FA itself was an attempt to organise the management of the rapidly growing game, reflecting the interests of the industrial capitalists who were the most prominent in setting up new clubs for their workers. [6]

Football in this period was understood as part of a negotiated compromise between the interests of capital and labour, with the former owning the clubs, and the latter playing a crucial role as fans and, in some cases, even members. In 1899, the FA implemented Rule 34 as a means to safeguard this relationship. The rule stipulated that no member of a football club could draw a salary as a director, that any dividends paid to owners could represent no more than 5% of the face value of shares held; and that any money made from selling the club would have to be redistributed to the local community. [7]

By ensuring that owners could not extract surplus wealth from clubs, Rule 34 embedded a communitarian ethic into the fabric of the game, forcing a compromise between owners and fans. For the next seventy years, clubs would be predominantly owned by local industrial capitalists with deep connections to their communities. For example, Manchester United was owned for decades by the Edwards family, who owned much of the butcher’s trade in the north west, whilst Liverpool was owned by the Moore family, owners of Littlewoods shopping centres. Whilst it is important not to overstate the model of the local industrialist-owner, regulation that balanced the interests of key stakeholders and embedded ownership prioritised the interest of their clubs and communities in an altogether different way.

This regulatory regime was part of a broader understanding that football was to be treated as a social institution, rather than just another business. Solidarity between clubs was embedded into the game as a means of protecting the whole industry; for example, when the football league began, it was stipulated that gate receipts be shared amongst the teams, to ensure teams in cities, with larger potential pools of supporters, did not dominate those clubs based in smaller towns. In 1965, the BBC paid a mere £5,000 for football highlights. This money was shared equally between all 92 members of the four professional divisions. Even in 1988, prior to the inception of the Premier League, the TV deal negotiated with ITV was far more equitable than the situation we see now: 50% of the income went to the then First Division, 25% to the Second, and 25% to the Third and Fourth. [8]
So how did we get from Rule 34 to the lamentable spectacle of Bury?
As with the wider story of the British economy, this can be traced back to the transformation of our society and economy from the 1980s onwards by a free market, finance-led, profit-driven model of economic growth. The decade between 1985 and 1995 saw a fundamental transformation of football, as the forces of financialization and privatization began to sweep away the communitarian protections which had defined the game for the previous century.

The watershed moment came in 1992, when the major clubs agreed to break away from FA and form their own footballing entity: the Premier League. As noted by David Conn of the Guardian, it was a conflation of different aspects of major capital which forced this seismic change into place, with a prominent role played by Rupert Murdoch’s media empire. By breaking away from the FA, the big clubs were seeking to free themselves from the old paradigm of how football operated as a business (for example, Rule 34), and instead build one modelled on aggressive expansion and commercialisation. As the financial stakes of football rose, the corporate governance of clubs saw a move towards a more distinctly profit-driven approach to the cultural institution of football.

In the years since, the Premier League has established itself as one of the most efficient corporate structures within the cultural sector, with member clubs recording their second-best ever aggregate operating profit of almost €1 billion (€0.86 billion) in 2018. It should be described as an oligopoly precisely because this is profit that has been accrued and sustained by inequalities both within the league (for example, between the ‘big clubs’ and the rest), but more significantly at the expense of the rest of the football ladder. For all the talk of meritocracy, the Premier League has been lamentably predictable; big clubs are rarely relegated, and after almost thirty years, the league has been won by one of Manchester United, Arsenal, Chelsea or Manchester City on all but two occasions. In the exceptionally rare cases where clubs from lower down the ladder do break into the elite, it is often mainly due to a sudden, dramatic injection of cash from a wealthy new owner.

