

Football match fixing another art of insider trading

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"Everything I know about selling securities that are morally crap, I have learned on the football field..." Imagining a noble bar full of well-dressed young investment bankers, spending some time after long-working hours with a glass of the most expensive drinks the tender can offer, the above could be a quotation of the kind of unscrupulous (yet) successful hedge fund manager. The original citation goes to Albert Camus who claimed to have learned everything about morality and the obligation of men on the football field. Simply speaking; football, moral, securities and "crap" share more similarities that may be visible at first glance. To allow a perspective on how these elements have common denominators, the paper contrasts aspects of unethical performances in the world of sports and finance. One aim of the paper is to encourage a debate on the function of sports with respect to integrity in the 21st century and to question whether sport still serves as a "Leitkultur" for moral values (Wilke, 2009). The dangers of match fixing just recently found its place on the international policy agenda, the Schaldemose report being the first European Union key document that tackles the issue of match fixing (KEA, 2012). In contrast the law-making process with relation to the aspects of insider trading in the United States dates back to the Crash of 1929. However, its development had been depressing since politicians handed over the economical responsibility to a monopoly of financial service providers (Levin, 2011). It is therefore not unsurprising that the massive commercialization of sport is deemed by experts as endangering its core values (Naul, 2004). A further focus will be to understand the 'logical' reasoning behind illegal practices that diminishes values of integrity in both branches, with the aim to encourage a debate on how to counteract the rising problems of match fixing.

As a key element the paper compares business practices within the finance sector to criminal procedures within the sport-betting industry. A financial product named Abacus 2007-AC1 of the investment bank Goldman Sachs and incidents of the German football betting scandals of 2005 and 2009 are used exemplary. The sources chosen are relevant academic literature, judgments, reports by governmental institutes and international organizations.

A rather qualitative approach to moral values within sports (and the finance sector) has been chosen that allows developing differential perspectives in future. The methodological approach is based on primary and secondary data. The comparative observation based on real-life incidents contemplates the elements of *Game Theory*

by looking at the economic theory of crime adapted to the decision of an athlete to attempt a fix*, concepts of the *Faustian Bargaining* for actors on the market, the theory of a *Homo Economicus* as a rationale thinking man, as well as the impact of *Lady Justice* as a mediator between society and the law breaker.

On one side there is a huge discussion on the deprivation of moral values within the financial sector that influences every-day life to a great extent. However, the debate fails to encourage for stricter regulation. On the other the great dismay when headlines of match manipulations sadly increase and depict the decline of the idea of a 'clean sport', but no decline in the number of spectators. Further, the judicial follow up to malpractices are (currently) not extensive in neither area. It can, however, be argued that society expects higher ethical standards from the sports sector compared to the finance sector. In many parts of the world, football is still perceived as a tool for reconciliation and symbolically as a sign for peace (Champagne, 2012), (e.g.) when former opponents gather on the pitch. Moreover, the abusive methods in the financial world are betimes very complex and not comprehensible for outsiders be it ordinary persons or judges and (therefore) render the rule of law obsolete. Incidents are often pursued with an overall consent as the main concern is the maximization of wealth no matter the ethical constraints. In football, however, a general zero-tolerance strategy is shared between governing authorities and the society. The rule of the game requires this vis-à-vis any manipulative actions, otherwise it completely destroys the underlying competitive nature that is intrinsic to sports. As long as the expected benefit exceeds the expected costs for any (potential) manipulator, there is a general likeliness to engage in abusive actions.

* $(E \{ U_{Fix} \} = (1 - p) [qU(Y + G)] + (1 - p)[(1 - q)U(Y)] + p[U(Y - R)] - U(Y) + U(C))$,

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