

## The UK Doesn't Need A Football Regulator

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Today the government will publish plans for a new football regulator, based on Tracey Crouch's "fan-led review". The MP's report in 2021 recommended giving "fans" formal power over certain commercial club decisions and creating a new, government-backed regulator to police clubs' finances.

Advocates for economic regulation usually appeal to some notional "market failure" in justifying government intervention. Not so that review. For Crouch, it was self-evident that normal facts of life in business — such as liquidation risks and the existence of "bad owners" — alone justified the state stepping in.

Her essential reasoning was that any football club is not "just a business". It has special significance because of its "rich history" and "local identity", which means its loss would bring significant additional economic and societal costs locally. Self-regulation by the Premier League and the English Football League hasn't sufficiently reflected this risk of liquidation, she thinks, so a government-created regulator enforcing greater financial caution must.

Why football is fundamentally different from company towns or industries in defining local character is unclear, but even if one accepts the argument's logic, the empirical support for the necessity of regulation is weak. Despite bouts of financial distress for clubs, only seven clubs have folded entirely since 1945, five of which resurfaced later.

Yes, these episodes are torture for supporters, but history suggests that enough people are invested emotionally, or are willing to sacrifice their fortunes, to protect clubs' legacies. There's a strong incentive, too, for the EFL and the Premier League to constantly tinker with their own financial fair play and ownership rules to try to protect the leagues' integrity and mitigate substantial creative destruction.

This self-regulation is often poorly executed and fails to act swiftly, as the controversy now surrounding Manchester City shows. I was furious with the EFL for how its lack of clarity over its own player amortisation rules and then, later, its interventions during Derby County's administration, further risked Derby's existence after a disastrous spell of overspending by Mel Morris, the owner.

Yet self-regulation must not be compared with some imaginary nirvana of a “modern, nimble and forward-thinking” regulator. Some clubs will always push rules to the limit to gain a competitive edge, whoever sets and enforces them. The financial services, water and energy sectors show that an independent regulator far from guarantees getting ahead of problems or eliminating malfeasance.

One irony here is that loyal fans — those deified in Crouch's report — often cheer the overexuberance that risks clubs' futures. Mike Ashley ran a tight financial ship as the owner of Newcastle United, but his lack of investment made him unpopular. Morris's overspending was praised by Derby supporters until it led to crisis. Yet under Crouch's plans, supporters' representatives would be given additional powers, including to block changes to logos and kit colours.

The big risk is that the combination of enforced financial conservatism and compelled fan input will destroy incentives for innovation in this highly successful British export industry. Set financial strictures too tight and you will ossify the pyramid according to clubs' present financial health by eliminating the ability to invest to compete. Stories such as Salford City's ascent into the league would become much less likely.

If fans can veto more decisions, this also would weaken club managements' freedoms to build new stadiums, acquire novel sponsorship deals or take steps that might appeal to international television viewers, opportunities that could bolster a club's potential but that loyal fans might reflexively reject.

Ultimately, the impulse for today's proposals is fan populism, the idea that, deep down, clubs belong to true supporters rather than owners. As a fan myself, I understand why that argument is attractive. The long-term results of a sprawling regulator acquiring power in the name of preservation, I suspect, would not be.

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