Scottish Football
It’s a Funny Old Business

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The past few years have been financially challenging for Scottish football clubs: sustained losses, record levels of indebtedness, and several clubs placed in administration. There are numerous reasons why Scottish football finds itself in this state. External factors such as changes in the economics of football, in particular changes in football’s relationship with broadcasters, have contributed; so have internal factors such as poor financial management. Although the need to adopt decision-making and control procedures appropriate to the present financial circumstances of Scottish football is recognized, there is also a need for structural reform at both the domestic and European levels.

Keywords: financial management; political economy; competitive imbalance; league structure

The past few years have been financially challenging for Scottish football clubs. The combined debt of the 12 Scottish Premier League (SPL) clubs at their 2003 year end was £186 million, some £32 million higher than the clubs’ combined annual turnover (Pricewaterhouse Coopers, 2005). In the past four seasons, only 1 SPL club has reported a pretax profit. At one point in the 2003-2004 season, a quarter of the SPL clubs were in administration (Morrow, 2004).

The current structure of football in Scotland consists of the SPL and three divisions of the Scottish Football League (SFL), each with 10 clubs. These 42 clubs differ markedly in terms of market size, attendance levels, facilities, playing skills, and so on. Many of the SFL clubs are part-time teams and attract very low attendances. But one common feature is that they are nearly all long-lived institutions. Two thirds of the clubs were formed in the 19th century, and despite the financial problems of many Scottish clubs in the past few years and before, one significant fact is that few clubs have actually gone out of business.1

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The Political Economy of Football in Scotland

Although Scotland is part of the UK and is governed by the UK Parliament in London, in a football context, the constituent countries have always operated independently, with separate leagues, separate national sides, and separate voices within the Union of European Football Associations (UEFA) and Fédération Internationale de Football Association. Notwithstanding this independence, it is indisputable that England and English football are and have been major explanatory factors in the development and the current condition of Scottish football.

The regularizing of professional football in England in 1885 was a key driver of change in Scottish football because it removed the possibility of lucrative friendly matches against English clubs. The Scottish League was subsequently founded in 1890. As in England, for the most part, Scottish football clubs adopted the structure of limited liability companies (Vamplew, 1988), motivated initially by a desire to protect the founders and officers of the clubs from personal liability in the event of the clubs developing unpayable debts, particularly as wages rose. Normally, the limited liability model results in a separation of ownership and control of a company, but in football, the two often continued to overlap, with many Scottish clubs owned by small groups of businessmen and a few hundred small shareholders, mostly fans. To this day, most Scottish clubs remain structured as private limited companies. In effect, the adoption of limited liability structure resulted in a division being created between those who owned and ran the clubs and those who supported them. Certainly, there has been a broadening of ownership at a number of clubs in recent years both by design—for example, through share issues at a club such as Celtic—and by compulsion—for example, when clubs in financial crisis have been forced to seek new shareholders. Nevertheless, most Scottish clubs remain undercapitalized, have highly concentrated ownership structures, and have restrictions on the transferability of shares, facts that serve to restrict the development of these clubs.

On the playing side, until the past decade or so, it was common for top Scottish players to play for English clubs, their presence being an influential factor in interest in English football in Scotland. Another factor was television: Long before satellite television and the deregulation of the televised football market allowed armchair supporters in Scotland the opportunity to watch English Football Association Premiership matches live in their own home, highlights of English football were available on terrestrial television in Scotland on Saturday nights.

The Scottish Football Association is the governing body for football in Scotland, with the professional leagues being administered by the SPL and the SFL. Teams from SFL Division 1 can be promoted to the SPL as long as they meet certain criteria; for example, having a 6,000-capacity all-seater, covered stadium. The Premier League was set up in 1975-1976 initially under the auspices of the SFL, but the new SPL, separate from the SFL, was established in the 1998-1999 season. The new league was modeled on the highly successful English Football Association.
Premiership, the motivation being to increase the financial rewards available to top clubs, particularly through improved television deals. The SPL was portrayed at its inception by the clubs as a bright new future for football in Scotland, but many observers were less convinced, considering it more a case of “plus ça change, plus c’est la même chose”: the same clubs, the same competitive imbalance, the same dominance by two clubs, Celtic and Rangers.

Understanding Scottish football means appreciating the significance of Celtic and Rangers, the so-called Old Firm. Since the old Scottish League was set up in the 1890-1891 season, when the title was shared by Dumbarton and Rangers, on only 18 occasions out of a possible 108 has a club other than Celtic or Rangers been crowned champion, earning it the position as the most dominated domestic league in Western Europe (Gerrard, 2004). The dominance of these two clubs is also apparent financially. Their home match attendances are among the highest in Europe: for the 2003-2004 season, Celtic’s average attendance was 58,500; for Rangers, it was 49,250. By way of contrast, the average attendance for SPL clubs excluding the Old Firm is approximately 8,000. Taken together with the facts that since 1981, Scottish clubs have been permitted to retain gate receipts from their home matches (Crampsey, 1986) and that television rights for Scottish football are relatively low (see Table 1), the distribution of income set out in Figure 1 is easily understood.

