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# **Corruption in sport**

**from an economist standpoint**

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## Introduction

«Match fixing is a bigger threat overshadowing sports than doping».

*Jacques Rogge*, former IOC President

1. What corruption in sport is all about?
2. ‘Petty corruption’ as a fraudulent drift in current sport manipulations
3. Match fixing ... and related fraudulent on-line sport betting
4. Corruption in sport governing bodies
5. What is to be done? (from an economist standpoint)

# 1. What about corruption in sport?

Various definitions of corruption (Andreff, 2019):

“Illegal, immoral or unethical activity that attempts at deliberately distorting the outcome of a sport contest for the personal material gain of one or more parties involved in that activity” (Gorse & Chadwick).

“1/ A corruptor gives ...

2/ a favour to a corrupted or a nominee ...

3/ to influence actions ...

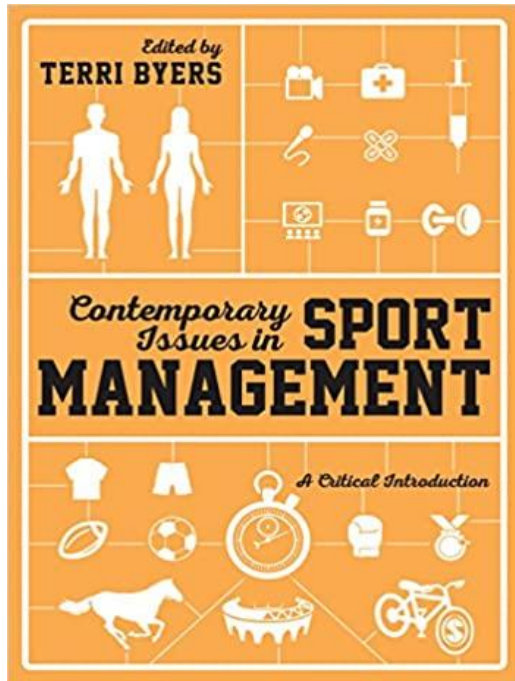
4/ that benefit the corruptor or a nominee ...

5/ and for which the corrupted has authority” (Senior)

Sport decision makers like to say/think that corruption is due to *outsiders* (criminals, crooks, unfair businessmen, etc.) ...

while corruption in sport definitely requires the involvement of *insiders* (athletes, coaches, managers, referees, governing bodies); otherwise impossible.

Therefore corruption always starts from within the sport, and then may or may not spread to outsiders.



My following presentation relies on:

