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Labour market regulation and professional sport: The case of the Victorian Football League's Coulter Law, 1930-1970

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Abstract

In most professional team sports, salary caps – first used in the mid-1980s – stabilise the financial position of teams and promote balanced competitions. Teams that do not comply with labour market regulations face heavy penalties and there is a debate about whether such labour markets should operate like competitive markets in general – with wages directing players to the teams that value their contributions most. Analysis of earlier restrictions on the mobility of players and the movement of wages may raise new questions about the effects of non-compliance. The Coulter Law was a set of Victorian Football League (VFL) recruiting and payment rules that operated from 1930 to 1970. The conventional view – that most VFL clubs breached the maximum player wage rules to maximise the utility derived from winning games – is supported only by anecdotal evidence. A new data set reveals that the Coulter Law did restrict earnings in the VFL, except for a small number of elite players. Clubs allowed players to take up more lucrative jobs in other leagues and their subsequent on-field performance reflected the level of talent of replacement players.

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At the end of the 1955 football season, 27-year old Bob Rose approached the committee of the Collingwood Football Club and requested an increase in match payments to help him to buy a house. Rose was arguably the best footballer in Australia, and Collingwood was the most popular club in Australian Football's most powerful competition, the VFL. Like all Collingwood players, Rose was paid £5 per game, the maximum that was allowable under the Coulter Law, the League's recruiting and payment regulations. These labour market controls had been established in 1930 and until 1970 were the major device used by the VFL to stabilise the financial position of its clubs and promote competitive balance. At the time, £5 was only around one-third of the Basic Wage, Australia's centrally determined minimum wage for full-time workers.² Tired of living above a shop in inner-city Collingwood, Rose 'was torn between loyalty to the club that had given him so much and being what he considered to be a proper provider for his family'.³ When the committee told him that it would maintain its policy of paying players equally, Rose accepted an offer to captain-coach Wangaratta Rovers, a minor league club based in a country town in north-eastern Victoria, for £45 per match – nine times his match fee at Collingwood – plus a house and a sports store to run. Collingwood's committee allowed Rose to transfer to Wangaratta Rovers, where he played for a further seven seasons and led the club to two premierships.⁴

² Vamplew, *Australians*, p. 156

³ Strevens, *Bob Rose*, p. 100.

⁴ Strevens, *Bob Rose*, pp. 105-24.

Graham ‘Polly’ Farmer was a majestic Australian Football player who had dominated the Western Australian Football League since making his debut for East Perth as an 18-year old. During the 1961 season, Farmer, then aged 27, made it known that he wanted to move to Victoria to play at the highest level possible. Three VFL clubs – Geelong, St. Kilda and Richmond – made offers of cash and other benefits in return for his signature. Farmer eventually chose to play with Geelong, where he was paid the League’s maximum wage.⁵ But Farmer’s contract included incentives that were in breach of the Coulter Law, the VFL’s recruiting and payment regulations that set a maximum level of match payments and outlawed signing-on bonuses. ‘You can have whatever you want’, Geelong coach Bob Davis told him.⁶ Farmer received additional payments at a base rate of £1,000 per year (over £55 per match in an 18-game season), a guaranteed job as a car salesman and payment of the rent on a house. Geelong also slipped East Perth £1,500 cash in return for releasing Farmer – another practice that was prohibited by the Coulter Law.⁷ Davis’s statement that the club recouped all of the money it paid when it charged admission to Farmer’s first practice game was made with tongue in cheek, but Farmer’s marginal revenue product – the amount of revenue that his signing and on-field performance would add to the club – was high.⁸ His first game for Geelong, away to Carlton on the opening day of the 1962 season, drew a crowd of almost 42,000. The corresponding fixture attracted only 18,000 in 1961 and 17,000 in 1960. Geelong’s average home and away attendance

⁵ Hawke, *Polly Farmer*, p. 146.

⁶ Quoted by Murray, *We Are Geelong*, p. 187

⁷ Hawke, *Polly Farmer*, pp. 148, 151.

⁸ Davis, *Woofa*, p. 114

increased from 19,600 in 1960 and 1961 to 30,300 in 1962 and 1963, when Farmer was captain of a premiership-winning team.⁹

Rose's and Farmer's careers raise several questions about how Australian Football clubs controlled the recruitment of players and their subsequent careers. The Coulter Law set a maximum wage for VFL players and prohibited the payment of signing on fees and other bonuses. 'The principle of the flat rate is sound and equitable', argued one football writer when the Coulter Law was introduced in 1930. 'It should do much to promote general harmony, and should tend ultimately to even up the strength of the teams'.¹⁰ It was in the interests of all clubs, through their League delegates, to collude and establish monopsony power in the labour market for players, as this would cut costs and help to create a balanced competition that was attractive to spectators. Such cartel conduct, which is characteristic of many professional sports leagues, may enhance the quality of the joint product that teams produce. It can increase profits for member clubs, but only when rules are binding and backed by enforcement mechanisms that ensure compliance. Although several VFL policies – the setting of standard admission charges, revenue sharing and controls over player transfers – contained elements of cartel conduct, the League's market power was not strong until the competition was restructured in the 1980s.¹¹ Minor league clubs that operated in unregulated labour markets and enjoyed subsidies from local communities offered wage premiums for League players, like Rose. Individual League clubs

⁹ AFL tables: AFL-VFL match and player stats, records and lists.

http://stats.rleague.com/afl/afl_index.html. Accessed on 16 August 2010.

¹⁰ W. S. Sharland, Victorian League controls players' payments: flat rate of £3 a week adopted. *Sporting Globe* (Melbourne), 12 March 1930, p. 9

¹¹ Stewart *et al*, The Australian Football League's recent progress, pp. 95-102.

were prepared to breach the Coulter Law by making payments that were needed to recruit the best playing talent, as Geelong did for Farmer.

Contemporary observers were convinced that breaching the Coulter Law was a standard practice amongst clubs. Hec de Lacy wrote of a 'black market' for football talent in Melbourne's *Sporting Globe* in 1951. 'While the League takes a serious view of any proved breach of the Coulter Law, club officials wink at authority and go on with the bartering and sub-surface trafficking in players'.¹² After Gordon Coulter, the man who chaired the League sub-committee that drafted the regulations died in 1971, journalist Scot Palmer reflected that 'the Coulter Law was an ineffective piece of football machinery', because it failed 'to safeguard the weaker clubs in the purchasing struggle' because of 'flagrant abuse of the money rule' by bigger clubs.¹³ In the most recent scholarly history of Australian football, it is argued that the Coulter Law was 'frequently flouted' by premiership-hungry clubs and in time 'collapsed under the weight of its growing irrelevance'.¹⁴

Clandestine payments to players by VFL clubs were not recorded in financial statements for reasons of probity and to avoid League sanctions. Because evidence of non-compliance is anecdotal – obtained from biographies and oral testimony – it has hitherto been impossible for football historians to specify how the Coulter Law impacted on players in general. Nearly all VFL clubs defected from labour market regulations in an attempt to recruit and retain players,

¹² H. A. de Lacy. Law that leads to black market in players. *Sporting Globe* (Melbourne), 14 April 1951, p. 6.

¹³ S. Palmer. The man behind the Coulter Law dies at 77. *The Sun* (Melbourne), 16 November 1971, p. 60.

¹⁴ Hess *et al*, *A National Game*, pp. 182, 240.

but clubs were generally unable to match the offers that players received to play and coach in minor leagues. Minor league clubs operated in unregulated labour markets and many were able to offer a wage premium that compensated for lower levels of prestige and standards of play. VFL clubs faced a perfectly inelastic labour supply curve and could recruit players at a constant marginal cost. At the same time, their desire to maximise utility resulted in them offering monetary incentives (which were in breach of the Coulter Law) or non-monetary incentives (which were permissible under the Coulter Law) to players who had already established reputations in minor leagues and were in demand from more than one club. The effects of labour market regulation therefore varied from player to player, depending on whether a club was prepared to breach the Coulter Law to pay efficiency wages to attract and retain him, or whether they were willing to lose him by complying with the regulations. How many players received such payments? Did the balance between players whose wages were determined in competitive markets and those whose wages were regulated by the Coulter Law vary from club to club? Do variations in the extent to which clubs operated in competitive labour markets – bidding for players and pushing wages closer to their marginal revenue product – correlate to on-field success?

In this paper the proposition that VFL clubs sought to maximise utility by failing to comply with the Coulter Law is tested. Section II examines the structural features of the VFL that influenced the recruiting and payment of players, drawing on the broader literature on labour economics and game theory. In Section III a new data set compiled from club playing lists is used to determine the degree of compliance with labour market regulations by individual clubs. The data set also makes it possible to assess whether utility from winning matches was increased by club decisions

about compliance with labour market regulations. A case study of three League clubs suggests that the Coulter Law did restrict competition for playing talent and checked the growth of player salaries.

