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A Case Study: Is LIV Golf the Most Sustainable Rival League Formation in a Monopolistic Market of Sports?

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by
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Submitted to the Department of Business and Economics

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I hereby recognize and pledge to fulfill my responsibilities as defined in the Honor Code. And to maintain the integrity of both myself and the College as a whole.

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Abstract:

The North American professional sports market has been mainly monopolized since league formations. The Big Four sports leagues have mostly been categorized as monopolies because of the lack of competition from rival leagues. The same holds true for the professional golfing market. The Professional Golfers' Association (PGA) has dominated this market for decades, however, LIV Golf emerged onto the scene in October of 2021. LIV Golf is a newly founded and modernized league of professional golf that is competing with the PGA. Historically seen, and according to economic theory, when a rival league formation is introduced, that league either fails or forms a merger with the incumbent league. This senior project uses economic theory and past examples of rival leagues to examine whether a new league like LIV is likely to be a sustainable competitor to the PGA.

Introduction:

LIV Golf emerged onto the professional golfing scene in October of 2021, and they have continued to shake up the sports world since their arrival. There are a multitude of reasons why LIV Golf intrigues golfing fans around the world. One reason is that LIV Golf's CEO is Greg Norman, a World Golf Hall of Fame member, who was formerly a number one ranked player on the Professional Golfers' Association of America (PGA). Norman's fame and notoriety is one of the reasons so many eyes have been drawn to LIV Golf and explains why this rival league is currently at the forefront of innovation in the professional golfing industry. LIV Golf Investments is Norman's Public Investment Fund (PIF) that is financially backed by the Saudi-Arabian government. The PIF's current chair is Crown Prince Mohammed bin Salman. Due to this, Norman's LIV Golf has been constantly accused by the media for "sportswashing." This is when governments strategically use sports to cover up crimes or wrongdoings. It was reported in March, executions took place in Saudi Arabia, and now government officials are using LIV's platform to better their reputation to the world.

Between Greg Norman being the face of this newly founded league and considering all of the controversy that surrounds it, LIV has been able to capture a majority of the attention from the golfing media. To no surprise, LIV's formation has not been admired by the Professional Golfers' Association (PGA) Tour. The PGA Tour has historically controlled the professional golfing market, and with LIV's emergence they are trying to stunt their growth in any way possible. The rivalry between the PGA and LIV stems from their ongoing competition for the world's top golfers. Since LIV was created it has been no secret that Greg Norman wants to sign some of the PGA's players to garner more attention from the media. Norman has already signed quite a few of the PGA's biggest stars like Dustin Johnson, Phil Mickelson, and Bryson

DeChambeau to contracts with LIV. In response to this, the PGA Tour has decided to ban all players who transition from the PGA to LIV from competing in any PGA Tour events. This essentially gives the players an ultimatum of deciding whether they want to play for the PGA or LIV.

Considering all of the players deciding to leave the PGA for LIV Golf, it makes sense that LIV might be offering favorable circumstances for the players that PGA cannot match. While the PGA and LIV are both professional golfing leagues, there are many differences between the two, especially regarding their formats of play. The PGA offers a four round tournament that is made up of 72 holes, with cuts. A cut in a golf tournament gets rid of the players that are no longer qualified to receive a check from the tournament, based on the player's performance. Therefore, a player that does not make the final cut of a tournament will not receive any compensation. Opposingly, LIV Golf's format of play is more favorable for the players in comparison to the PGA's, hence why we are seeing a lot of players making that transition. LIV only plays three rounds of golf, which is 54 holes. This is the meaning behind LIV's name, because the number 54 in Roman Numerals is written as LIV. Advantageously to the players, LIV does not have a cut like the PGA does. This means that LIV golfers are guaranteed money no matter how good their performance is. A LIV golfer could come in last place in a tournament and still make a good profit, while a PGA golfer could miss the cut and make nothing. It is reasons like this that makes LIV Golf a formidable threat to the PGA now and potentially into the future.

The primary concern regarding the future of LIV is that historically, a rival league must form a merger with the incumbent league or they will likely fail in their respective market. There are many economic papers that analyze rival league formations in the Big Four sports leagues in the United States, which showcase this trend. The question then becomes, does LIV have the financial backing to avoid failure in a market that has been dominated by the PGA for so long, and do they have the will to survive as their own entity in order to avoid a merger with the PGA?