Inequality is now embedded into elite football’s core. Consider for example how the Premier League has treated those lower down the football ladder: whereas the old system sought to insulate smaller clubs from financial harm, the Premier League’s ‘solidarity payment’ represents only 3% of their TV deal income. To put this into perspective, the Premier League’s most recent solidarity payment of £96.6million is slightly more than a third of the £260m spent by Premier League clubs on agent fees alone. That we have gone from 50% redistribution to less than 10% – in less than two decades – tells its own story. It also explains why you can have a Bury FC only a few miles down the road from Manchester United, a business worth over £2.95bn in 2018/19. In the relentless pursuit of profits, clubs in the Premier League have eroded the collective character of the game, leaving behind fans and communities who are so much a part of it.
Democratising Football

CLES
Just as neoliberal capital is underpinned by a perpetually reinforcing logic of accumulation and reproduction, the opening up of football clubs’ ownership structures in the 1990s precipitated a broader transformation of all aspects of the modern game by finance capitalism. You can see it in the dispiriting decline of grassroots football and the continued struggle of women’s football to gain equal recognition and support. You can see it in massive wage disparities between elite players and those at clubs like Macclesfield. You can even see it in the Champions League group seeding process, which arguably helps explain the iniquities of anti-competitive practices. With football and capitalism now joined at the hip, the failures of ownership and governance have deepened the game’s descent into its current state of disarray.

Dozens of English clubs have suffered from terrible owners in recent decades, ranging from Mike Ashley at Newcastle, to the Venkys at Blackburn. However the Oyston family’s ownership of Blackpool since 1988 is emblematic of the powerlessness of fans – and the toothlessness of regulation – when bad owners take over a club. In 2017, the High Court heard that the Oyston family had “treated Blackpool Football Club as the Oystons’ personal cash machine”, stripping over £25m of assets from the club and feeding them through other personal businesses. What has made matters worse is that fans have been unable to force the Oystons out because - in spite of this - the family have routinely been deemed ‘fit and proper’ for ownership by the Football League.

This dynamic will be familiar to any student of privatisation: owners finance their acquisitions by leveraging debt against the club’s assets. This effectively privatises any profit accrued from the business, but ensures that repayments on the debt can be kicked down the can for future owners to worry about. That is how the Glazers purchased and have run Manchester United since 2005; the club might have debts of £511 million (with interest payments alone worth over £25 million), but the Glazers continue to draw immense dividend, because the family own private class ‘B’ shares in the business, which extract dividend, while cleverly selling off the class ‘A’ shares to which the debt is attached.
The trend has overwhelmingly been for football to accelerate some of the worst facets of corporate power. The development of new club stadia, for its part, has become a driver of gentrification and developer-led displacement. When Tottenham Hotspur announced their development of an iconic £1bn new stadium, the project was lauded by local MPs, Haringey Council, and even the Mayor of London as a beacon of regeneration in an impoverished area of North London. In seeking planning approval, the club promised 100 affordable homes, and £16m for improvements to community infrastructure, in return for substantial benefits from Haringey Council, including tax breaks on land purchases and the granting of Section 106 properties from local residents who refused to sell.[18] However, the club – citing increased building costs – soon scrapped the alleged ‘benefits’ to the local community, and pressured the Council into either keeping the sweeteners in place, or risk collapsing the project altogether. A decade later, Spurs have their new ground and, as Mark Panton and Amanda Lillywhite have shown, the new stadium has served as a vehicle for rapid gentrification and displacement of local residents across the borough.[19]
Compared with Premier League clubs’ trend towards extractive community-relations, the German Football Association has pursued an altogether different path. Following a period of increasing commercialisation and poor financial management of German clubs in the 1990s, the German Football Association’s 50 + 1 rule was put into effect in 1998. The 50 + 1 rule was meant to ensure that clubs would not fall under the control of a single owner, and that fans would continue to have a say in the governing process of their club, countering the acceleration of club debt, financial instability and sharply rising ticket pricing.\textsuperscript{[20]} Paired with careful licencing practices and regulatory oversight, the 50 + 1 rule (\textit{50+1-Regel}) is an approach to football fan ownership that has come to define the German model of community-based, fan-centred football.