II

Australia's indigenous code of football – commonly known as Australian Football or 'Aussie Rules' – was born on the parklands of Melbourne shortly after the gold rush of the 1850s. When groups of young immigrant and Australian-born men gathered to kick a ball, no single variety of football had been codified or become well established. The members of the Melbourne Cricket Club who drew up a set of rules in 1859 sought to combine the best features of the various forms of football that were played at that time.¹⁵ It became a mass spectator sport, appealing to all classes of Melbourne society by the early 1870s, more than a decade before the Football League was organised in Britain.¹⁶ The first controlling body of the game in Victoria, the Victorian Football Association (VFA), was formed in 1877. In 1896, the VFA's strongest clubs broke away and formed the Victorian Football League (VFL). The VFL cornered Australia's biggest market of football fans – the inner suburbs of Melbourne – but the VFA competition continued to operate in its own right. The game also prospered in suburban and country leagues throughout Victoria, South Australia, Western Australia, Tasmania and the Riverina region of southern New South Wales.

¹⁵ Blainey, *A Game of Our Own*, pp. 11-30

¹⁶ Briggs, *Victorian Cities*, pp. 302-3.

Australian Football clubs, like their counterparts in Britain, were founded by middle-class sports enthusiasts who never considered that anyone might make a living out of playing the game. After clubs moved to enclosed grounds and began collecting gate money from spectators, they raised revenue and managed their finances carefully, not to maximise profits, but to build up a wages fund that could be used to attract and retain the best playing talent.¹⁷ In Melbourne, workers enjoyed higher rates of pay and lower food prices than their British counterparts and had leisure time to spend in a mild winter climate.¹⁸ Watching sport was a normal good with a positive and high income elasticity of demand, and this created strong support for football clubs. While two Melbourne clubs – Melbourne and Essendon - played at grounds that were close to central Melbourne and had largely middle-class followings, the others had strong ties to local, generally working-class communities that regarded the success of their football club as a major element of civic pride.¹⁹ By the late nineteenth century, clubs that were controlled by members who watched rather than played had become the building blocks of the sport. The share of club ownership that membership fees provided was an item of consumption that yielded utility, rather than an investment made in expectation of personal profit.

The ability of VFL clubs to generate revenue was distributed unevenly. Some clubs were located in densely populated districts and had larger local followings than others. Rent-seeking local councils or cricket clubs controlled some home grounds and this restricted the ability of clubs to earn gate money.²⁰ Although payment of VFL players remained illegal until 1911, most clubs

¹⁷ Dabscheck, *The wage determination process for sportsmen*.

¹⁸ Frost, *The New Urban Frontier*, pp. 60-75.

¹⁹ Pascoe and Pennings, *The culture of Australian Football at the East Melbourne Cricket Ground*; Pascoe, *The Winter Game*, p. 124.

²⁰ Frost, *The Old Dark Navy Blues*, pp. 60-4

had for years been compensating high-quality players for the time they took off work to play and attend training.²¹ In 1915, metropolitan Melbourne was divided into recruiting zones, each allocated to a VFL club, so that, in theory, the issue of which club a player joined was decided by where he happened to live, rather than money. Players from outside Melbourne were free agents and competition between clubs for high-quality players was intense. The gap between the League's haves and have-nots widened further during the Great Depression. Average attendances at home-and-away games fell from 17,300 in 1928 to 14,800 in 1931.²² It was the smaller clubs that felt the greatest burden as football fans faced tighter budget constraints. In 1930, South Melbourne was running an overdraft of £780 and could not pay its players until the end of the season. Essendon paid its players £2 for a win and 30 shillings for a loss, while Melbourne and Hawthorn did not pay their players at all. North Melbourne was able to pay only 30 shillings per match in 1931.²³

In an attempt to stabilise the situation, the VFL appointed a finance sub-committee before the start of the 1930 season to develop a series of regulations governing player payments. This was chaired by a delegate from the Melbourne Football Club, Gordon Coulter. Born in 1898, Coulter was a former player with a strong business background. His grandfather had migrated from Scotland and became a wealthy tea merchant and each of his brothers worked in professions that were associated with shipping and commerce. Coulter himself later became a chairman or director of several distilling and brewing companies.²⁴ Coulter's sub-committee made a series of

²¹ Frost, *The Old Dark Navy Blues*, pp. 45-9

²² Vamplew, *Australians*, p. 383

²³ Sandercock & Turner, *Up Where, Cazaly?* pp. 105-7.

²⁴ *Federation Index, Victoria 1889-1901*, MacBeth Genealogical Services Pty. Ltd., Hampton, 1997, birth index entry no. 23423; 1851 Scotland Census, General Register Office for Scotland,

recommendations that the VFL adopted before the start of the 1930 season. What the League called the ‘Coulter Law’ stated that no match payment, except to a captain or coach, was to exceed £3. The Basic Wage at the time was £4 per week, and so the Coulter Law dictated that almost all players would need jobs or other sources of income outside of football to be able to support a family. Players who were unemployed or unable to work due to injury could be paid up to an extra £3, and bonuses of up to £2 per game could also be paid by clubs. Clubs were allowed to find or offer employment through officials and supporters to potential recruits, but signing-on fees were outlawed. No minimum wage was specified and there was nothing to stop a club from not paying its players. The Law required clubs to lodge £250 with the League; if a club was found to be in breach of the regulations it could forfeit this bond, face possible losses of match points and the player concerned could be suspended ‘at the pleasure of the League’.²⁵

The VFL’s use of monopsony power to regulate the labour market for its players paralleled that of major professional sports around the world. From 1900 and 1960 player earnings in English soccer were held in check by the Football League through a maximum wage ‘that never went far above the earnings of a skilled manual labourer’.²⁶ When the Football League was established in 1888, member clubs were concerned that teams from the larger cities would be able to buy the best players and dominate the competition, and agreed to set a maximum wage that would prevent players from selling their labour to the highest bidder.²⁷ In Australian and British football, retain-and-transfer systems required players to seek a ‘clearance’ from their club, or

Edinburgh, Parish: Stranraer, p. 13; ‘Tea in Victoria’, *The Argus*, 12 January 1880, p. 7; *Sands and MacDougall's Melbourne and Suburban Directory for 1875*, Sands and MacDougall, Melbourne, 1875, p. 430;

²⁵ Sharland, Victorian League controls players’ payments.

²⁶ Szymanski and Zimbalist, *National Pastime*, p. 101

²⁷ Harding, *For the Good of the Game*, pp. 2-7

permission to transfer, before they could join another club. This was similar to the reserve clause in playing contracts that allowed team owners to limit player mobility and cut costs by suppressing wages and had been part of player contracts in American baseball's National League since 1879.²⁸ Teams in American football, basketball and ice hockey also reserved exclusive rights to continue to employ players whose contracts had expired.

These restrictions were eroded by industrial action and legal challenges by players and player unions in the 1960s and 1970s.²⁹ The Football League's maximum wage ended in 1961 and the retain-and-transfer system was overhauled two years later to allow players to become free agents if the new contracts they were offered were not at least as rewarding as the expired contract. The rights of American leagues to unilaterally renew player contracts were removed in the 1970s. The Coulter Law was abolished after six players went on strike before the start of the 1971 season. Under free agency and market-determined salaries, player incomes surged. Player payments in the VFL increased by 1,826 per cent between 1972 and 1980, while national average wages increased by 262 per cent.³⁰ In response to rising player costs, sports league cartels began to exploit their growing monopoly power to negotiate higher media rights fees and extort subsidies and tap new revenue streams from stadium providers.³¹ From the mid-1980s, all American leagues except MLB imposed salary caps (maximum payroll limits) and these are now in effect in professional sports around the world.

²⁸ Szymanski and Zimbalist, *National Pastime*, p. 4

²⁹ Scully 1995: 39 Noll, Professional basketball, pp. 36-7.

³⁰ Linnell, *Football Ltd*, p. 27.

³¹ Vrooman, Theory of the perfect game, pp. 21-2.

The economic case for the Coulter Law was essentially the same as that of salary caps and other devices that regulate the relationship between player payment and performance. In industries where the distribution of skill creates a heterogeneous workforce, it will be in the interests of employers to pay ‘efficiency wages’ that divide workers into ‘primary markets’ – in which workers are paid above the market-clearing wage – and ‘secondary markets’ – in which workers are paid the market-clearing wage.³² This will improve productivity by increasing incentives to work, reducing costly labour turnover, increasing the quality of job applicants, and creating norms of ‘gifts’ of higher quality work being exchanged for ‘gifts’ of higher wages.³³ Intuitively, rankings of sporting talent conform to linguist George Zipf’s law of the frequency distribution of words. Just as a small number of short words are used far more often than a very large number of long words, the magnitude of one athlete’s talent is in an inverse relationship to the number who have the same level of talent. Just as ‘the larger a word is in length, the less likely it is to be used’, the more footballers there are in a competition that are at the same level of skill, the less likely they are to have a major impact on the outcome of matches.³⁴ In most seasons, a handful of great players may be expected to dominate games in the face of diverse challenges and circumstances. The more powerful and influential a player is, the more difficult it is for a club to replace him. A second rank of gifted, but slightly less talented players is likely to contain double the numbers of the first rank. The numbers in each rank of progressively less talented players will be distributed according to the ratio of that rank and the previous one. At the base level, the competition’s least talented players will form a large cohort of players who may not be selected in teams regularly, are easy to replace and who rarely have a direct effect on the

³² Akerlof, Labor contracts as partial gift exchange.