To better understand this newly created rivalry between the PGA and LIV Golf it is important to know the history and ownership of each league. The PGA was established on April 10, 1916. However, there was a luncheon held on January 17, 1916 that proposed the idea of forming a national association of professionals. This idea came from a man named Rodman Wanamaker and he aimed to create a match play championship for professional and amateur golfers that would be comparable to Great Britain's News of the World Tournament. To help jumpstart this proposed association of professional golfers, Wanamaker donated a trophy and $2,580 in prize money. Ultimately, this trophy and prize money would later go on to become the inaugural PGA Championship, which is still being played today. It was not until April 10, 1916 that 78 members were elected to make decisions for and to represent the Professional Golfers' Association of America. In the late 1960's the league saw its first form of tension when the golfing professionals wanted larger purses, due to increases in television coverage. The PGA of America felt as if the money made from the league's increasing exposure should have been invested back into the game to grow the sport more on a local scale. In July of 1968 certain professional golfers spoke out against the PGA of America board members about payment levels and how they felt as if there were too many club pros competing for the same PGA Championship. Due to growing levels of tension between the two entities, the players decided to create the PGA Tour. The PGA Tour would be governed by the "Tournament Players Division" that consisted of only ten board members.

That is how the PGA Tour came to be, but a common question asked about the tour is who owns and makes decisions for the league? The PGA Tour serves as a nonprofit organization, meaning they have no singular owner or group of shareholders, and they also are exempt from paying taxes like every nonprofit is. To maintain their nonprofit status the majority of their money goes to organizations who support the tour, tournament hosts, sponsors, broadcasters, and of course the purses of their players. While the tour does not have an owner they do have a council and board who makes the decisions for the league. According to the website golfdigest, members of the PGA Tour rely on the Player Advisory Council (PAC), who are made up of sixteen players who attempt to best represent the rest of the tour members. All complaints involving the PGA first come to the PAC and their members then relay their opinions on the matter to the PGA Tour Policy Board. The PAC does not have the power to make the final verdicts on decisions, instead, they serve as a filter to the Policy Board who is comprised by nine total members. Once the Tour Policy Board considers the PAC's opinion and then makes their own decision, they report it to the PGA's Commissioner.

In regards to the ownership of LIV Golf, it might have some controversy surrounding how the league was created, but can be easier to define in comparison to the historical PGA Tour. The LIV Golf series was officially underway this past June when they held their first event at the Centurion Club. This newly created league is faced by their CEO, Greg Norman, who is a Hall of Fame inductee and two-time winner of The Open Championship. Norman's LIV Golf series has eight golf events scheduled this year in 2022 and has announced that fourteen events will be scheduled for 2023. With a schedule already set in place for the upcoming years, many are wondering what exactly LIV Golf is and how it is being funded. LIV Golf is a saudi-backed venture that has three rounds of golf opposed to the PGA's four round system. Norman's rival league is funded by the CEO's Public Investment Fund (PIF). The PIF is linked to the Saudi Government because the fund's current chair is Crown Prince Mohammed bin Salman. In a press release issued on May 10, 2022, LIV Golf announced their 2023-2025 event schedule, as well as promising a $2 billion dollar investment to grow the sport nationally. By LIV Golf announcing their future plans, the public knows that they are planning to remain as a rival to the PGA at least until their 2025 season would conclude. An issue that Norman's league currently faces is the PGA Tour currently survives on billion-dollar television rights deals that helps the tour reach their audience. Currently, LIV Golf streamed all of their events for their very first season for free on YouTube. In order for LIV Golf to remain as a key player in the professional golfing industry and to survive past 2025, they are going to have to find a way to get their events televised.

