The Sports Bribery Act:
A Law and Economics Approach

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INTRODUCTION

Match-fixing
Sports Bribery Act Origins:
The Black Sox World Series

- "Regardless of the verdict of juries, no player who throws a ballgame, no player that undertakes or promises to throw a ballgame, no player that sits in conference with a bunch of crooked players and gamblers where the ways and means of throwing a game are discussed and does not promptly tell his club about it, will ever play professional baseball." – Kennesaw Mountain Landis
Pre-RICO

Kennedy era attempts to combat OC

The Wire Act – 1961

- Target Organized Crime through their business interests

The Sports Bribery Act - 1964

- Bookmaking and Match-fixing were two of the most lucrative OC industries
Sports Bribery Act
SCORECARD

- 50 Years old
  - 16 Reported Decisions
  - 1 Pending Indictments
  - 0 Decisions implicating Professional Team Sports

- Sport Most Commonly Implicated
  - Horse-Racing
“Goodfellas”
Boston College meets Henry Hill
How to fix a game
The Harm

- The commercial viability of sport depends on "Uncertainty of Outcome"
- Gambling related corruption has made nearly every aspect of sport vulnerable
3. Crime and Punishment
I began to think about crime in the 1960s after driving to Columbia University for an oral examination of a student in economic theory. I was late and had to decide quickly whether to put the car in a parking lot or risk getting a ticket for parking illegally on the street. I calculated the likelihood of getting a ticket, the size of the penalty, and the cost of putting the car in a lot. I decided it paid to take the risk and park on the street. (I did not get a ticket.)
Bribery Model

When will an athlete accept a bribe

\[
E(U_F) = (1 - p) \left[ qU(Y+G) \right] + \\
E(U_F) > 0 \\
(1 - p) \left[ (1 - q)U(Y) + p[U(Y - F - R)] \right]
\]

\[
- U(Y) + U(C) \quad (1)
\]

- \( E(U_F) \): expected utility change for participating in the match fixing
- \( p \): the probability of detection of the fixed match
- \( q \): the probability of the fixed match being successful
- \( Y \): the current wealth of the individual
- \( G \): the gain in wealth from an undetected and successful fixed match
- \( F \): the financial penalty associated with being caught
- \( R \): the value of civil, criminal and reputational penalties if caught
- \( U(C) \): the utility linked to the act of cheating itself.
Extortion Model

The greater the expected utility \( E(U) \) from participating in the fix and returning to the status quo, the more likely an actor will participate in the extortion scheme.

\[
E(U) = (1 - p) [(H + R)q - \mathbf{i}]
\]

Probability the extortion victim can successfully gain access to some form of intervention that would restore him to his pre-extortion utility \( \mathbf{i} \).
**Problem Definition**

Federal Statutes do not criminalize the Extortion in match-fixing

- “The act or practice of obtaining something or compelling some action by illegal means, as by force or coercion.”
  
  – Black’s Law Dictionary

- The term “extortion” means the obtaining of property from another, with his consent, induced by wrongful use of actual or threatened force, violence, or fear, or under color of official right - 18 U.S.C. § 1951 (b)(2)
Discussion
The Integrity Problem

- “Integrity of games is paramount to maintaining value”
Policy Implications

What to do about Match-Fixing

- Perhaps, it is not a problem in the United States
- If it is:
  - Changing Norms
    - Increased Monitoring
    - Visible Punishment
    - Greater Communication
**Whistleblowing**

**Bounty-Gate II**

- First past the post
  - Immunity for the party to first bring bribery to the attention of the authorities
- Creating distrust amongst co-conspirators has been a noted deterrent
- Whistleblowing incentives lower the costs associated with monitoring for corruption
Conclusions

- Educating stakeholders about situations and tactics
- Increased monitoring
  - Commitment effects
  - Whistleblowing incentives
- Stiff visible punishments