³³ Akerlof & Yellen, Introduction, pp. 1-9

³⁴ Zipf, *The Psycho-Biology of Language*, p. 22.

outcome of matches. Assuming that the preferences of clubs are revealed by their own rankings of available players, labour market regulation may distribute this talent in ways that meet two criteria of fairness.³⁵ Firstly, regulations may help a league's 'worst-off' clubs by maximising the value of the lowest ranked player that they receive. Secondly, regulations may avoid envy amongst clubs by preventing clubs from concluding that their playing lists are inferior to those of their rivals.

Within a league, some teams are advantaged by large supporter bases that translate into high marginal revenue per match. If these teams are allowed to become 'too' superior they will create negative externalities as the competition becomes uneven and less attractive to spectators.³⁶

Recently Kuper and Szymanski have challenged this conclusion. While balanced competitions may be attractive to neutral observers, such as fans who are watching other teams on television, the fans that identify with a particular team are generally more interested in seeing that team win – preferably every game.³⁷ Because 'big' teams have more fans than smaller teams do, the total level of utility is greater if the big teams win more often than smaller teams do. Uneven competitions create dominant teams that maintain high standards of play and create incentives for fans of other teams to dream of beating them.³⁸ VFL clubs were owned and controlled by 'hard core' fans that paid an annual membership fee and were more concerned with maximising the utility they derived from winning matches and premierships than they were with profit maximisation. Owners of these clubs faced a Prisoners' Dilemma. There was a strong incentive

³⁵ Brams & King, Efficient fair distribution.

³⁶ El-Hodiri & Quirk, An economic model of a professional sports league.

³⁷ Kuper & Szymanski, *Why England Lose*, p. 178

³⁸ Kuper & Szymanski, *Why England Lose*, pp. 180-5; Borland & Macdonald, Demand for sport, pp. 482, 487

for them to ‘defect’ from league player payment regulations, paying higher wages and fees to players who provided above-average performance, even though this carried the risk of reducing profits below the optimal level.³⁹ Over-investment in playing talent may create a process of destructive competition that drives some teams to bankruptcy and places pressure on the financial stability of the league.⁴⁰

The Coulter Law was an enforceable salary cap that was intended to correct this market failure and distribute talent evenly amongst teams by equalising the marginal cost of recruiting players and establishing a standard reservation wage that would result in players having no incentive to change clubs. It was effectively a tax on superstar salaries that reduced wage inequality between players and transferred resources from large-market teams to small-market ones. The debate about the effectiveness of regulated labour markets centres on whether they serve to redistribute talent or to redistribute income from players to team owners.⁴¹ In a seminal article, Rottenberg argued that if rules permit the sale of player contracts, unequal distribution of playing strengths is inevitable, due to differences in the revenue potential of teams. Small-market teams will have no incentive to retain players because they can sell their contracts to large-market teams for whom the marginal revenue product of players is higher.⁴² If players have an incentive to move from small-market teams if they are offered a higher reservation wages by large-market teams, monopsonistic labour markets may hold those wages below their marginal revenue products.⁴³

³⁹ Brams & Straffin, Prisoners’ dilemma and professional sports drafts; Eber & Thépot, Doping in sport and competition design.

⁴⁰ Késenne, The impact of salary caps; Quirk & Fort, *Pay Dirt*, pp. 216-7; Dietl *et al*, Overinvestment in sports leagues; Whitney, Bidding till bankrupt.

⁴¹ Vrooman, The economics of American sports leagues, p. 367.

⁴² Rottenberg, The baseball players’ labor market.

⁴³ Boal & Ranson, 90

Thus while regulated labour markets do not alter the balance of playing strengths, they reduce the market clearing cost of players to teams, and therefore affect the division of rents between players and wealth-maximising owners.⁴⁴ They also reduce the supply of talent as clubs cut investment in talent development and players drop out of the labour market.⁴⁵ El-Hodiri and Quirk's model suggests that teams would only converge to equal playing strength if the sale of contracts was forbidden and teams could draw on a constant supply of new skills.⁴⁶

If compliance with the Coulter Law removed incentives for the sale of player contracts in the face of imbalances in the potential revenue of clubs, then it follows that non-compliance would reduce competitive balance and increase overall salary payments. If clubs were able to circumvent the regulations, the cap that the Coulter Law placed on wages would be a soft one and destructive bidding for players would have taken place covertly. The first breach of the Coulter Law came to light quickly. Haydn Bunton was aged only 18 when he was first approached by VFL clubs in 1930, but he had already played in two senior premierships in the strong Ovens and Murray Football League. Bunton was travelling from Albury to Melbourne to discuss joining Carlton when Fitzroy officials boarded his train at Seymour – approximately 100 kilometres from Melbourne – and persuaded him to get off at North Melbourne, the second last station, and sign with Fitzroy.⁴⁷ Carlton lodged a complaint about 'trafficking' in players, and as a result Fitzroy's president and secretary and a member of the Fitzroy Cricket Club were banned indefinitely from holding office at a League club, and League delegates – representatives of each club – refused Bunton's application for a permit to play with Fitzroy in 1930. Bunton

⁴⁴ Scully, *The Market Structure of Sports*, p. 34.

⁴⁵ Dietl et al, *The effect of salary caps*, p. 2.

⁴⁶ El-Hodiri and Quirk, p. 1314.

⁴⁷ Donald, *Haydn Bunton*, pp. 23-8.

subsequently won the Brownlow Medal – the VFL’s highest individual award, for the best and fairest player as voted by the umpires – in 1931 and 1932 (he won the award again in 1935). Two years later, when Fitzroy’s former secretary revealed that his club had also paid Bunton £270 while he had been playing in Albury in 1930, it was apparent that the VFL delegates’ firm line had softened. Bunton admitted to the breach and League delegates voted ‘not to take any action other than a reprimand’.⁴⁸ For the *Sporting Globe*, this was evidence that the Coulter Law was already ‘farcical’. In the Bunton case ‘we had the amazing spectacle of a judge and jury – perhaps all equally as guilty in spirit as the Fitzroy club, since they were delegates from League clubs, which were most likely in the same boat – endeavouring to mete out justice’.⁴⁹

Dietl *et al* argue that if a league is already balanced, the introduction of a salary cap will reduce social welfare by reducing the quality of the competition. In such a case, the gains from balancing the competition further are low.⁵⁰ When the Coulter Law was introduced, levels of competitive balance had been high in most seasons since the start of World War I.⁵¹ In the interwar years every VFL team won at least one premiership, except St. Kilda and the three teams that were admitted to the League in 1925. As the demand for watching fell during the Great Depression, the Coulter Law’s ‘cap’ was set at a level that was higher than most clubs could afford to pay. When salary caps are non-binding, large-market clubs have a greater incentive to invest more in playing talent than small-market clubs do, because the marginal revenue of talent investment is higher for those clubs.⁵² The members of the larger clubs were

⁴⁸ Quoted by Donald, *Haydn Bunton*, p. 31.

⁴⁹ Quoted by Donald, *Haydn Bunton*, p. 31.

⁵⁰ Dietl *et al*, *The effect of salary caps*, p. 14.

⁵¹ Booth, *The economics of achieving competitive balance*, p. 339.

⁵² Dietl *et al*, *The effect of salary caps*, p. 8.

therefore likely to approve of non-compliance with the Coulter Law to increase the quality of their playing lists. Levels of competitive balance remained low in relation to the VFL/AFL average (for 1897-2004) for each season from 1930-37.⁵³

As Akerlof's sociological model of workplace norms suggests, star footballers were devoted to the success of their team, even when they were being paid the same as less talented team mates.⁵⁴ But as players matured and took on greater family responsibilities, clubs that continued to pay the maximum wage were likely to have found it difficult to motivate them or prevent them from taking higher paid jobs elsewhere. The Coulter Law allowed clubs to pay efficiency wages to a star player by appointing him as captain and/or coach and to find jobs for any number of players. Opposition players called Haydn Bunton the 'Three Sevens', because each week he was paid £7 to captain-coach Fitzroy, £7 to work as a floorwalker for a city department store, and £7 to write a newspaper column for the Melbourne *Herald*.⁵⁵ Few VFL players could make such a living from the game and the rewards that high quality League players could reap were generally undervalued in relation to their talent. In 1938 Bunton himself left to captain-coach Subiaco in Western Australia, at the age of 26.⁵⁶ In relative terms, a competent player with League experience would rank much higher on the distribution of talent at a minor league club than he would at a VFL club. Well-credentialed League players who were nearing the end of their careers could add value to suburban and country teams through their on-field leadership and their ability to stimulate recruiting and develop young players. Minor league clubs were not governed

⁵³ Booth, *The economics of achieving competitive balance*, p. 339.

⁵⁴ Akerlof, *Labor contracts as partial gift exchange*.

⁵⁵ Bartlett, *Richmond F.C.*, p. 55.

⁵⁶ Spillman, *Diehards*, pp. 151-3.

by regulations as to how much money they could offer and could pay players closer to their market value.