Previous Cases

As previously mentioned, the Big Four sports leagues have all seen rival leagues come and go since their own league formations. Considering the amount of leagues that have challenged the NFL, NBA, NHL, and MLB, why have no rival formations been able to sustain themselves? To begin with, the National Football League (NFL) has seen a lot of competition from rival leagues over the course of its history. The NFL began in 1920 and six years after their formation the First American Football League (AFL 1) was created to serve as the NFL's first competitor. Both the NFL and AFL 1 had financial struggles in 1926, hence why the NFL had to eliminate half of their teams. The AFL 1 was both founded and ceased to exist in the year of 1926, due to financial struggles by the teams' owners. The Second American Football League (AFL II) came a decade later after its predecessor in 1936. This league is significant because one of its teams, the Cleveland Rams joined the NFL after AFL II's demise, and that team still exists and is known as the Los Angeles Rams. AFL II simply could not market themselves outside of local newspaper articles, which ultimately led to their demise. The third installment of the early American Football League was AFL III and their inaugural season was in 1940. This league is one of the few leagues that did not fail due to financial failures or league mergers. Instead, this league's President announced that AFL III would cease to exist because many of the league's players got drafted to the war following the attacks on Pearl Harbor. Chronologically, the next challenger of the NFL was the All-America Football Conference (AAFC). The AAFC was one of the more influential rival leagues in pro football because this league was able to exist for three years until it ceased operations in 1949. This league came to an end because it formed a merger with the NFL, and the NFL added two of the AAFC's best teams in the Cleveland Browns and San Francisco 49ers. A more recent example of a rival league formation to compete with the

NFL is the Alliance of American Football (AAF). This league was originally scheduled to play a ten game season, but had to file for bankruptcy after week eight. These are only a few of the rival leagues that have attempted to challenge the NFL, however, there is a common trend among them all, which is either financial failures or mergers.

In continuation, the National Basketball Association (NBA) also has a historical record of rival leagues entering the market of professional basketball. In comparison to the NFL, however, the NBA has not seen as many professional major league competitors, especially not in the last fifty years. The NBA was established on June 6, 1946, and since then the league continued to add teams until there were thirty teams in totality. Since the NBA's formation in 1946, there has only been one formidable threat to challenge their dominance in the market of professional basketball. One league that offered the NBA inspiration to change their own rules was the American Basketball League (ABL), which only survived from 1961-1962. Despite the ABL's lackluster career, the league helped make advancements to the game of basketball. The ABL was the first professional basketball league to introduce the three point basket, that the NBA would later adopt in their 1979 season. The overall significance of the ABL and other rival leagues are not very high considering they only lasted one season, if that. Arguably the most legitimate rival league formation in professional basketball history, that competed directly with the NBA, is the American Basketball Association (ABA). What makes the ABA different from any of the other rival leagues is they were able to coexist with the NBA for over a decade. Typically, leagues that challenge the establishments that make up the Big Four only survive one or two seasons. Opposingly, the ABA survived from 1967-1976 and the key to their success was signing players that could compete with stars that played in the NBA. Some of the ABA's more prominent players included George Gervin, Moses Malone, and Julius Erving. Without these well known players the ABA might not have been able to compete with the NBA because when teams have superstars it helps them sell tickets and increases television ratings. A common trend when a rival league enters the market that the incumbent league dominates, is to make innovations to their product, in order to differentiate themselves. This contrasts a monopolistic market where the monopoly has little incentive to innovate due to a lack of competition. Despite the success of the ABA, this rival league ultimately ended up merging with the NBA. This merger, however, allowed certain aspects of The ABA's innovative spirit to live on; for example, The ABA attempted to make their league more appealing by adding the Slam Dunk Contest. After the merger, the Slam Dunk Contest became a staple of the NBA's All Star weekend.

The next Big Four league in the United States that has been challenged by adversary league formations is the National Hockey League (NHL). Between the Big Four leagues, the NHL has seen the least amount of competition since their inaugural season in November of 1917. In fact, since 1917 the NHL has only faced two professional ice hockey leagues. First one being the Western Canada Hockey League (WCHL), whose teams originally would compete against NHL teams for the Stanley Cup. Later the WCHL would rename their league the Western Hockey League (WCL), one year before they would cease operations. During the season in 1925 it became clear to the public that the WCL was experiencing financial struggles as they began to sell some of their star players to the NHL, simply to stay afloat. Unsurprisingly, this trend of selling their players continued until the NHL made an offer to purchase the contract rights to every single player from the WCL. This is another example of how rival leagues that challenge the Big Four historically collapse due to insufficient funds. Similar to how the ABA was the NBA's strongest competitor in the modern era, the World Hockey Association (WHA) was the equivalent to that for the NHL. The WHA found success in their first year by offering the NHL players offers they could not refuse. Oftentimes, a rival league will attempt to sign the incumbent league's players in order to gain more attention from the public and media. Unfortunately, the fate of this league was doomed for failure after several of their teams would relocate during the season. A merger was originally discussed between the incumbent and rival leagues, however, the two were not necessarily allies after years of legal battles against each other. Finally in 1979, a merger was agreed upon for the NHL to take four of the WHA's teams. Of course the NHL decided to take the best performing and financially stable teams from the WHA leaving them with nothing. In result, the WHA ceased operations and the NHL has not seen a rival league formation to significantly challenge them ever since.

