



Correlation between Football and Economics

Jingge Li^{1,*}, Zijian Xu², Xinyang Li³

¹*Qingdao No.9 High School, Qingdao, China, 18669766016@163.com*

²*Star Shine School, Kunming, China, 2802150698@qq.com*

³*Leeds University, Leeds, West Yorkshire, Leyon2018@outlook.com*

**Correspondence author email:18669766016@163.com*

Abstract

With the increasing popularity of whole football in China, the football market become reciprocal with the Chinese economy. On the one hand, the football economy is representative of the Chinese economy as a whole, on the other hand, the economic condition affects the football industry. As such, by evaluating the profile of the population and companies related to football, the figure of the economic model can be constructed. Further, by using the model constructed, we came up with effective and efficient macro and microeconomic policies.

Keywords: *football industry; economic policies; capitals; salary*

1. INTRODUCTION

With the proclamation of enthusiasm and the ambition on football from Chinese president Xi Jinping in 2014, the football industry has welcomed another spring. From 2013 to 2017, the proportion of amateurs to the aggregate population increased from 27% to 31%. Whilst considerable growth in the popularity among the population attracted a huge amount of capital inflow, the position of the football industry in the whole economy had been set into a higher niche. With the entrance of investments from tycoons in various industries, like Alibaba, Hengda, and Suning, which we're aiming to take a share from the rocketing football economy, football industry-related more to China's economy. In other words, whilst the football industry is acting as a profile of China's economy, the performance of the industry is also affected by China's economy as a whole.

Standing on the former researchers' prudent perspective, we get the enlightenment that the football industry can be a representative of the whole economy and also see two problems. Firstly, there are very few articles or researches that considered the economy and China Super League(CSL) are reciprocal. That is to say, many articles are concerned either about how the economic condition affects the football industry or how football reflects the whole economy separately. Secondly, many suggestions on the development of CSL are not so appropriate. Those many may just copy some models from English Premier League, and will not function well as the economic environments are quite different.

Thus, our target is to give the most reasonable suggestions on the development of the CSL. The study consists of two stages. At first, we will see the football economy as a profile to the whole economy. Starting from the players' economic profile, for example, their salaries and education level, to the economic profile of the fans, a population structure will be constructed based on these data. Then, the paper will focus on the latest actions of the sponsors. By evaluating the investment change, the assessment of the performance of the leading company and the industry they are in can be explicit. Consequently, an economy-related to football will be finished. Secondly, proper suggestions will be made. Based on the economic model constructed, suggestions will be done following further analysis. With the study above, we come up with the suitable macroeconomic policies that can be taken and the microeconomic policies that are suitable to making a progress in the football market. The advantage of making suggestions as such is that we can point to the economy that relates to the football market the most, and make the most efficient decision.

The study will be beneficial to the whole Chinese economy, as said before, the economy and the football market are reciprocal. Even though the Chinese football team has had a bad performance for quite a long time, the zealous Chinese football fan offers a huge potential of growth under this.

2. RELATED WORKS

First of all, football clubs or football teams and football leagues are two different things. Clubs and teams make little profit, but football leagues normally made a huge profit. Before analyzing the reasons, let's see an example of the England national football team which lost to Italy on penalties with a total score of four to three in the 2020 European Cup [1].

It is widely accepted that England has the most prosperous English Premier League, the talent-spurring England national team, why can not bring England have excellent World Series results. As the country that first began the Industrial Revolution, the working class became the first group of players and fans in England, that is, below the middle class, so a country's football performance is closely related to per capita income and education level. Geographical location determines the affluence of the region, and the geographical location of Western Europe supports the economic basis of professional football[2]. Therefore, it can be concluded that the prosperity of a country's football league does not mean that the country's national team is strong.

It is widely argued that football clubs are not profitable. What causes this phenomenon? Specifically, the commercial size of professional football clubs is very small, for example, Manchester United's revenue scale in the 2016-17 season was 581 million pounds, but compared with Wal-Mart's revenue of 344.78 billion pounds in the same year, it was 593 times worse, and Manchester United subtracted the salaries of the players, and the club's total remaining revenue was very little. In addition, there are defects in management, and more football club managers are born as players and have not received a good education, so in the purchase of players, there is often no trade-off of economic benefits and lack assessment of the economic value of players[3].