After World War II, Melbourne's population growth – from 1.2 million in 1947 to 1.9 million in 1961 – increased the demand for watching football, even though the VFL, like most other sports leagues around the world, clung to inefficient business practices. Admission prices to all VFL matches were set by the League at a low level and when they were increased after World War II, attendances were unaffected.⁵⁷ In the ten years after the War, attendance records were set at eight of the twelve League grounds. Most club grounds were controlled by cricket clubs or local councils that profited from their share of football revenue but were uninterested in upgrading facilities for spectators, and potential paying customers were often locked out of big matches.⁵⁸ Like their counterparts in English soccer and American baseball, VFL administrators were slow to recognize the potential of television and playing matches at night as sources of revenue.⁵⁹ In the early 1950s the VFL raised the maximum match payment to £5, but by the end of the decade, inflation had effectively halved the value of player payments.⁶⁰

The difference between what a footballer could earn by coaching in a minor league and the maximum wage in the VFL was the premium that minor leagues had to pay for players to step out of the spotlight and play in a less prestigious competition. In 1932, it was estimated that around one thousand football clubs were operating in country Victoria, with over 400 clubs

⁵⁷ Sandercock and Turner, *Up Where, Cazaly?* pp. 110, 145.

⁵⁸ Ban on football overcrowding! *Sporting Globe* (Melbourne), 12 August 1953, pp. 1-2; H. A. de Lacy, Give the MCG to the people, *Sporting Globe* (Melbourne), 12 January 1955, pp. 1, 3.

⁵⁹ Holt & Mason, *Sport in Britain*, pp. 94-100; White, *Creating the National Pastime*, pp. 4-5.

⁶⁰ Stewart, Boom-time football, p.179.

playing in amateur, suburban and junior leagues in Melbourne.⁶¹ Subsidies from local communities through the use of amenities (ovals, pavilions and grandstands) and the support of sponsors and volunteers allowed many of these clubs to build a wages fund for the recruitment of players.⁶² Players in minor leagues were generally not paid, and so club funds could be concentrated to secure high-quality players. VFA clubs could recruit freely from the VFL after an agreement that players would not be allowed to cross from one competition to the other without a permit collapsed in 1925. Oakleigh joined the VFA in 1929 and paid two players £8 each and its captain-coach £9 per match. Preston's total team payments averaged £60 per match, with the captain-coach being paid £8 per match, while Northcote's 1929 premiership team season included eight players from VFL clubs.⁶³ Many of Australia's country towns experienced a 'golden age' after World War II as the price of wool and other commodities rose, and as manufacturing firms sought areas of cheap land outside metropolitan areas.⁶⁴ In the late 1950s, ex-VFL players aged in their mid- to late-twenties were coaching at each of the clubs in Ovens and Murray Football League, and six ex-VFL players were coaching in the Bendigo Football League.⁶⁵ Full employment and rural prosperity made it difficult for VFL clubs to recruit players from outside Melbourne. When Fitzroy officials offered a promising country footballer a job in Melbourne that would pay £12 per week to supplement the £5 match fee, the young man responded by pulling a wool cheque for £9,000 out of his pocket.⁶⁶

⁶¹ Sandercock & Turner, *Up Where, Cazaly?* pp. 108-9

⁶² Frost & Halabi, *The country football club*, pp. 77-9.

⁶³ Fiddian, *The VFA*, pp. 30-2, 91, 102, 130; Carroll & Rule, *Preston*, p. 191.

⁶⁴ Frost, *Across the Great Divide*, p. 76.

⁶⁵ Western Bulldogs Forever Foundation, *The Bulldog Heritage*, p. 65.

⁶⁶ B. Clay, *Footballers are underpaid*. *Sporting Globe* (Melbourne), 12 March 1952, p. 5.

Despite the regular loss of players to minor league, VFL clubs faced a perfectly elastic labour supply curve for new players, as the number of young men who were willing to play League football at the maximum wage (or less) was virtually unlimited. Most entry-level players from the Melbourne metropolitan area simply turned up at their local club at the start of training for the new season and asked to try out. The Coulter Law did not impact on the labour market as a price ceiling would, with a maximum wage causing labour shortages as suppliers dropped out of the market and new buyers enter the market. Instead, the market was cleared, as clubs found all the new players they needed, at a wage that all star-struck players accepted. Each year VFL clubs watched scores of young players from their local zones in practice matches before deciding on a final training list. In the late 1940s, Footscray's Western Oval was 'swarming with jumpers of every conceivable colour' as young hopefuls tried out. After each training session, the club posted a list of players who were 'still required'.⁶⁷ In recruiting country and interstate players, clubs were usually dealing with more mature players who had demonstrated their ability over several seasons in minor competitions. Most clubs had a network of scouts and former player who watched players outside Melbourne and when officials attempted to sign players who were free to join any League club they often faced competition from other clubs.

Not all clubs 'defected' from the Coulter Law. Collingwood had since 1896 paid its players and coach equally and it was the philosophy that to pay one person more than another 'would lead to personal jealousies and discontent' that was codified in the Coulter Law.⁶⁸ Collingwood's reputation as the game's most successful club was its major asset in recruiting players from outside its metropolitan zone. It looked after its players by helping them to find jobs and by

⁶⁷ Western Bulldogs Forever Foundation, *The Bulldog Heritage*, p. 65.

⁶⁸ Stremski, *Kill for Collingwood*, p. 213.

establishing a 'provident fund', which paid players a lump sum upon retirement based on the number of games played. From the mid-1890s until his death in 1953, supporter John Wren made informal payments to players. Wren, whose gambling operations and sports promotion made him a cash millionaire, would give money to unemployed or injured players and routinely slip £10 or £20 notes to his favourite players when shaking their hands after games. These payments were not part of Collingwood's wage structure and the Club refused to take Wren's money in 1945 when he wanted to offer a bonus of £5,000 to help retain star player Ron Todd.⁶⁹ Australian football's foundation club, Melbourne, also adhered scrupulously to the Coulter Law, offering non-monetary benefits that were derived from the Club's connection to the Melbourne Cricket Ground (MCG). Joining Melbourne gave a young man the opportunity to be part of a winning team, to play in finals (as did joining Collingwood) and to play on the MCG every second week. With selection on the senior list came honorary membership of the Melbourne Cricket Club and the right to attend all football and cricket matches at the ground. Both clubs found jobs for players that needed them – Collingwood through networks of patrons and supporters, and Melbourne through a formal 'Coterie' – and if necessary paid the educational fees of players.⁷⁰ In doing so, both clubs provided benefits that were permissible under the Coulter Law.

Clubs that lacked Melbourne's and Collingwood's prestige and non-monetary advantages attempted to close the gap on them by flouting the Coulter Law to recruit players. While some clubs, notably Fitzroy, South Melbourne and North Melbourne could only offer the standard match plus a job to potential recruits, Richmond officials arrived at the family homes of young

⁶⁹ Stremski, *Kill for Collingwood*, pp. 152-4.

⁷⁰ Stremski, *Kill for Collingwood*, p. 319.

footballers with chocolate boxes with bundles of pound notes inside, or paper bags of ten shilling notes that would be emptied onto the floor. St Kilda committeemen went on recruiting missions with cash out of their own pockets. Hawthorn paid a £250 signing on fee to Sandhurst's Graham Arthur, who would captain the Hawks' first premierships team in 1961.⁷¹ Officials were at times pleasantly surprised to find that high quality players who had been paid little by their local clubs had a low reservation wage and were willing to sign for only modest fees. Herb Henderson was aged 19 and carrying his football gear in a potato sack when he travelled from Mildura to try out with Richmond in 1950. Footscray officials boarded his train at North Melbourne and after calling his name as they moved through the carriages, persuaded him to sign with them instead. The club arranged for Henderson's shoemaking apprenticeship to be transferred to a Melbourne firm, and paid his parents £100 for 'expenses'.⁷² Darrel Baldock, who would captain St Kilda's first premierships team in 1966, had captain-coached his team in Tasmania from the age of 20, and joined the VFL because 'I was losing the incentive to push myself'. Baldock insists that he received no fee of any kind to join the Saints.⁷³ Royce Hart famously signed with Richmond in exchange for a suit, six white shirts and a pair of shoes.⁷⁴

⁷¹ Graeme Richmond, Graham Huggins, Jack Hale and Graham Arthur, interviewed by Mike Williamson, undated. Video recordings held by AFL Films.

⁷² Lack *et al*, *A History of the Footscray Football Club*, p. 162; Western Bulldogs Forever Foundation, *The Bulldog Heritage*, p. 120.

⁷³ Holmesby, *Heroes Without Haloes*, p. 14.

⁷⁴ Bartlett, *Richmond F.C.*, pp. 173, 190.