### WAGE DETERMINATION

Although the decisions taken in 2001 that resulted in the SPL not renewing its broadcasting deal with Sky Television and ending up with a shorter and less lucrative deal with the BBC were contributory factors (see Table 1), the principal explanation for the lack of profitability and the level of debt within the SPL has been the high level of wage costs (Pricewaterhouse Coopers, 2005). Notwithstanding that the Bosman ruling and subsequent modifications to the player transfer system have acted to drive up wages by creating something akin to a single European market in players (Morris, Morrow, & Spink, 2003), the figures in Table 2 indicate that directors at too many clubs have shown a disregard for financial common sense, offering contractual terms that could not be afforded in the medium to long term.
The consequence of this level of overspending on wages and salaries has been sustained losses. More than half of the SPL clubs were technically insolvent (with liabilities greater than their assets) at their 2003 year ends. Although a few clubs,

![Figure 1: Scottish Premier League (SPL) Clubs: Average Turnover](image)

**TABLE 2: Scottish Premier League Player Wage Costs**

| Club                | Total Wages (millions of pounds) | Wages as a Percentage of Turnover |
|---------------------|----------------------------------|----------------------------------|
|                     | 2003    | 2003   | 2002   | 2001   | 2000   |
| Aberdeen            | 5,431   | 77     | 70     | 86     | 84     |
| Celtic              | 33,079  | 55     | 58     | 62     | 52     |
| Dundee              | 4,122   | 104    | 154    | 126    | 75     |
| Dundee United       | 3,292   | 107    | 88     | 96     | 81     |
| Dunfermline Athletic| 4,619   | 115    | 132    | 131    | 137    |
| Heart of Midlothian | 5,116   | 85     | 94     | 90     | 84     |
| Hibernian           | 3,978   | 72     | 78     | 76     | 78     |
| Kilmarnock          | 4,282   | 79     | 89     | 76     | 70     |
| Livingston          | 4,099   | 84     | 84     | 72     | NA     |
| Motherwell          | 2,241   | 71     | 62     | 107    | 99     |
| Rangers             | 34,592  | 71     | 83     | 70     | 66     |

SOURCE: Company accounts; Pricewaterhouse Coopers (2002, 2005).
NOTE: NA = not available.
most noticeably Celtic as well as Heart of Midlothian, have used the Stock Exchange as a source of capital, the majority of Scottish clubs continue to have very concentrated ownership structures, with a majority of shares being owned either by a dominant owner or by the board of directors (Morrow, 1999). The key funders of Scottish football and of Scottish football’s losses have been and remain banks and individual businessmen.

Capital injections and changes in ownership have improved the financial positions of individual clubs since the 2003 year end, most notably at Rangers and Heart of Midlothian. But these examples do not alter the underlying financial position or outlook for Scottish football. As Table 2 demonstrates, the fundamental problem is a cost base that is out of line with income. Prudent financial management, coupled with the introduction of the UEFA club-licensing system, may help clubs stabilize their positions. But that alone will not solve the problems: Within the current structure of football in Europe, it is extremely difficult to see how most SPL clubs can trade out of these losses. More fundamentally, one risk of focusing only on internal issues of management and control is that Scottish football ends up in a state of “genteel and stable poverty” (Royal Commission on Gambling, 1978), but entirely lacking in ambition.

**TIME FOR CHANGE?**

Scottish football may not be in crisis, but equally its clubs and its structures face a number of major challenges, a fact recognized by the Scottish Parliament Enterprise and Culture Committee (2005) in its recent interim report and discussion paper on reforming Scottish football: “Figures showing the extent of the challenge facing Scottish football are stark… Just how long [the level of debt] can be sustained through the goodwill of clubs’ creditors is a moot point” (para. 16).

In the short term, what is essential is that all stakeholders behave in a manner appropriate to Scottish football’s changed financial circumstances. In particular, there is a need for realism in the wages offered to, and demanded by, players. Improved financial management within clubs is also essential, and in this regard, the introduction of the UEFA club-licensing system is a positive development. Longer term, it is about recognizing the need for change. Key to this is dialogue involving all of football’s stakeholders. In this regard, the consultation exercise initiated by the Scottish Parliament is a very positive development (Scottish Parliament Enterprise and Culture Committee, 2005). At a domestic level, this debate needs to focus on initiatives such as restructuring—can a country of only 5 million people continue to justify having 42 professional clubs, however much some of these clubs are professional in name only?—ground sharing, relocation, the ownership and governance of clubs, and so on. But the debate also needs to extend beyond Scotland to consider issues such as Europe-wide league restructuring, including cross-border initiatives such as the Atlantic League and clubs playing in leagues organized other than under the auspices of their home associations. From a narrow
Scottish perspective, arguably the most important issue is solving the problem of Old Firm dominance, both for the benefit of Celtic and Rangers and for the benefit of the other Scottish clubs.

NOTES

1. Two exceptions are Airdrieonians FC and Clydebank FC. Formed in 1878, Airdrieonians went into liquidation at the end of the 2001-2002 season, and as a result, the club ceased to be a member of the SFL effective May 9, 2002. Clydebank was a much younger club, becoming a member of the SFL in the 1966-1967 season. The club was placed into administration in December 2000. This followed the sale of its stadium and its inability to find another suitable site. In an ironic link, in June 2002, the administrators of Clydebank accepted a bid from a consortium on condition that the club be permitted to relocate to Airdrie and change its name to Airdrie United. The SFL’s League Management Committee granted permission to enable Clydebank to change its name to Airdrie United and relocate to play its home matches at the Excelsior Stadium, the former home of Airdrieonians.

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