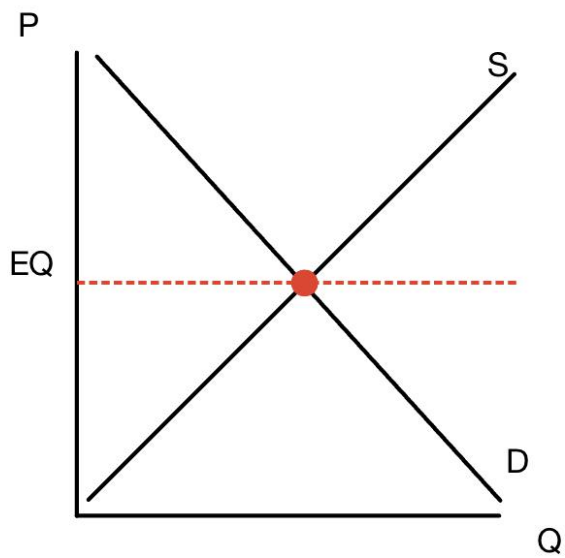
In comparison to the previous Big Four Leagues, the MLB has seen the least amount of competition from rival leagues, which is surprising considering they are the oldest major professional sports league in the United States. The history of the MLB is a little tricky because this league had two separate leagues the National League (NL) and the American League (AL) that operated independently until they finally merged in the year of 2000. For the purposes of this paper I will only talk about rival leagues that challenged the MLB after the year of 2000 because this is when the NL and AL merged to form the MLB as we know it today. However, prior to the year of 2000 there were several leagues in the 1900's that were created, but they were four to ten team leagues that couldn't compete with the two leagues that make up the MLB now. One professional baseball league that found sustained success is the Canadian American Association of Professional Baseball, more known as the Can-Am League. The Can-Am league was founded in 2005, but similarly to rival leagues from the 1900's this league only consisted of six teams. This made it almost impossible for the Can-Am League to legitimately pose a threat to the thirty team league that the MLB currently operates. The fate of the Can-Am league was to form a merger in 2019 after five of their six teams joined the Frontier League. Perhaps what kept the Can-Am league in operation from 2005-2019 was the fact that they were able to sign former MLB players that gave their league more attention from fans and the media. Overall, the MLB has never had to co-exist with a rival league that could compete with their highly regarded reputation and historical stature.

After providing the histories of the Big Four professional sports leagues in the United States there is a recognizable pattern regarding the fate of rival leagues that attempt to challenge the NFL, NBA, NHL, and MLB. The first one is that rival leagues tend to be improperly managed and are not financially funded to the point where these leagues could find sustained success. Another likely outcome is for the rival league to form a merger with the already established incumbent league. That being said, most mergers occur because rival leagues tend to be poorly managed or they simply don't have the financial backing required to remain independent. The question then becomes why do professional sports leagues in the United States tend to consolidate into a single league? According to authors Che and Humphreys (2014), they state, "An extended model including consumer preferences and budget constraints can shed additional light on the key issue of the welfare implications of dominant monopoly sports leagues that successfully deter entry by rival leagues." The authors suggest that the Big Four leagues make the barrier of entry for rival leagues to enter their market even greater. Incumbent leagues can do this by offering their players salaries that newly created rival leagues will not be able to compete with. The authors also mention that the professional sports market is capable of supporting two separate leagues, however, the arguably monopolized dominant leagues will try everything in their power to deter a rival league formation from happening. All in all, rival leagues historically have been known to fail or merge with dominant leagues because of the barrier of entry they face during their early stages of formation.