III

A data set based on club playing lists is used to test for the extent of compliance with the Coulter Law, and the relationship between this compliance and on-field success. The problem for researchers is that evidence about non-compliance with the Coulter Law is anecdotal, and is not included in club balance sheets. Reports of clubs cheating abound in club histories, player biographies, and oral testimony, but no data exists that quantifies the wages that were paid to each League player. Club annual reports list the total value of player payments, but not the ‘silent’ payments that the Coulter Law was designed to stamp out. To provide a proxy for such wage data, the movement of players onto and off club lists is tracked, using data that show the length of players’ careers. The name of every VFL player whose first season was between 1945 and 1970 and the year that those players played their last VFL game was recorded. This information is derived from the annual playing lists of individual clubs in Stephen Rogers’s *100 Years of AFL Players* (1996). The age of players when they joined and left clubs is recorded, using dates of birth that are available in Russell Holmesby and Jim Main’s *The Encyclopedia of AFL Footballers* (2007).⁷⁵

Players remain on club lists if they are selected regularly for matches. This happens if team selectors believe they will contribute more to team performance than would the players who were not selected. Because clubs are more concerned with maximising utility by winning as many games as possible than they are with maximising profits, it is more correct to say that they will select players that create the highest marginal utility, rather than the highest marginal

⁷⁵ Rogers, *100 Years of AFL Players*; Holmesby & Main, *The Encyclopedia of AFL Footballers*.

revenue product of labour. While the Coulter Law allowed clubs to control costs by keeping the marginal cost of paying new players constant, clubs were also concerned with fielding teams that had the highest possible marginal utility. To do so, clubs needed to avoid having high-value players choosing to drop off the list because of (a) personal reasons, such as family circumstances or the pursuit of professional or business opportunities, or (b) them having secured alternative employment that provided higher incomes than the maximum allowed under the Coulter Law. VFL footballers were weekend athletes, but they were not amateurs. Money from football was important to players, especially in times of generally high unemployment, such as during the 1930s, or when a player lacked the skills needed to enter the labour market for high-paying jobs. Players were dropped off lists involuntarily because (a) their club made a judgement that their marginal utility was lower than that of all other listed best players, or (b) due to long-term injury or ill-health.

The lists of three VFL clubs that were diverse in terms of their supporter base and extent of connections to business networks that were able to provide monetary and non-monetary benefits to players is analysed. For each club, the post-War period was the most successful in their histories, but by the end of the 1960s those peaks had clearly passed. None of these clubs would win another premiership during the twentieth century.

Geelong is a port city with a hinterland extending through the rich Victorian pastoral area known as the Western District. Formed in 1859, Geelong Football Club drew many of its players from local public (i.e. private) schools. With effective training and the development of team play, Geelong dominated the VFA competition, winning six premierships in nine seasons from 1878 to

1886.⁷⁶ As a largely amateur club, Geelong struggled in the VFL and did not win its first premiership until 1925. That year the Ford Motor Company opened a factory in Geelong and established a close and enduring relationship with the football club that extended to providing jobs for recruits. After World War II, the club drew on the support of patrons such as Alex Popescu, a post-War immigrant and timber merchant who paid staff out of own pocket when it was in financial difficulties.⁷⁷ While Geelong boomed in the post-War period with the opening of the Shell Oil refinery and other manufacturing investment – its population grew from 111,000 to 141,000 between 1961 and 1971 – the city retained a country lifestyle that many recruits found attractive.⁷⁸

The Melbourne Football Club was established by members of the Melbourne Cricket Club (MCC) in 1859. Football matches were at first played on a rough field, on not on the adjacent MCG until 1877. In 1890 the Football Club became affiliated with the MCC to clear its debts.⁷⁹ The Football Club's administration and team selection was controlled by the committee of the MCC, which maintained a commitment to amateurism that extended to a refusal to select 'working men'.⁸⁰ This was relaxed in 1924 when the MCC paid former champion Ivor Warne-Smith to return from Tasmania, and when Richmond's secretary Percy Page and coach Frank 'Checker' Hughes were recruited in 1932 and 1933 respectively. Page and Hughes introduced a professional attitude to the club and built a splendid attacking side that was virtually unassailable

⁷⁶ Pennings & Ruddell, 'Anyone but Barwon'.

⁷⁷ T. Brown, Geelong's silent partner, *Herald-Sun* (Melbourne), 25 September 2007. www.heraldsun.com.au/news/victoria/geelongs-silent-partner/story-e6frf7kx-11... Accessed on 22 April 2010.

⁷⁸ Murray, *We Are Geelong*, pp. 77, 170, 178, 183.

⁷⁹ Batchelder, *Pavilions in the Park*, pp 261-4.

⁸⁰ *Leader* (Melbourne), 2 March 1907.

in finals matches. The team won premierships in 1939-40-41 before being torn apart by World War II – seven Melbourne players died in the War and on grand final day in 1941, 12 of Melbourne's senior players were unavailable due to military service or injury.⁸¹ In 1942, Melbourne was almost unable to field a team and Geelong dropped out of the competition altogether.

By the time Footscray joined the VFL in 1925, after period of sustained success in the VFA, Footscray was a heavily industrialised region of Melbourne, where noxious activities such as canning, chemical and metalwork industries could be banished. Intense local pride and close links between residence and workplace made the suburb seem more like a country town. In 1947, 61 per cent of Footscray's resident males worked in factories and only 6-7 per cent of Footscray's factory workers lived outside Footscray.⁸² The industrial zone expanded in the 1950s and Footscray remained the club of Melbourne western suburbs.

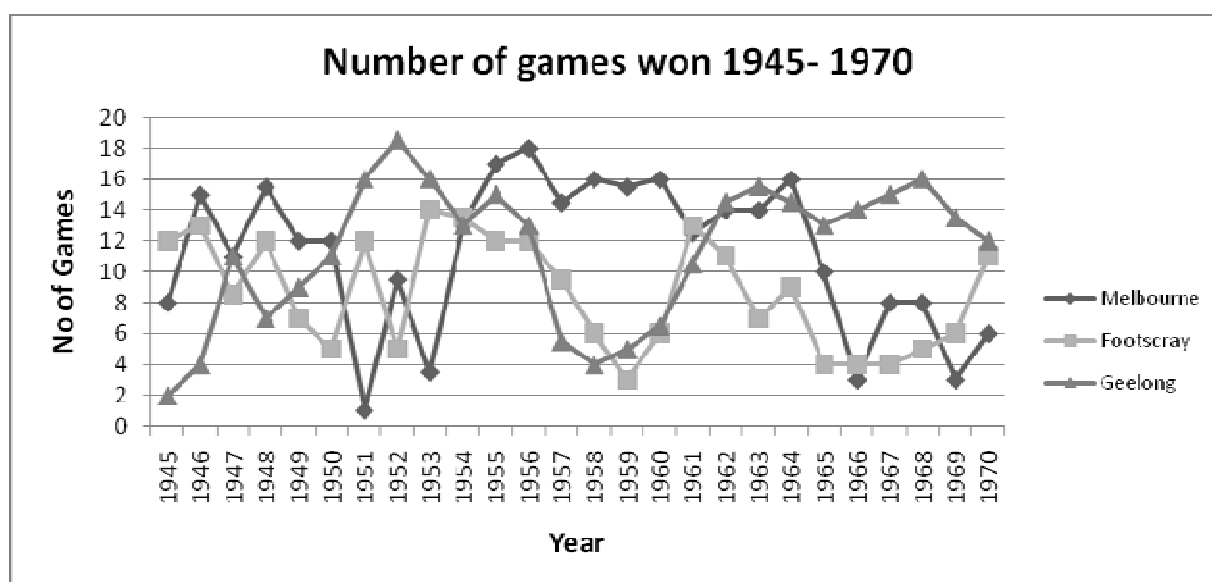
Figure 1 shows the relative on-field performance of these clubs after World War II. After Melbourne won the 1948 grand final – Hughes's last game as coach – the club declined, finishing last in 1951. At Geelong, coach Reg Hickey built a fast team that won premierships in 1951-52 and set a League record of 23 consecutive wins. Geelong's fast style of play, in which attacks originated from a brilliant, long-kicking backline, was perfected by Norm Smith's Melbourne, which brought more fitness, strength and vigour to the game. In 1954, Melbourne made the first of seven consecutive grand final appearances, during which it won five premierships. Footscray surprised Geelong in the 1954 second semi-final and then defeated a

⁸¹ Collins, *The Red Fox*, pp. 100-1.

⁸² Lack, *Residence, workplace, community*, p. 29.

young Melbourne team to win its only premiership to date. Geelong and Footscray declined propitiously after 1956, but Footscray reached the grand final in 1961 and Geelong won the premiership in 1963. Footscray was a mediocre performer for the rest of the 1960s. Melbourne won the premiership in 1964, but then collapsed as a football power after 1965. Geelong remained a steady performer throughout the 1960s.