Prior to 1998, all of the German Football Association’s Bundesliga clubs had operated under the legal structure of a \textit{Verein} – a voluntary association much like a non-profit or NGO, with members involved in strategic decision making, and profits being automatically reinvested into the club.\textsuperscript{[21]} The 50+1 rule saw fan associations become the controlling shareholder, standardising and encoding the participatory ethos of German football. Effectively, clubs in the Bundesliga league operate under a dual governance structure, where member associations maintain at least 50% voting rights, plus one additional vote, with outside investors holding a consistent minority stake.\textsuperscript{[22]} Members pay a small annual fee to be part of a fan association, which grants them voting rights in a general assembly, enabling them to elect a supervisory board and management board, as well as governance rights related to club statutes.\textsuperscript{[23]}

The Bundesliga includes a set of licencing regulations which insulate against excessive commercialisation and financialisation of German football clubs. Football club licences must be renewed every year, and clubs are subject to a process of financial accountability related to assets, receivables, bank balances, liabilities, and projected profits.\textsuperscript{[24]} The Bundesliga also has a safeguard fund which all clubs pay into, and are used in the event of a club’s financial difficulty.\textsuperscript{[25]}
The 50 + 1 system has seen a number of positive economic outcomes for German football clubs: low ticket prices, low levels of debt, and sound financial management which has resulted. The average Bundesliga season ticket costs £159. The average Premier League season ticket in 2018 was £516. The vast majority of Bundesliga clubs are able to avoid debt, turning a profit in the face of runaway financialisation experienced by clubs across Europe. The Bundesliga has also been able to maintain some of the highest average attendance rates in leagues across Europe with Borussia Dortmund currently top of the ranks for average stadium attendance, notably beating out Manchester United.

At the same time, the comparative lack of direct investment income has seen German clubs emphasize sponsorship deals as a revenue stream. In 2011, 55% of the revenue of top Bundesliga team, Bayern Munich, came from sponsorship deals. Manchester United, in comparison, generated only 37% from commercial sponsorship deals, likely as a result of higher revenue from sales of costlier tickets. While German clubs are less beholden to outside owners, they are to some extent reliant on corporate sponsorship. And notably, the 50 + 1 rule applies only to voting rights and not capital shares, which means that large investors can finance the club without direct voting rights.

A number of exceptions to the 50 + 1 rule prove useful in understanding the structure and limitations of the German Model. Bayer Leverkusen (owned by the chemical company Bayer), and VfL Wolfsburg (owned by Volkswagen, through a subsidiary), were conceived as “factory teams”, by workers at local factories who work with their employers to support the teams. The 50 + 1 rule addressed this by allowing an exception on the condition that Bayer and Volkswagen are prohibited from selling their shares to other third party corporate entities.

The software billionaire Dietmar Hopp was awarded a permit to become the primary owner of TSG 1899 Hoffenheim, gaining an exception through his long-term investment in the club, which he had financed for 25 years as it progressed up from the lower leagues. Hopp has been outspoken about the erosion of the German model, noting that several German clubs have quietly amassed large external partners who have been making strategic investments in clubs. This includes KKR, an American investment firm with a history of aggressive buyouts, and have made significant contributions to Hertha Berlin in recent years. The 50 + 1 rule is specifically directed at voting stakes in the club, rather than capital shares, which means that outside investors can indeed gain control of a majority of capital shares. RasenBallsport Leipzig e.V, a football club developed by the energy drink manufacturer Red Bull, entered the Bundesliga in 2017, using a loophole to construct a fan members association composed of just 17 members, entrusted by Red Bull. While the 50 + 1 scheme has actively eroded the primacy of outside investors and gained widespread fan support, it nonetheless faces a sizeable corporate opposition intent on neutralising and dismantling it.
There is no doubt that shifting the ownership structure of football clubs within a hostile policy framework can be fraught with challenges, and preparing the groundwork for more democratic forms of ownership will certainly take time. So what can we do right now, and how can fans begin to advocate for reforms to the industry that can prefigure a broader transformation in who owns and benefits from the beautiful game?