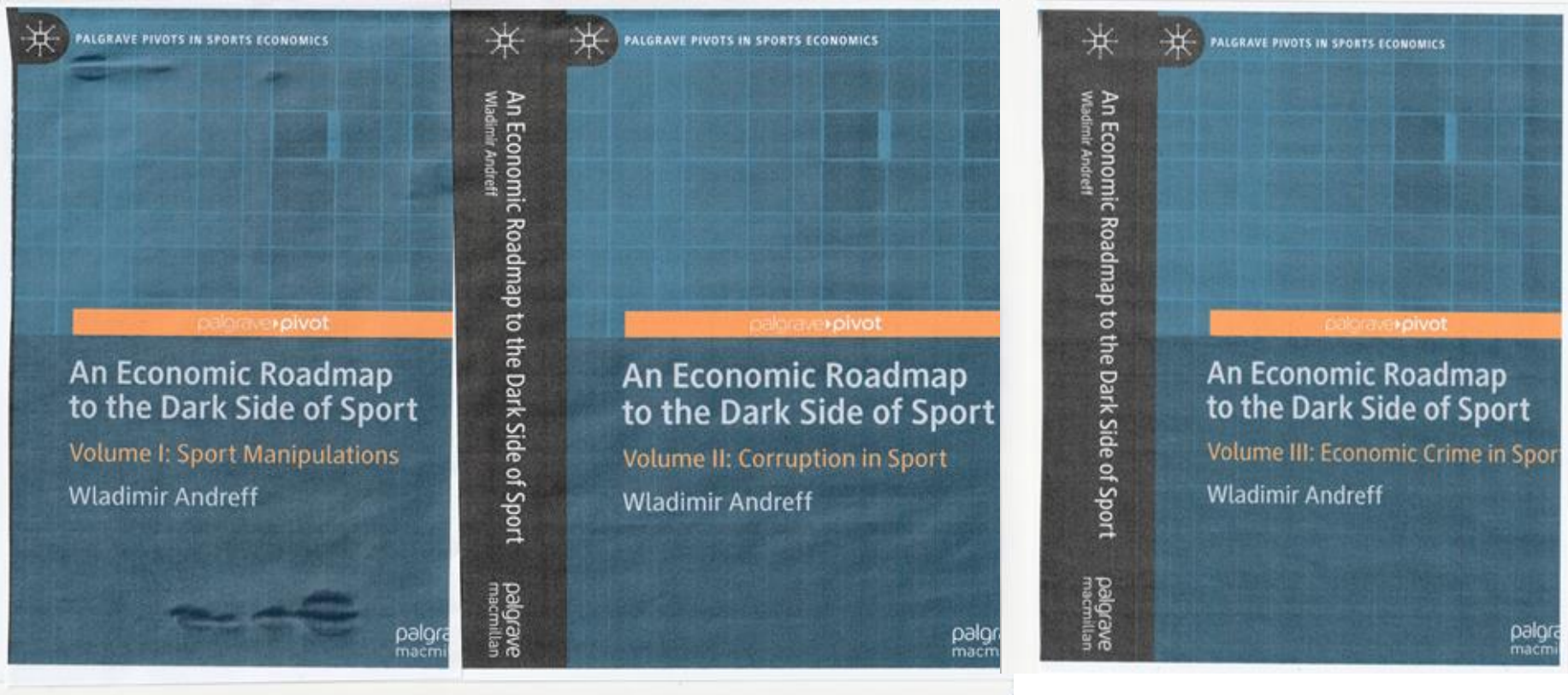
W. Andreff, **Corruption in sport**, in Terri Byers' book (2016)

whereas a typology of all corruption cases in sport is provided in:

W. Andreff, **Different Types of Manipulation in Sport**, in Markus Breuer & David Forrest's handbook (2018).



An overall coverage of manipulations, corruption and crimes in sport in my *Economic Roadmap* (below)



## 2. 'Petty corruption'

From an economist standpoint, 'petty corruption' refers to a limited economic significance of the corruption act – i.e. limited amounts of money affecting just one or a few individuals.

a/ 'Petty corruption' may emerge at any moment in the course of a sport competition.

One competitor **A** (cycling rider, runner, etc.) bribes competitor **B** to let him/her win instantaneously.

Or competitor **A** would bribe opponent **B** to accept helping him/her to win in the face of a third opponent **C**.

Such on-the-spot corruption is not planned in advance and occurs when an opportunity of securing a win emerges in the progress of the sport contest.

Notice: only insiders involved, no outsiders or criminals.

When buying (bribing) a win recurrently appears, a reference bribe rate (a price) starts to be known by all competitors (ex: between €10,000 and 20,000 for a win in a Tour de France stage, depending on the shape of the stage, mountain, etc.).

A specific kind is *barter corruption*: demonstrated by Duggan & Levitt, **Winning isn't everything: Corruption in sumo wrestling**, *American Economic Review*, 92, 2002.

Creative statistical treatment of 64,000 matches has shown that a wrestler **A** 'on the margin', i.e. on the brink of demotion (needing a 8th win not to be relegated) often wins its 8th match because a wrestler **B** lets him win ...

but in their next match (next season), **B** systematically wins against **A** (who pays back **B** 'in kind', without money).

The phenomenon temporarily vanishes with TV exposure or changes in sumo rules....

and then reappears



A number of apparently minor sport malpractices and manipulations are borderline to corruption and may easily derail into naked corruption when money flows in.

