Revenue Sharing, Reserve Clause and Salary Caps in Professional Team Sports Leagues*  

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Abstract

In this paper, we provide an analysis of the principal economic issues in the professional team sports industry. We characterize the major peculiarities of this industry and give an overview of the most important league policy measures that are implemented to provide cross subsidies among teams. In particular, we focus on salary caps and compare the US major leagues with the European football leagues. Moreover, we show how to design an efficient salary cap system in the European football leagues.

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