Theory

When analyzing the Big Four professional sports leagues in the United States there are ongoing debates regarding what type of market structure these leagues should be classified as. Are the NFL, NBA, NHL, and MLB monopolies, monopsonies, or would they be considered to compete under monopolistic competition? As previously mentioned, the history of these four leagues show that there hasn't been any noteworthy rival leagues to challenge their presences in their respective markets for decades now. Authors Che and Humphreys (2014) suggested that they believed the Big Four currently operates as monopolies, but is this an accurate statement to make about all four? Perhaps, the market structures are different between the four, despite them oftentimes being grouped together as one entity. To begin, we will analyze typical labor markets, monopsonies, and monopolies and determine whether it is a fair assessment to classify the Big Four as any of these types of market structure.

When talking about a labor market, economists refer to the employers as "buyers" and the workers in that market as "sellers." The "good" being sold is the work, or time and effort, and the "price" refers to how much compensation the buyers offer the sellers of that good. In a perfectly competitive market, without a monopsony or monopoly, the wage (or price), and quantity of labor supplied, occurs at the intersection of the supply and demand curve. In this type of market, where there are a large number of buyers and sellers, the price equals the marginal cost, therefore there is economic efficiency and no deadweight loss. The graph below illustrates a generic, perfectly competitive labor market. In this type of market firms are price takers so they will want to set their price at market price. If a firm in this market sets their price above market price then the company will fail because consumers can buy the same good at a lower price. If a firm sets their price below market price they will also fail because they will not be able to supply



the market demand.

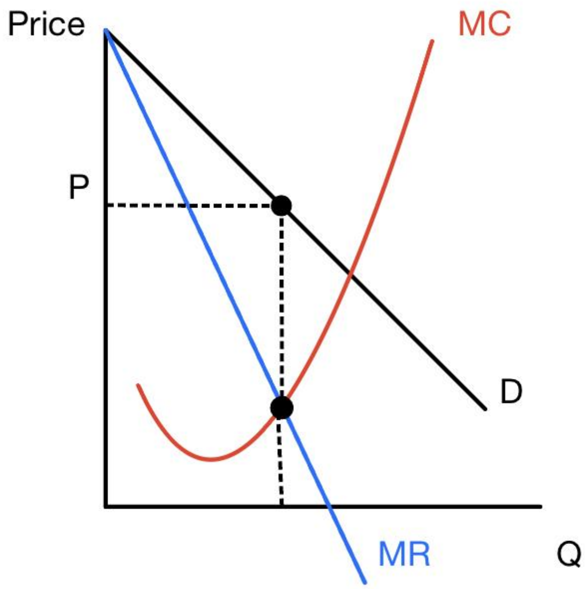
Perfect Competition Market

Monopsony power in a labor market can occur when there is one singular buyer in a particular market; in other words, there is only one employer for a particular type of work. This means that this type of employer has power over their employees because they can set their wages as they see fit. Since there are no other buyers to compete with the prices set by companies that are labeled as monopsonies, their employees are at a disadvantage because they work in a market where they will not receive any other competitive offers. The employer naturally wants to maximize profits, and in the absence of competition, there is little reason to pay their employees higher rates of compensation. Additionally, these types of employees are most likely to accept the wages set by the monopsony, because they have no other options in the market. With the PGA, its sellers (or players) have a unique talent for which they would like to be hired, but until LIV formed, they were forced to accept the PGA's rates or find employment within a different labor market. It makes sense as to why people could argue that professional sports leagues in the United States have monopsony power over their players in the labor market.