By contrast, the rise of the Premier League is due to the calculating behind-the-scenes boss, a lot of capital support. The bosses behind the scenes saw huge gains from the TV rights and developed peripheral products. The entry of capital transforms every Premier League game into a grand event[3].

However, there are also some football leagues far behind European football leagues, such as the China football league. It cannot be denied that team sports have both regional and global attributes, with dual attributes of economic science and social science. From a sports economic and business perspective, the highly professional European professional league stands in stark contrast to the Chinese professional football league, which has frequent problems such as unfavorable investment and repeated unpaid wages[4].

Some media have summarized and investigated the salary arrears of the CSL in the 2021 season. The results

show that 11 teams in today's CSL are facing salary arrears, and only five teams are not. The salary arrears of these teams are more than 8 months at most or at least two months. Why are so many teams in the CSL in arrears? First of all, the abnormal investment mode of CSL. The investment mode of CSL mostly lies in blood transfusion through the parent company, which has two sides. If the parent company develops well, the club naturally has no worries. Once the parent company has an economic crisis, the club will also be affected. Secondly, as we all know, the Chinese Super League belongs to real estate football for the past 10 years. It is the rising Chinese Super League of private enterprises. After the state introduced the three red lines of real estate, it virtually increased the pressure on these private enterprises. After all, this is an industry with high debt. Unable to take into account their safety, private enterprises investing in football naturally chose to exit. Thirdly, The salary restriction order of the Chinese Football Association led to the departure of a large number of foreign aid, the withdrawal of a large number of investors, and the empty game led to the team's lack of ticket income. These reasons led to the team's inability to make ends meet and had to pay back one after another[5]. Additionally, football is also seen as a strategy for the promotion of the sport as an "educational tool and as a mechanism for social transformation"[6]

3. METHOD

Signaled by capital inflow from tycoons like Alibaba and Suning in recent years, the tight bonding between the economy and football industry in China has been set gradually. It is thus unsurprising that the performance of CSL is lower than fans' expectations when taking the economic downturn and desperation in a recent year into consideration. In the following sections, we will first analyze the profile of players and fans from income, economic status, and education level three phases; we will then consider the change in the sponsors and investors in the football industry, and thus, with the help of the analysis did before, come up with an economic model; at last, a few applicable policies and proposes on enhancing the performance of the CSL will be introduced based on the economic model that we previously constructed.

According to ParaSylwia[7], before 2021, the Chinese Soccer Association had lowered the salary ceiling of homegrown players from 10 million to 5 million RMB and set the salary ceiling for international players at 3 million euros. Before 2019, the average salary for domestic players has reached 5.53 million RMB, the counterpart for international players has reached 5.847 billion RMB. The aggregate salary was 220 billion for all domestic players and 370 billion for all international players. To make the situation more explicit, the average salary for players is 5.8 times compared to the counterpart in Japan's J League, and 11.67 times the average salary

in Korea’s K League. After the application of the salary ceiling policy in 2021, CSL has made a total expense of 2.365 billion euros [8].

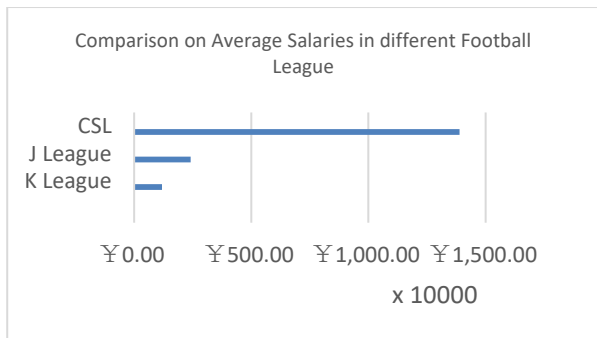


Figure 1. Comparison on average salaries

Apparently, the huge cost of CSL in the past made the Chinese Football Association realize that the salary of players needs to be controlled. However, controlling the salary will lose excellent foreign aid at the same time. It can be seen that the control amount of salary needs to be accurately controlled, which is very difficult. Therefore, the Chinese football association may need to shift the object of controlling wages.