While the 50 + 1 rule provides a reference point, one idea to advance in the short and medium term is the notion of football clubs as ‘anchor institutions.’ Anchor institutions are large, immobile organisations which – through either purpose or history – have an intimate link with place. They are generally large spenders and employers. They will not be – and in many cases cannot be – outsourced or off-shored (or, in the case of Wimbledon FC, sent to Milton Keynes). Their economic and social clout means they can make a significant difference to the economic trajectory of the place where they are based. Common examples of anchor institutions include large, often public sector, employers such as hospitals, police stations, and housing associations. By engaging in countervailing strategies in areas such as procurement, workforce, and the use of land and assets, they can and are making a real difference to the places where they operate.

We can and should add football clubs to this list of anchor institutions. The blight of corporate club relocations seen across the United States – and often under controversial circumstances – has thankfully not taken root in the United Kingdom. As such, many of the same political economic arguments on the ascendency regarding anchor approaches at the local level are equally applicable when it comes to large football clubs.
The Premier League alone supported nearly 100,000 full-time equivalent UK jobs in 2016/17, with 87,000 of these coming from the substantial supply chain.[38] Yet the trends that bedevil the rest of the British economy are ever present when it comes to football: stewards bussed in wearing G4S bibs; outsourced catering contractors providing food and drink inside stadiums; clubs failing to pay their workers the Living Wage.[39] The gaping inequality at the heart of football clubs is laid bare by the fact that only four of the 20 Premier League clubs are Living Wage accredited[40] at the same time that the highest paid Director – Daniel Levy of Tottenham Hotspurs – received over £6,000,000 last year.[41]

It doesn’t have to be like this: football clubs embracing their role as anchors could have a transformative impact through the shortening of supply chains, increased purchasing from local and generative businesses (such as SMEs, co-ops, and social enterprises), and committing to preference contractors and suppliers paying the Living Wage.

Fan ownership of anchor institutions means that fans can decide the directions and priority of the club. By treating clubs as both a site of cultural heritage and as an anchor institution, supporters can act as stewards for local clubs, establishing them as long-term wells of community growth.
With workers on poverty wages and bosses earning millions, the story of football in many ways follows the general trajectory of the British economy over the past four decades. The powerlessness experienced by fans when clubs are liquidised or stripped serves as a proxy for the broader despondency many feel against the power of organised capital. Whether it be reckless owners driving 125-year-old clubs into the ground, or the Premier League changing kick-off times at the last minute to please TV executives, football is yet another field in which ordinary people lack power and agency.

Yet by taking back control of football, communities can rediscover how to build and harness collective power. Democratising football is not just important in and of itself, but can also act as a striking example of what Alex Niven calls the ‘radicalisation of everyday popular culture.’

Doing this will require a number of policies and initiatives to re-embed solidarity into the fabric of football, and strike a blow against the financialisation of the game. We are beginning to see shoots of this process, not least the Fans Supporting Foodbanks initiative, which arose out of a shared desire to combat poverty across the local rivalry between Liverpool and Everton fans behind the project. As with much of the wider UK economy, however, we need more substantive and far-reaching shifts.

A brief survey of the terrain raises a few key points. Clubs in the Premier League are vastly more wealthy than those in the lower tiers. The financial rewards of reaching the Premier League incentivise unscrupulous owners to engage in boom or bust strategies in order to reach those heights. And the ebbing away of any meaningful redistributive formulas means teams in the top league are effectively rewarded for engaging in cartel-like behaviour. This needs to change.

A prefigurative reform may well be a rejigging of the levy recently introduced in the Chinese Super League. There, a 100% tax has been imposed on transfers from abroad, with any clubs buying players from teams outside China required to place an equivalent amount in a youth development fund.