Figure 1

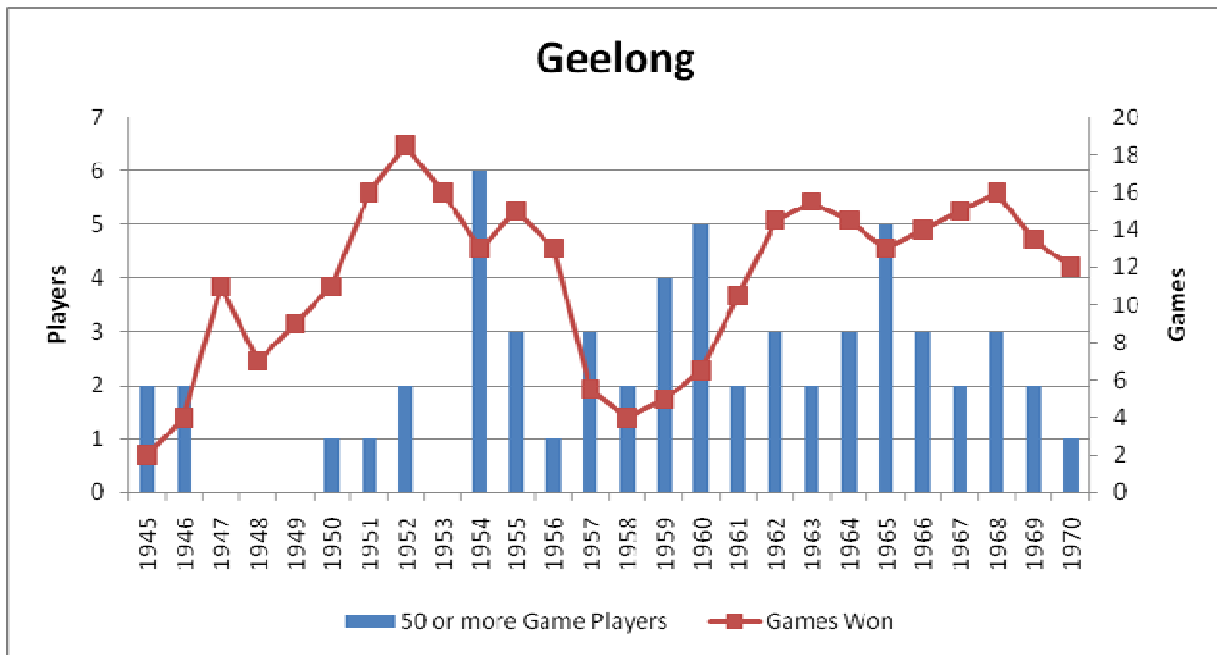


Source: Rodgers and Browne, *Every Game Ever Played*.

The ability of each club to retain its established players – defined as those who had played at least 50 games – is shown in Figures 2-4. Such players would have been on a club list for at least three seasons, and in that time would have become competent League footballers and possibly demonstrated high levels of leadership skills. Geelong lost nine members of its 1952 premiership team in a two-year period – six of them at the end of the 1954 season and a further three at the end of the following season (Figure 2). Seven of these players were aged 26 or younger. Except

for Fred Flanagan, who retired to run a pub, all of these players took coaching jobs. Bill McMaster, who retired at age 24 after seriously injuring his ankle and returned to his hometown of Lake Bolac, recalls that ‘it was a time when there was not a lot of money in football, but there was a lot of money in coaching’.⁸³ As Geelong’s on-field performance deteriorated, more players left the Club – 14 of them from 1957-60. After team performance began to improve from 1961, the rate of player loss declined slightly, although the Club did lose five players in 1965.

Figure 2: Geelong – loss of 50 or more game players and number of games won per season



Sources: calculated from Rogers, *100 Years of AFL Players*; Rodgers and Browne, *Every Game Ever Played*.

⁸³ Bill McMaster, interviewed by Author 1, 29 June 2010.

Footscray's on-field performance deteriorated sharply after player departures in 1958 and 1965 (Figure 3). The Bulldogs won a total of only nine games in 1959-60 and eight games in 1966-67. Two members of the 1954 premiership team left the club at the end of that season. Alan Martin was aged 26 and left to coach Golden Square. He would play over two hundred games in the Bendigo Football League.⁸⁴ A further six premiership players departed at the end of the 1958 season – five of them aged 28 or younger. Don Ross wanted to raise his family in the country and was only 24 when he returned to North Albury as coach.⁸⁵ In 1959 Herb Henderson accepted an offer to coach Millicent in South Australia for three years, for £850 per annum and a rent-free house.⁸⁶ Five players aged between 23 and 25 left the club at the end of the 1965 season. Graham Ion was aged 24 when he received an offer to coach Deniliquin in New South Wales. 'As a young guy with a wife, children and a mortgage, it was an offer I couldn't refuse'.⁸⁷ In both 1958 and 1965, the club had made the grand final a few years earlier and the players departed at the end of poor seasons, which perhaps indicated that they felt their chance to play in a VFL premiership had passed.

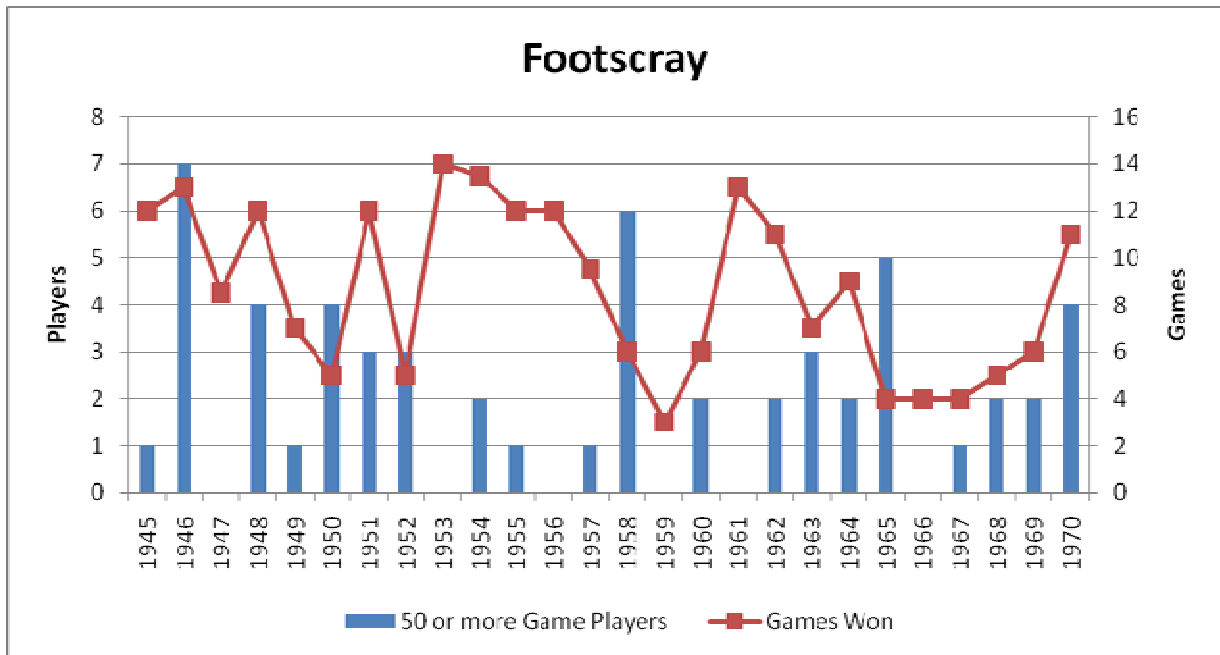
⁸⁴ Stoward, *History of Football in the Bendigo District*, p. 3.

⁸⁵ Western Bulldogs Forever Foundation, *The Bulldog Heritage*, p. 155.

⁸⁶ Western Bulldogs Forever Foundation, *The Bulldog Heritage*, p. 120.

⁸⁷ Western Bulldogs Forever Foundation, *The Bulldog Heritage*, p. 129.

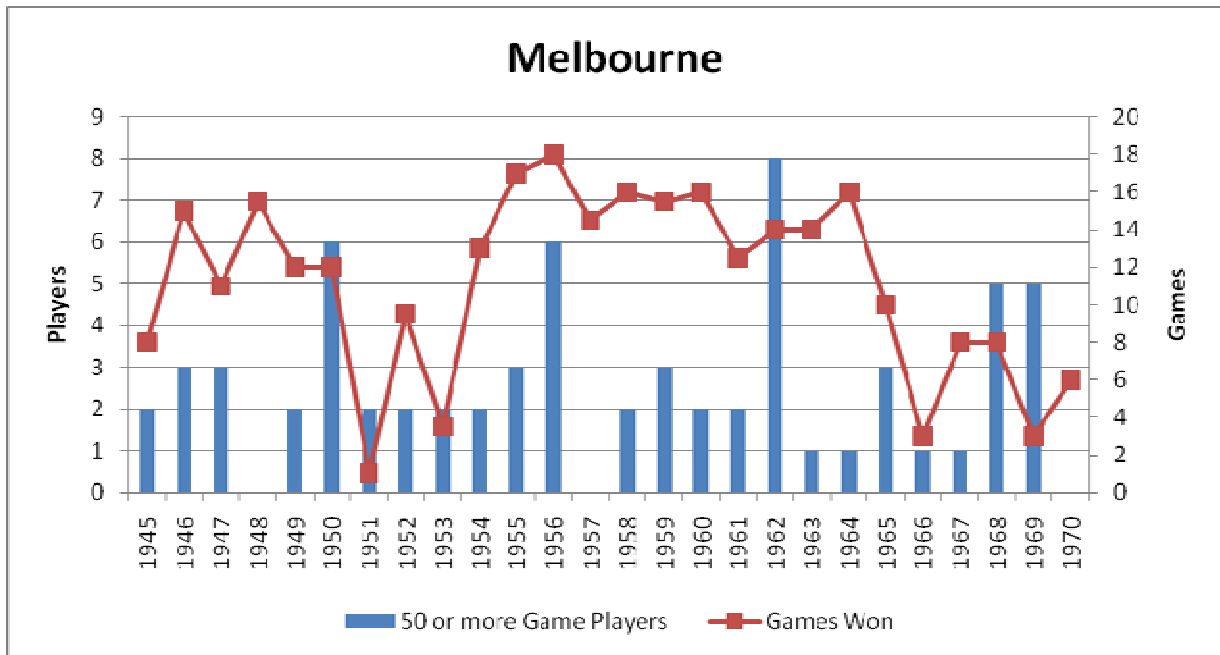
Figure 3: Footscray – loss of 50 or more game players and number of games won per season



Sources: calculated from Rogers, *100 Years of AFL Players*; Rodgers and Browne, *Every Game Ever Played*.

