

# The Sports Bribery Act:

## A Law and Economics Approach

**John T. Holden**

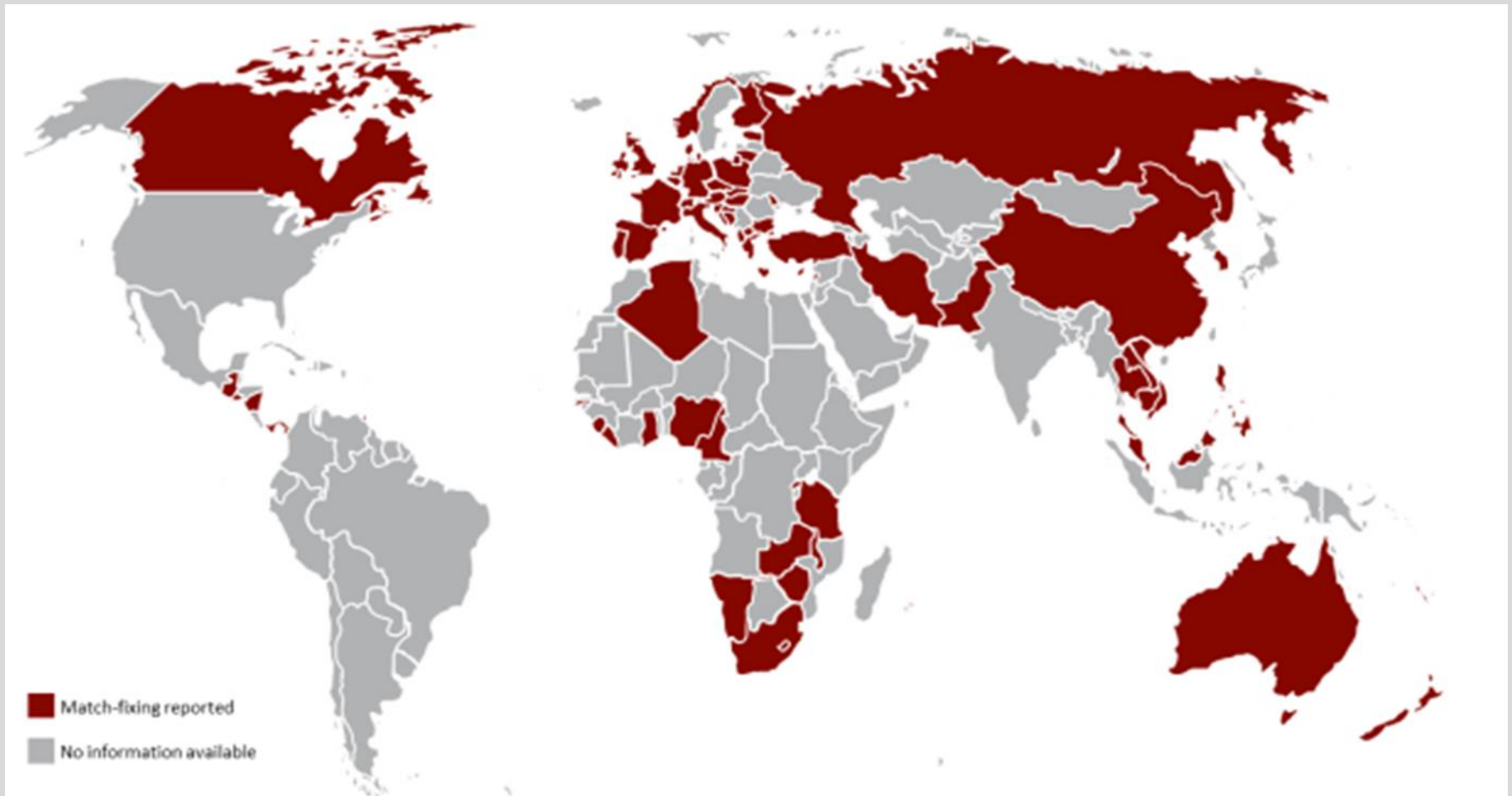
Florida State University

**Ryan M. Rodenberg**

Florida State University



# 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

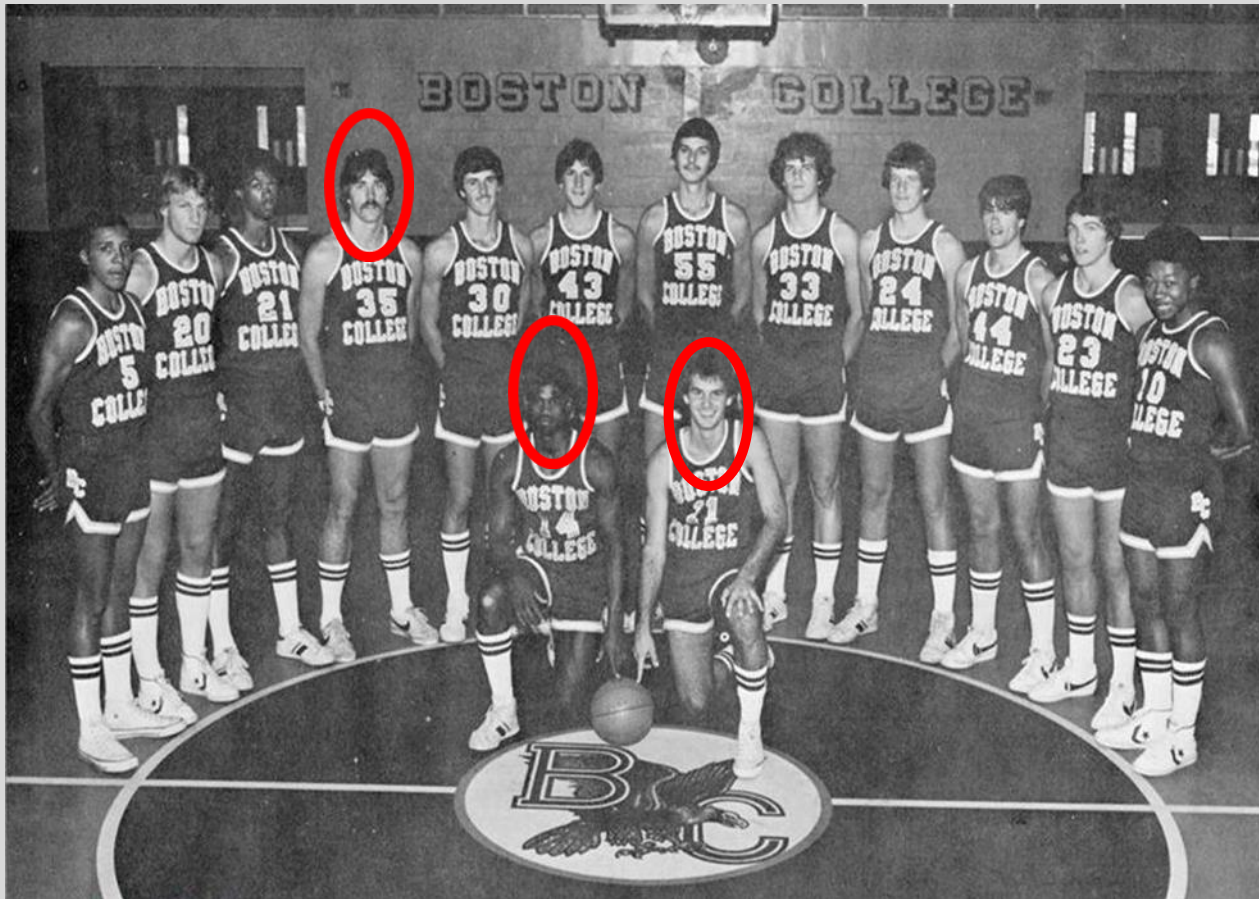
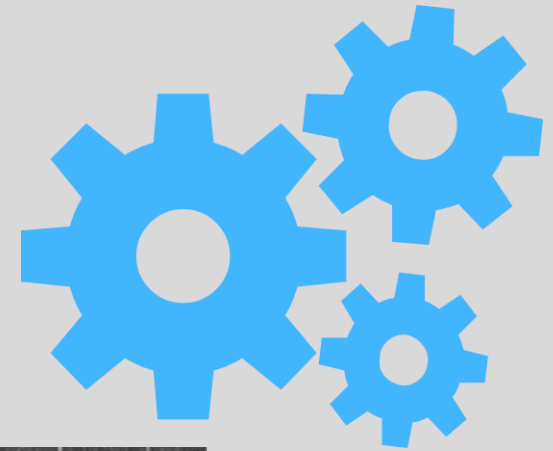
## SCORECARD



- 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



Unregistered HyperCam 3





# The Harm

- The commercial viability of sport depends on *“Uncertainty of Outcome”*
- Gambling related corruption has made nearly every aspect of sport vulnerable



# L & E Background



## Becker' problem finding parking

### *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

$$E(U^F) = (1 - p) [qU(Y+G)] +$$

$$E(U^F) > 0$$

$$(1 - p) [(1 - q)U(Y)] + p[U(Y - F - R)]$$

$$- U(Y) + U(C) \quad (1)$$

$E(U^F)$  = probability of being caught with the current wealth of an individual  
 $p$  = the probability of being caught with the current wealth of an individual  
 $q$  = the probability of being caught with the current wealth of an individual  
 $F$  = the current wealth of an individual  
 $R$  = the current wealth of an individual  
 $C$  = the current wealth of an individual  
undetected and successful fixed match

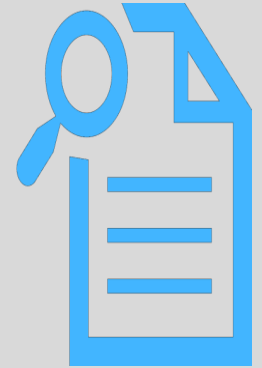
# Extortion Model



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.

Probability the extortion victim can  
The probability that the match will be  
successful is a result of the fix not taking  
place (H)  
his pre-extortion utility (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 stake-holders about situations and tactics
- Increased monitoring
  - Commitment effects
  - Whistleblowing incentives
- Stiff visible punishments