---

7

Embedding Solidarity
Although not viable here, an equivalent could well be the introduction of a 1 or 2% quasi-Tobin tax on all transfer fees – perhaps graduated, with Premier League clubs paying the higher rate – which would then capitalise a solidarity fund. This could then be made available as loan capital, accessible for fans whose side faces the risk of bankruptcy or collapse, or is run by unfit or absentee ownership. This would necessarily be a redistributive and reformist measure, but in making available this capital to supporter’s groups, it could slowly help to bring about a shift of ownership amongst clubs.

This, in turn, could bring about a far more generative virtuous circle. Clubs owned and operated by supporter groups would be considerably more likely, as discussed in the previous section, to take steps such as procuring from local firms, paying the living wage, ensuring more accessible ticket pricing, and operating the club as an anchor institution. By treating them as the collective cultural landmarks they are, fans can take back control of the clubs that so plainly depend on their support.

Whilst it is important to focus on ways to reform the men’s professional game, equal attention must be paid to areas of football which are only now beginning to see major investment, most notably women’s professional football. As this game takes its rightful place as a major international sport, how can we design ownership and governance models so that it avoids some of the pitfalls the men’s game has fallen into? Women’s Super League must pay close attention to the many failures of the Men’s Premier League, utilising measures such as a Tobin Tax and better scrutiny of club owners where necessary. The FA should also take action to mitigate the deep wealth inequalities between the men’s and women’s games, perhaps exploring long-term ideas like a mandatory wealth tax or levy for all clubs which do not promote equal resource and pay for both games.
The broader contours of British political economy over the last hundred years are clearly reflected in the contestations over who owns and benefits from football. And just as the neoliberal era has seen Britain’s broader social contract disintegrate in the face of vast new inequalities, so too has football’s uneasy alliance shattered. The privatisation and deregulation of elite football in the early 1990s, as well as the rapacious globalisation of the game, has tipped the scales decisively away from ordinary fans, and towards the interests of cruel club owners, petrodollar billionaires, and their friends in the media and politics. Whether it be the fate of Bury, or Tottenham’s dodgy deals with Haringey Council, or, most starkly, the thousands of slaves sweltering in the Qatari sun ahead of the 2022 World Cup, football increasingly resembles the very worst of coercive neoliberal capitalism.

But it doesn’t have to be this way. Football right now may be emblematic of the extremes of capitalism, but there are meaningful ways to democratise the game and bring it back home to the people. As cultural institutions, these clubs are a vital part of local communities. Thus, stewarding, maintaining, and treating them as anchor institutions is well within the public interest. From creating mechanisms for democratic ownership of clubs to transferring the wealth of heavily commercialised men’s football to the support of the women’s game and the wider grassroots, positive reforms can begin to heal the wounds and put football back on the right course. Over the coming months, Common Wealth and CLES are exploring ways to set out an accessible manifesto for what reforming football could look like.

In the words of the late Bill Shanky, ‘the socialism I believe in is everybody working for the same goal and everybody having a share in the rewards. That’s how I see football, that’s how I see life.’ It is time to bring the people’s game back home.
References


6. For example, Sheffield Wednesday were in 1867 when workers at the Sheffield foundries were given an afternoon off for recreational purposes. See also the 1850 Factories Act (with thanks to Jon Mackenzie for this observation).


19. For Bundesliga fans, these teams (Bayer 04 Leverkusen, VfL Wolfsburg, TSG Hoffenheim, and RB Leipzig) are considered “plastics” - insubstantial institutions artificially produced through corporate money and thoroughly detached from their fansbase. The 50+1 rule is rooted deeply in the organisation of leisure time: shared social bonds and place-based ties that remain pointedly outside of commercial space. This has implications for those working on topics of post-work and automation.


25. German Model Explained,” Supporters Direct.


27. “The European Football Index 2018” https://www.myvouchercodes.co.uk/european-football-index#premier-league