On the pitch *sabotage* such as goading (provoking illegal responses from competitors), diving (simulation in soccer, feigning an injury in rugby) and flopping (in basketball) ... go adrift into corruption if achieved for money.

*Refereeing biases* (wrong penalty, red and yellow cards) is simply a mistaken decision as long as it is not proved to be linked to occult money payment ...

and turns out to be match fixing if related to a monetary payment.



*Cheating* to win (various trickeries) happen to be a corrupt behaviour if it is about gaining money and not only a competitive advantage on the pitch.





*Naked violence* in sport usually is not motivated by money ...

but when it happens to be related with a lucrative sporting win (crash gate scandal, Singapore F1 Grand Prix 2008) it crosses the border of corruption.

*Tanking* = losing immediately to gain a competitive advantage ... for winning in the long term, such as the strategy of lower ranked teams in North American team sports leagues with a reverse-order-of-finish draft.

*Technological manipulations* , sometimes coined technological doping (LZR Racer swimsuit 2008, power engine-endowed bikes in the Tour de France, etc.)

... are borderline, though prohibited and sanctioned, between unfair behaviour and actual corruption.

### 3. Match fixing ...

Proved match fixing is only the tip of a huge iceberg (undetected match fixing).

May be undertaken for:

- a/ sporting reasons (promotion, avoid relegation, etc.) often related to money;
- b/ a fix is to obtain an unexpected loss in view to getting a financial return from betting on it (off-line);
- c/ earning euros in the millions through online betting-related match fixing.

Crude assessment (guesstimate, Andreff 2019) of its economic magnitude worldwide:

Off-line match fixing: about € 2 billion transactions per year;

Online match fixing: about € 19 billion transactions per year.

Soccer: hundreds of fixes per year (about 100 up to 400 detected by Interpol, sport radars) out of 43,000 soccer matches supervised in Europe ... but match fixing in lower leagues/divisions is not looked for systematically.



Many sports are plagued with match fixing (no sport can say never).

The most plagued is soccer: all European, Latin American, African and Asian major leagues or top tiers (the whole Chinese league collapsed one year in the 2000s due to match fixing), and in Australia...

... including in lower tiers and amateur championships (one study in Germany).

Other sports most jeopardized by match fixing: cricket, baseball, NBA basketball, American football, ice hockey, European basketball and handball, boxing, tennis, figure skating, snooker, and sailing.



The standard economy theory of sport corruption (Maennig) is based on the economics of crime (Becker, 1968) that is:

$$E(B_c) = (1 - p) G_c - (C_c + p S_c) > 0 \quad (1)$$

$E(B_c)$  : expected value of the benefit derived from sport corruption;

$G_c$  : value of the monetary gains made out of corruption;

$C_c$  : the monetary cost of implementing corruption (bribes, transactions, etc.);

$S_c$  : the cost of a sanction if corruption is detected;

$0 \leq p \leq 1$ : the probability of being detected and sanctioned.

Becker adds:

$$E(B_c) > D \quad (2)$$

because anyone (even a criminal) has some personal ethical values that he/she transgresses, to some point, when undertaking a corrupt action; some non-monetary disutility  $D$  ensues to him/her .



Corruption is worth if profitable (1) and benefit is bigger than transgressed ethical values (2).

In the wake of this model, combating corruption cannot use as a tool:

. Lowering monetary gains  $G_c$  except in drying up spectator sport from money streams (feasible? how?).

. Decreasing  $(1 - p)$ , that is increasing the probability  $p$  of being detected (one policeman in the back of each individual involved in sport? cost?).

. Increasing the monetary cost of corruption  $C_c$  is not an option since one (the government, the police) never knows with which bribes, channels, transactions the next corrupt action will happen to proceed.



We are left with:

- 1/ adjusting (augmenting) the level of sanctions  $S_c$
- 2/ increasing the disutility  $D$ : education, ethics.