Melbourne experienced three ‘spikes’ in losses of established players (Figure 4). The loss of six players in 1950 – three of them aged 30 or more – preceded a steep decline in on-field performance the following season. But the Demons covered substantial player losses in 1956 and 1962 and were able to continue winning premierships. Five of the six players who retired at the end of 1956 took coaching jobs, with four of them aged between 24 and 26. Although the 1955 premiership team was young, only six of its members played in all of the five premierships won between 1955 and 1960. In all, 39 players in Melbourne premierships under Smith, and the 1964 team included 11 players who were playing in their first premiership.

Figure 4: Melbourne – loss of 50 or more game players and number of games won per season



Sources: calculated from Rogers, *100 Years of AFL Players*; Rodgers and Browne, *Every Game Ever Played*.

The retain-and-transfer system allowed clubs to deny players clearances to play with other clubs. A player who was determined to change clubs had to then stand out of football altogether for 12 months, after which he could appeal to the Australian National Football Council for a clearance. The data in Figures 2-4 suggest that clubs made little attempt to retain players, even those who had demonstrated their ability to play at the highest level. Each club appears to have concluded that the marginal cost of making the efficiency wage payments that were needed to retain established players was greater than the marginal benefit. This was especially the case when a perfectly elastic supply of entry level playing talent could be obtained at the market clearing rate set by the Coulter Law. When Melbourne lost eight players, five of whom had played in at least three premierships, at the end of 1962, it was noted in the club's annual report that 'Many

of these players intend to go coaching ... Your Club, as always, while deeply regretting their decisions, will not stand in their light'.⁸⁸ Footscray accepted that players who were earning £10 a game would find it difficult to resist 'the chance to make £1500 a season coaching in the bush'.⁸⁹

Retaining players who were at peak of the distribution of talent was easier because the Coulter Law allowed captains and coaches to be paid above the maximum rate. Melbourne was able to keep its star player, Ron Barassi, by making him captain in 1960 and finding him a job at Miller's Rope Works, a firm where several Melbourne patrons and ex-players were directors. When Barassi was offered £18,000 over three years to captain-coach Carlton, Melbourne reluctantly cleared him.⁹⁰ Ted Whitten was appointed captain-coach of Footscray in 1957, at the age of 23. He was earning £33 per match and working in the sportswear industry when in 1959 he was offered £105 per week plus a rent-free house to captain-coach North Hobart. Footscray could not match that, but refused to clear him. Whitten eventually chose to stay, and later wrote that 'if the truth be known, I really did not want to leave the Western Oval'.⁹¹

The effects of the departure of players varied between clubs. On the one hand, Melbourne's ability to replenish its list was unmatched by any other League club. As noted in the 1956 annual report:

Despite the fact that by retirements we will have to replace many great players, we feel that with the development of many juniors over the past few years, we can look forward with

⁸⁸ Melbourne Football Club, *Annual Report 1962*, p. 7.

⁸⁹ Lack *et al*, *A History of the Footscray Football Club*, p. 205.

⁹⁰ Barassi & McFarlane, *Barassi*, pp. 37, 66.

⁹¹ Whitten, *EJ*, pp. 53-5.

confidence to 1957. Our recruiting has been of such a nature that already we have signed many outstanding players who, together with recruits from our Second and Third Eighteens, will contest the places vacant on our training list.⁹²

Indeed, Melbourne subsequently won three premierships in the next four seasons. The most likely explanation for Melbourne's continued success in the face of player departures is a 'Norm Smith effect' on team building and discipline. Smith's teams won premierships not through individual brilliance, but by playing as a team and carrying few passengers. They were even, fit, physically strong sides that won matches by getting numbers to the ball and contesting every issue. Players who failed to meet Smith's standards of discipline, courage and skill were soon cut from the list. New players could be slotted into the team to replace those who retired or took coaching jobs elsewhere.⁹³ On the other hand, morale at Footscray was shattered by Charlie Sutton's sacking as coach midway through the 1957 season. After Footscray finished last in 1958, members leveled criticism 'at the weak administration for inadequate recruiting, or for at least not making special payments to secure players'.⁹⁴

Figures 5-7 indicate a strong correlation between on-field success and the cutting of players from lists before they had played 10 senior games. In Melbourne's golden years from 1955 to 1964, only 14 players were recruited and trained who ended their League careers having played 1-9 games (Figure 5). In 1966, when the Demons won only three games, the rate of player 'churn' rose sharply. This pattern was repeated at Footscray and Geelong. Footscray's rate of churn was

⁹² Melbourne Football Club, *Annual Report 1956*, p. 4.

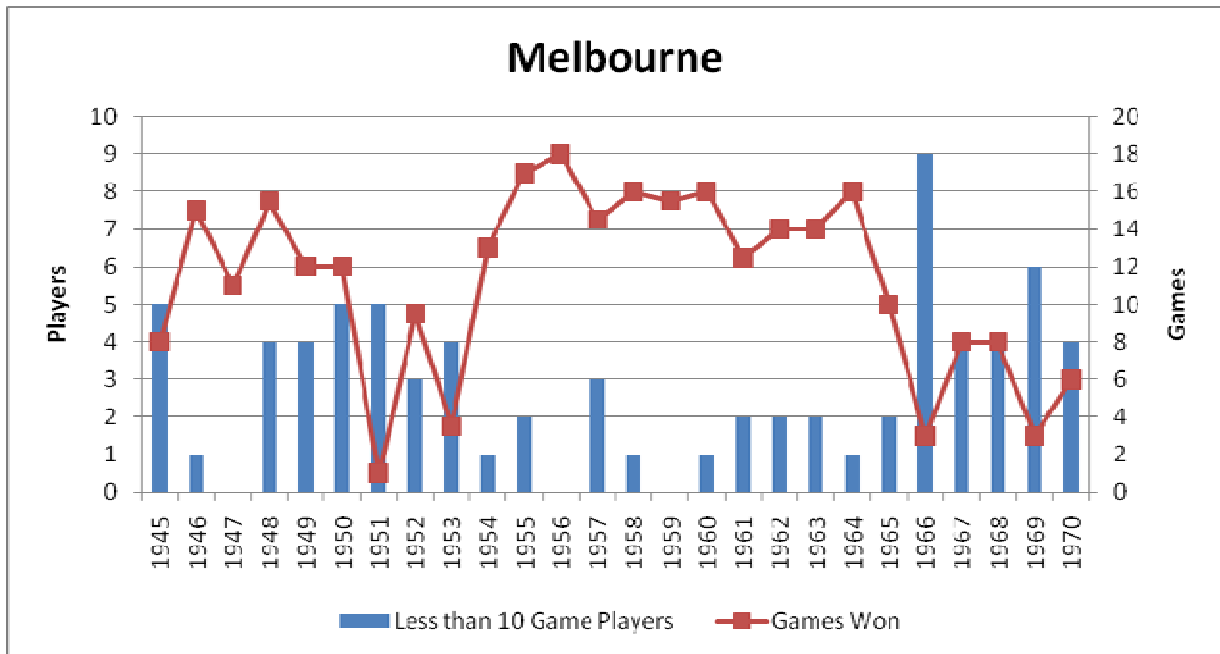
⁹³ Collins, *The Red Fox*; Frost, *Immortals*, pp. 131-72.

⁹⁴ Lack *et al*, *A History of the Footscray Football Club*, pp. 202-3.

generally highest after poor seasons – a total of 19 players were cut in the four seasons when the club failed to win more than four games. In its three best seasons – 1953-54 and 1961 – only six players were delisted (Figure 6). At Geelong, there is a clear inverse relationship between number of games won and the churn of players who fail to make the grade (Figure 7). In 1951-53, Reg Hickey was at the peak of his powers as a coach, and captain Fred Flanagan was a respected former military serviceman who could impart discipline to the players. ‘I never took any mucking around from them’, Flanagan recalled, but at the same time it was, as John Hyde put it, ‘a very happy club’.⁹⁵ Of the players who were tried as replacements for departed players between 1957-60, 26 were cut before playing 10 games.