Then let us transfer our focus on the education and income profile of fans. According to YUSHUOHUANXIU [9], the statistics show that 34% of fans has an income between 100 thousand and 200 thousand, 25% has an income between 200 thousand and 300 thousand, 16% holds an income of 300 thousand to 500 thousand, and 8% of fans has an income above 500 thousand. For the education background, 9% of fans have gotten a graduated degree and 16% of all only have a degree at or lower than junior college. All in all, the proportion of high salary fans is positively related to the proportion of high education level fans. In the comparison to Chinese average income, which is 32.1 thousand, released in 2020 from the China National Bureau of Statistics, football fans in China are mostly with high education and high income. Considering the family background, 78% of fans are in a marriage with the age between 30 to 40[10]. In another word, Chinese fans’ can be concluded as the people who are supporting a family.

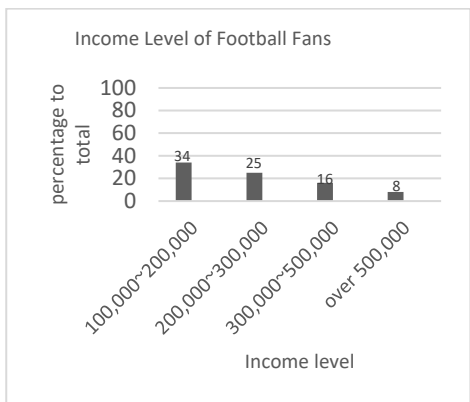


Figure 2. Correlation to the income level

Judging from the income and educational background of fans, they can bring great profits to major football clubs. Now, due to the epidemic, the ticket income can not be guaranteed. Even so, the club is preparing to restore the home and away venues and open some venues to ensure a certain income. It can be seen that the consumption of fans can bring stable income to the club. The club should also try its best to ensure the income of tickets and peripheral products to maintain its operation.

After making Chinese fans’ profiles, let us focus on CSL’s economic behaviors. Appointed that, after the relegation of Tianjin Taida in 2020, the sponsor Taida ltd. reached 75.26% debt rate. At last, the exit of Taida ltd. marked the end of the story. In the winter of 2021, the movement of the Yongchang team to Cangzhou, and Henan Jianye changing the team name to Luoyang Longmen can all be contributed to the magnificent pressure on sponsors, which make sponsors plan to exit the football market. At the same time, the Guangzhou Hengda team has also been suffered from a lack of capital and even has limited ability to pay for international players. In the 2020-2021 session, 22 professional clubs have claimed for a leaving[11]. Compared to the situation in 2011, the year that Guangzhou Hengda entered the CSL for the very first time, and the sponsor to the team, Hengda plc., flushed 70 billion into the team that year and 1500 billion RMB in the following ten years, Hengda has a really poor performance this year, which they cannot even pay their players.

To sum up, The reduction of fans' expenses, the control of players' wages and capital changes are guiding the Chinese Football Association to make new policy changes.

Throughout FIFA, driven by President Ivantino, they are carrying out major reforms in the football trading market to reduce the pressure on clubs' salaries. The New York Times reported that FIFA will impose restrictions on player transfer prices between clubs and weaken the Commission of player agents. Since then, more and more players in the international football market sponsored by Saudi Consortium in 2017 have soared to the US \$6.2 billion. Since then, the value of players in the international football market has soared to the US \$6.2 billion. In the proposal of Ivantino, it is said that FIFA will establish a new central exchange to be responsible for cross-border transactions in all football circles, and limit the Commission of agents to less than 5% of the total transfer fee of players [12].