Is it efficient enough?

## ... and related fraudulent on-line sport betting

Economic globalisation, Internet and digitalisation have dramatically changed the sport gambling and betting business.

Now: new consumer leisure = following a match on the TV or by streaming + simultaneously trading on the betting market, possible on line 24/24 and 7/7 (live betting: changing your bet at any minute or any second of a match)...

which creates new fixing opportunities on legal and illegal betting markets (unregistered betting operators).

About 90% of overall global sport betting proceeds online (and related fixing).



Illegal sport betting operators are concentrated in tax havens and specific areas where the amount of a laid wager is not limited and the punter's identity is not unveiled, such as: Alderney, Gibraltar, the isle of Man, Malta, the Cagayan province in the Philippines, the Kahnawake territory in the Quebec region, Antigua & Barbuda, Nevada and Delaware (in the US) till 2019, Costa Rica and Curaçao.

Consequently, online match fixing is a channel for tax evasion and money laundering (dirty money raised in criminal activities).

Online match-fixing is a skyrocketing business since the early 2000s.

The outcome of online match fixing:

=> winners (in € millions) = fixers (punters involved in match fixing),

=> losers: other (honest) punters,

=> losers: fans who attend/watch a fake/  
rigged match

=> potentially the government (untaxed  
hidden revenues)



Therefore: online betting-related match fixing is by far the most dangerous threat over the future of sport and its economic development.

Surveillance radars (Sportradar, etc.) are able to detect only a few fixes related to bets, and major scandals have been unveiled just by chance (*Calciocommese*, *Bochum* cases, *Perumal* in Rovaniemen Palloseura football club, Cameroon, Singapore, etc. ) ...

and the government (police) usually cannot detect the fixes on the pitch, neither off line and online bets.

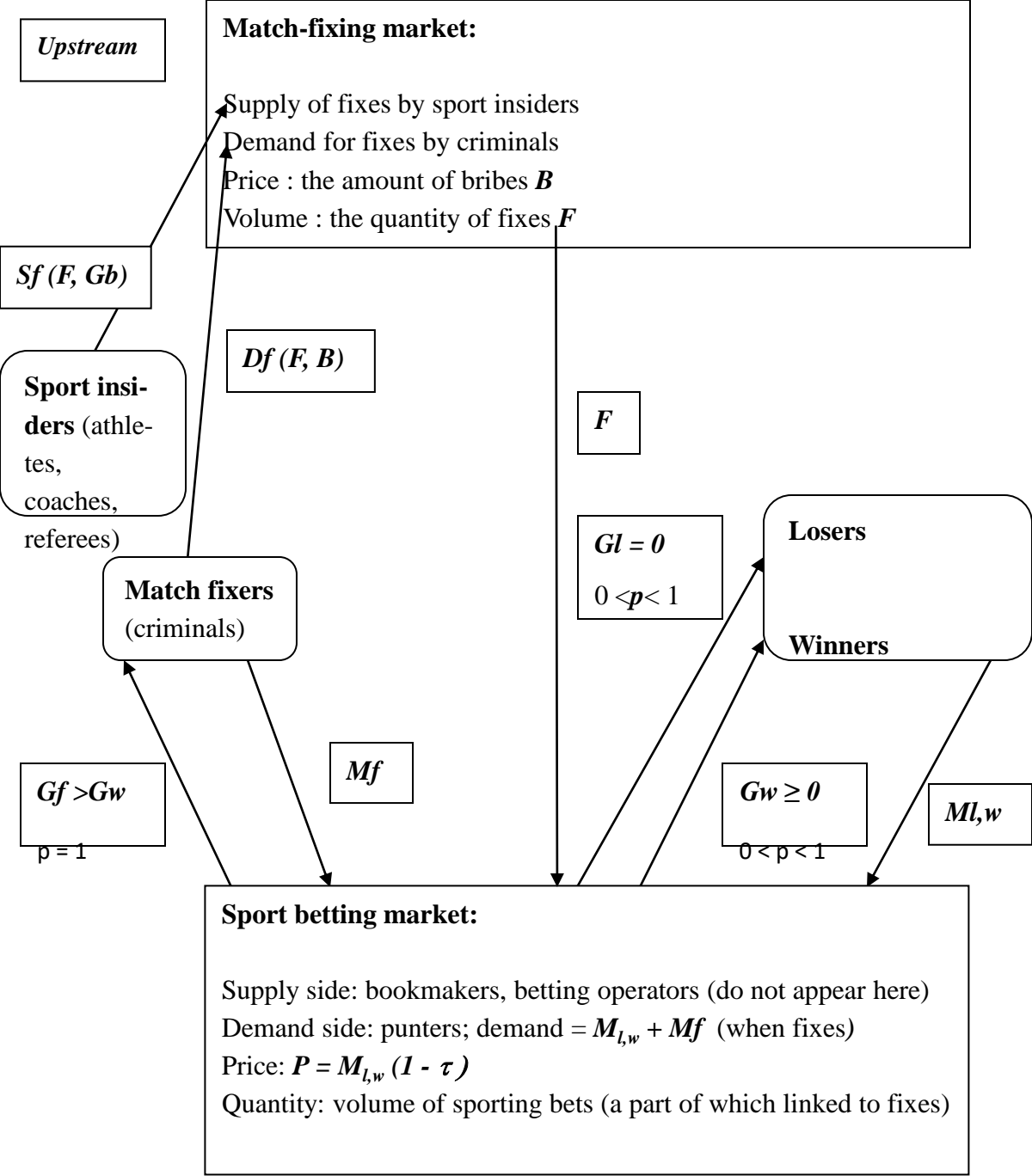
Because online betting-related match fixing interconnects two markets:

- . A market of sport betting that can be checked and submitted to surveillance,
- . A potential market for fixes where the suppliers are sport insiders and the demanders are fraudulent punters and criminals,

This corresponds to a more complex model than Becker's above (an idea is given in Figure below), if you like mathematics:

W. Andreff, **Complexity Triggered by Economic Globalisation: The Issue of On-Line Betting-Related Match Fixing**, *Systems*, 5 (12), 2017





Since any bookmaker, betting operator, regulator or government cannot collect information about the underground market for fixes, the only possible interventions must be on the online betting market (see **5** below).

#### **4. Corruption in sport governing bodies**

Corruption on the pitch and online (betting) cannot be stopped if governing bodies are likely to be corrupt either ...

... but they actually are (at least some people inside), initiated by insiders!

Three major occurrences are when:

- . Awarding a mega sporting event (Olympics, World Cup);
- . Appointing (electing) someone to honorary VIP positions in the executive board;
- . Concealing doping issues.

I would not talk in details of the corruption at the IOC,  
just reminding some unveiled cases:

. Bribed votes for awarding Summer Olympics to Sydney  
2000 (Sheridan report), Winter Games to Salt Lake City 2002  
(sued in court), London 2012, Sochi 2014, Rio de Janeiro 2016, Pyeongchang  
2018, Tokyo 2020.



FIFA reached a peak of corruption since the 2000s up to 2015  
involving Sepp Blatter, Eugenio Figueredo, Jeffrey Webb,  
Jack Warner, Chuck Blazer, Jérôme Valcke, Michel Platini  
and others, ...

namely in awarding the FIFA World Cup 2002, 2006,  
2010, 2014, and 2018 (Russia) & 2022 (Qatar), see the  
Garcia report published in 2017,



... accompanied with embezzlements, bribes, fake accounting and so on.

Many other international (and national) sports federations are plagued with corruption of their highest (and lower) decision makers.



One last example: the International Association of Athletics Federations (IAAF), the former President Lamine Diack was sentenced by a French court of justice in 2020 for tax evasion, bribing the votes in awarding the 2015 and 2019 (Doha, Qatar) world championships, and being involved in hiding (for money) that Russian athletes were doped.