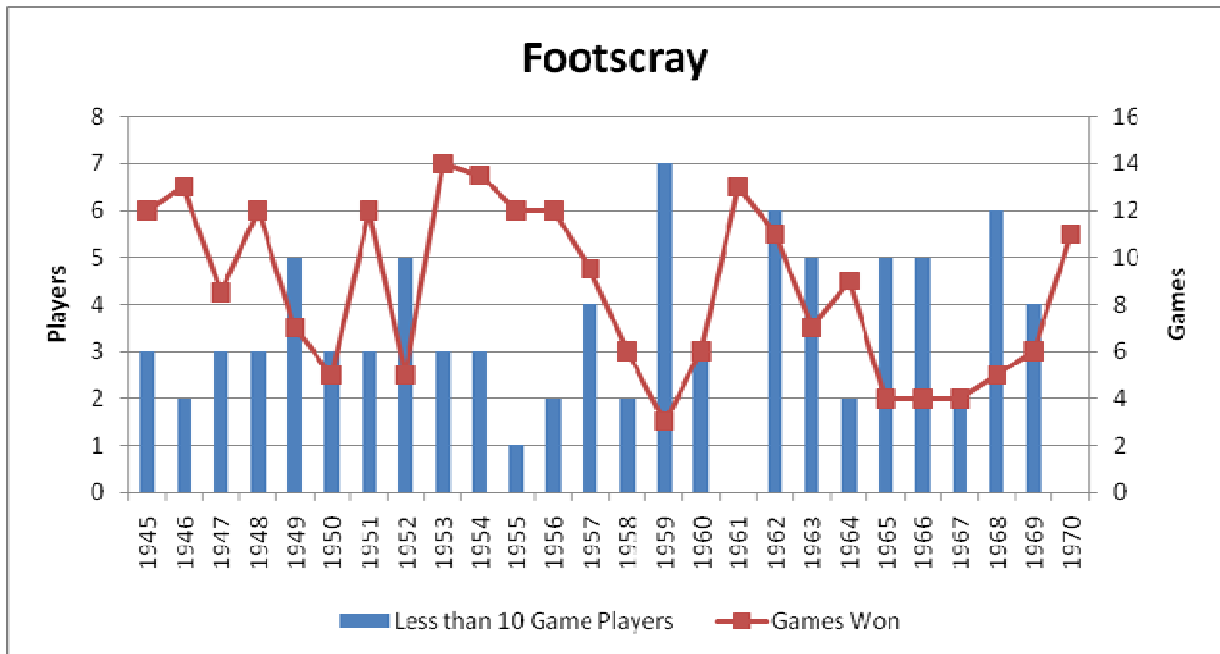
⁹⁵ Murray, *We Are Geelong*, pp. 67-9.

Figure 5: Melbourne – loss of less than 10 game players and number of games won per season



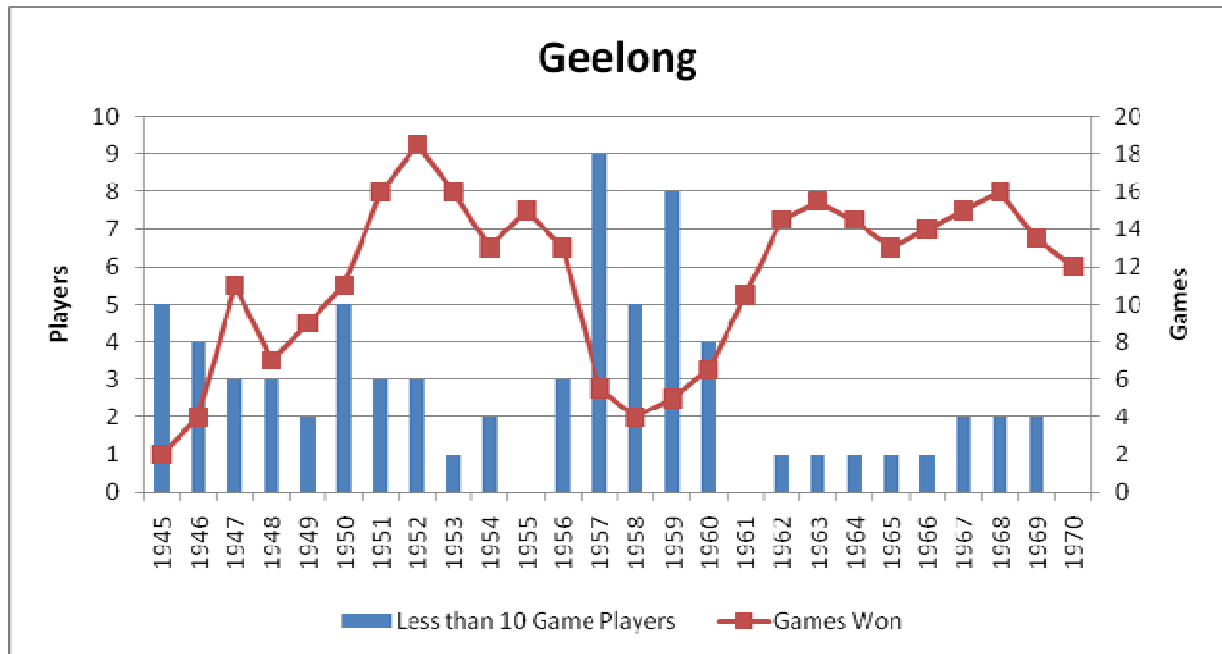
Sources: calculated from Rogers, *100 Years of AFL Players*; Rodgers and Browne, *Every Game Ever Played*.

Figure 6: Footscray – loss of less than 10 game players and number of games won per season



Sources: calculated from Rogers, *100 Years of AFL Players*; Rodgers and Browne, *Every Game Ever Played*.

Figure 7: Geelong – loss of less than 10 game players and number of games won per season



Sources: calculated from Rogers, *100 Years of AFL Players*; Rodgers and Browne, *Every Game Ever Played*.

There is a debate amongst sports economists and administrators about whether the labour market for professional team sports should operate like competitive markets in general – with wages directing players to the teams that value their contribution most highly. On the one hand, markets that are regulated through devices such as salary caps and restrictions on free agency are seen as promoting competitive balance and containment of club costs.⁹⁶ On the other hand, there are inherent inefficiencies in such regulation. Inhibiting free agency and setting payroll caps may make it difficult for weaker clubs to improve their playing lists.⁹⁷ It has been argued that in English football ‘the ultimate beneficiaries of the maximum wage probably the paying spectators, who as late as 1959-60 were being charged an average admission price only 23 per cent higher in real terms than in 1925-6 (despite the very much larger rise in real disposable incomes which had occurred over the same period)’.⁹⁸ However, the effects of lower costs on social welfare may have been offset by reductions in the quality of the competition. In several other sectors, such as nursing and teaching, equal regulated pay applies across heterogeneous labour markets, as it did with maximum wages for footballers. When workers can earn wages outside the system that are higher than the regulated wage, consumers suffer as it becomes difficult to recruit and retain the best talent.⁹⁹

⁹⁶ Késenne, The impact of salary caps; Larsen *et al*, The impact of free agency.

⁹⁷ Ross, Competition law as a constraint on monopolistic exploitation, p. 571.

⁹⁸ Dobson & Goddard, Performance, revenue, and cross subsidization in the Football League, p. 774.

⁹⁹ Propper & Van Reenen, Can pay regulation kill?

An examination of the Coulter Law poses new questions that are relevant to this debate. The Coulter Law was a salary cap, set by League policy that limited the wages that could be paid to virtually all VFL players (except team captains and coaches) and gave players no incentive to change clubs. The conventional view is that the Coulter Law was largely ineffective, because non-compliance by VFL clubs made the cap a 'soft' one that did not prevent wealthy clubs from claiming the best talent – as they would have done in a competitive labour market. The members who owned VFL clubs were utility maximisers who were prepared to defect from collusive agreements that might otherwise have increased revenue and profits. However, data from club playing lists suggest that VFL clubs found it hard to retain players in the face of competition from rival leagues that operated in unregulated labour markets, faced low total wage bills, and benefited from subsidies from local communities. The wages fund that was available to VFL clubs was reduced by inefficient business practices. Clubs found new players from local zones, where the supply of labour was perfectly elastic. The greatest competition between clubs was for the players at or near the top of a Zipf distribution of talent. Most clubs were willing to breach the Coulter Law by paying efficiency wages to such players, although many of these players came at a bargain price in relation to their marginal revenue product. VFL clubs tended to allow other players to go coaching elsewhere, because they could easily find replacements for them. The biggest influence on clubs' on-field success appears to be whether the replacements measured up as League players. The rate of 'churn' of players - who were delisted before playing 10 games - relates inversely to the number of games won. The salaries – and therefore the opportunity cost of not playing in another competition – of most League players were regulated by the Coulter Law. This kept League costs and admission charges down, with players taking

most of the burden. No wonder so many of them stepped out of the spotlight to play in minor competitions.

Although the Coulter Law had been regarded as ineffective and outdated by many football observers, once the Law was abolished in 1971 competition between clubs for players increased and salaries grew much faster than club revenue. While the League abandoned the principle of equal pay for players, it would eventually rely on other forms of labour market regulation – salary caps and player drafts – to contain costs and even up the competition.

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