4. DISCUSSION

So far, the research scope of we is only limited to the income and education level of players and fans in the Chinese men's Football League, not the Chinese women's Football League. Therefore, our research can not reflect the overall problems of Chinese football. From the

closing ceremonies of Hengda and Quanjian in recent years, as well as the poor performance of the Chinese men's football team in the World Cup qualifier, we can all feel that the Chinese men's football team has encountered a relatively serious trough. What makes us afraid is the future development prospect of CSL. Under such a negative football environment, it is difficult for parents to be willing to send their children to the stadium. Therefore, we compare the salary of CSL players before and after 2019. Analyzing the importance of CSL fans to the club's income, the impact of capital changes; Learn from European football, which also suffers from financial problems, and FIFA's response measures to find a solution suitable for CSL.

Let's analyze the salary changes of CSL players in detail. In 2019, the average income of CSL's foreign aid reached 58.47 million yuan, while in 2021, the income of foreign aid fell by 20.92 million yuan, and the income shrank by nearly three times, resulting in the loss of a large number of high-quality foreign aid, which directly led to the decline of CSL's competitiveness and League value. It can be seen that the range of salary control should not be too large. We also analyzed the income and education level of fans. The income of RMB 100000-200000 fans accounts for more than 100000-200000 fans. Compared with 32100 yuan of China's national disposable income in 2020, the income level of CSL fans is much higher. Obviously, CSL should attract fans through high-quality foreign aid and high-quality games. Based on the analysis above, it can be concluded that it is difficult to control the appropriate salary scale of CSL players, and it is difficult to guarantee the ticket income of fans during the epidemic period, so we should find ways to reduce the salary pressure of the club in other aspects to ensure the normal operation of CSL. Through the research, it is found that FIFA president Ivantino implemented the policy of reducing the player value and reducing agent commission as early as 2018. This also applies to CSL. In 2017, Shanghai Shanggong bought the Brazilian star Oscar with a huge amount of 60 million euros. Before 2021, similar huge transactions can be found everywhere, laying a hidden danger for the financial crisis of the team in the future. Therefore, we believe that the Chinese Football Association should improve the transfer market of CSL, control the salary of foreign aid, lower the transfer fee, and pay close attention to the commission of player agents.

Ivantino has proposed to establish a new central exchange to handle all cross-border player transactions, and the Commission of player agents shall not exceed 5% of player transfer fee. After Neymar joined Paris Saint Germain for 222 million euros in 2017, more and more sky high price transactions occurred, which added great financial pressure to the club. In the proposal, Ivantino pointed out that FIFA will consider establishing an algorithm to reasonably measure the value of players and punish illegal teams in the form of luxury tax. Now it

seems that this idea is extremely suitable for today's CSL, that is, it controls the player's salary and reduces the expenditure from the perspective of agent and transfer.

Currently, we analyze the loss of foreign aid brought by CSL's player salary. It is found that the Chinese Football Association should control the expenses from many aspects, such as player agents and transfer fees, so as to realize the stable operation of the club, so as to ensure the healthy operation of CSL. However, there are many difficulties in this reform. In detail, if the Chinese Football Association establishes a central exchange, it will face a large number of player data entry, and need enough time to practice to verify its effect. Secondly, China's attention to women's football is even lower than that of men's football. Information such as the salary limit of women football players is not transparent enough, which also adds difficulties to data entry. Looking forward to the future, we need to start from the foundation, do a good job in the player registration of each city and province, and closely record the player performance, so as to evaluate the corresponding value, prevent the player premium and reduce the unnecessary expenditure of the club. The player's agent's Commission has naturally become reasonable.

5. CONCLUSION

In sum, we put forward reasonable suggestions for the development of CSL by looking for the relationship between football and economics. Salary changes of players combined with CSL between 2019 and 2021; The benefits that fans can bring to the club; And the current feasible high-quality policies from Europe, so as to put forward the cost control from the aspects of player agent and player transfer, combined with the method of reasonable and appropriate restrictions on player salary, and establish a central exchange including a database for evaluating player value, so as to alleviate the financial pressure of CSL major clubs and ensure the long-term and effective development of CSL. In the future, our database may be detailed to the registered players in every city and community, and establish a fairly perfect player evaluation system to maximize the cost performance of every money spent by the club. We can even expand the scope of the database to the world, such as Brazil. At that time, the Chinese Football Association will face the international football market.

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