This kind of issues cannot be tackled by anti-corruption recipes derived from the economics of crime (supra), because they result from weak governance structures in most sport governing bodies:

- .uncontrolled top decision makers;
- . weak anti-corruption norms and low willingness to combat corruption;
- . lack of accepted principles of good governance (ethics code, financial audit);
- . charismatic authoritarian and discretionary leadership and non democratic behaviour;
- . lack of transparency ...
- ... to say the least.

## 5. What is to be done?

In addition to sanctions, education and ethics, measures have been thought of to combat online betting-related match fixing:

a/ surveillance and monitoring thanks to digital sport radars;

b/ international initiatives to save sport integrity at bay: UNESCO, IOC, Interpol, and the “Convention on the Manipulation of Sports Competition” (Council of Europe, 2014).

c/ National public regulation of sport betting: prohibition, state monopoly, criminalisation (of fraudulent bets), legalisation (in 2019 in the US) and liberalisation.

d/ Betting rights to be paid by operators/bookmakers to sport federations that would finance the anti-match fixing combat (Dietl & Weingärtner).

And my own recipe:



## *e/ A Sportbet-Tobin tax:*

Inspired from the tax on international movements of speculative capital (Tobin, 1978).

Targets big (extraordinary) punters' gains (often linked to match fixing).

Therefore an increasing rate of taxation (tax surcharge) when gains are increasing (Box 1 below).

The money accruing from the tax would finance the anti-corruption combat in sport, in particular in (developing) countries and tax havens.



Tax management: create a World Fund for the Tax on Sport Betting, or a branch of an existing intergovernmental body (UNDP, World Bank ?).

A simple model of the Sportbet Tobin tax:

$$Tb = G \cdot [t + s_x \cdot G_x]$$

with  $Tb$  : total fiscal revenue accruing from the tax;

$G$  : gains made out of sport betting;

$t$  : the lowest tax rate enforced since a first threshold of betting gains is reached, say 1 %;

$s_x > 1\%$  is a super-taxation with a variable rate, which increasing rate depends on different betting gain thresholds higher than the first one.

Ex: 1st taxation threshold  $G_a = €50,000$  €; a 1% tax rate, a punter gaining €60,000 € pays:  $Tb = 0.01 \times (60,000 - 50,000) = €100$ .

2nd threshold  $G_b = €100,000$ , the punter also must pay the  $s_x$  super-taxation at a rate of, say, 5 %. Gaining €200,000:  $Tb = 0.01 \times (100,000 - 50,000) + 0.05 \times 100,000 = €5,500$ , and so on and so forth.

The super-taxation must be prohibitive beyond some very high threshold (always related to match fixing), say,  $G_d = €10$  million, then tax rate = 90 %.

A punter gaining €20 million must pay  $Tb = €11,745,500$ , that is 58.7 % of his gains.

At highest levels, the tax is confiscatory, the fixer will leave this business before.

f/ Fighting corruption in sport governing bodies: improved governance and tighter supervision, avoiding conflicts of interests:

Change the recruitment of top decision makers: replace election or co-optation (lobbying, bribes) with either a lottery (democratic, inconvenience) or an international exam of the skills (in law, management, economics, knowledge of the sport ethics, etc.) and morality of potential candidates; appointment according to ranking...

by a rotating jury of international experts (lawyers, policemen, economists, sport managers, etc.).



Hinder possible bribing with higher but conditional salary payment (currently €225,000 per year for Thomas Bach) for a shorter term in office (4 years):

Example: €180,000 in  $t$ ,  $t+1$ ,  $t+2$  and  $t+3$ , then additional conditional €360,000 (end of  $t + 3$ ), if no corruption, and again €360,000 in  $t + 7$  (if no corruption discovered meanwhile).

Change the mega event awarding: no longer an auction-like process.



**Thank you for your attention**