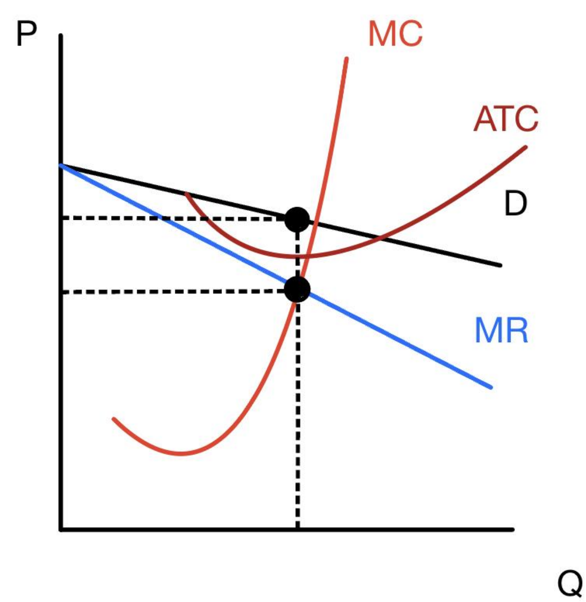
Currently, the Big Four professional sports leagues receive very little, to no competition at all, from rival leagues. In authors Humphreys and Pyun's (2015) work, they detail the importance of monopsony power to the players by stating, " However, monopsony power in the labor market matters for players, who have few employment alternatives compared with workers in other industries." The addition of alternative employment opportunities creates competition and drives wages up. For example, when LIV enters the market, the PGA will be forced to pay its players more money to show up to events. The increase of buyers in this market lessens PGA's power in the input market. Players who compete professionally in the NFL, NBA, NHL, and MLB currently have few alternative leagues to choose from. This means that their respective leagues can make financial offers to these players that cannot be realistically competed with by any other league. In order for players to combat monopsony power demonstrated by their leagues they can form players' unions to help negotiate fair contracts. In the same paper written by Humphreys and Pyun, they detail how MLB players all face monopsony power to some extent, however, rookies and younger players are more subject to it, in comparison to longer tenured players. This is why player unions are especially important for younger players who are more at risk of being taken advantage of by their employer's power in the labor market. Perhaps if there were more rival league formations, an unhappy player who belonged to the Big Four leagues could search out contracts elsewhere. Until this happens, economists will continue to argue that these current leagues have too much power as a buyer and wage setter in the market of professional sports. While professional sports leagues based in the United States are linked to having monopoly power in the output markets, there is no doubt that these leagues showcase monopsonistic exploitation over their players, in the input markets.

In continuation, another market structure that professional leagues could be identified as belonging to is monopolistic competition. Monopolistic competition is drastically different from a monopsony for a multitude of reasons. A monopsony can set their employees' wages because they are the only firm in the market buying that type of work. A monopolistic market is likewise characterized by imperfect competition, but unlike a monopsony, a monopoly has one seller and lots of buyers. The most common market structure that Big Four professional sports leagues get accused of operating under is a monopolized market. Previously stated, a monopsony is the sole buyer of employees' time spent working in a market, whereas a monopoly is a single seller of goods and services in a market. The Big Four leagues have become large enough that they can dominate the supply of professional football, basketball, hockey, and baseball content to their respective fans. When referring to the Big Four as a monopolized market, we are no longer talking about the labor market; rather, the supplier is the professional sports league, the buyers are the fans, and the good being sold is access to in-person or broadcasted professional sports. Below is an illustration of a monopoly. A monopolist will try to maximize profits by setting the price at the point where marginal revenue equals marginal cost. Compared to a perfectly competitive market, a monopolist increases the price and reduces the quantity. This leads to market inefficiencies. The triangular area above the marginal cost curve, below the demand curve, and to the right of the dotted quantity line is the deadweight loss in this type of market.

Monopoly Market



There are also examples of monopolistically competitive *industries* where a *few* sellers control a large part of the market. In the economic paper, authored by Boland (2012), he states, “Monopolistically competitive industries are typified by multiple distinct firms selling branded products that are slightly differentiated; as such prices typically differ among competing brands.” Granted, the Big Four professional leagues currently do not fit this description because there simply are not multiple firms within their markets, however, these leagues are in competition with each other. Outside of the Big Four leagues we are now seeing the professional sport of golf showing characteristics that can be related to monopolistic competition. For example, with LIV Golf entering the scene to challenge the historic PGA Tour, spectators are getting a slightly differentiated experience. LIV Golf is finding ways to innovate the game with subtle changes that will be highlighted in the following chapter. Moreover, there are other characteristics that are associated with companies that compete in monopolistically competitive markets. One being that companies belonging to this kind of market are price makers, meaning that they can either raise or lower their prices, as they see fit, for their goods and services. Another characteristic that helps define this market structure is that there are low barriers of entry. This is one of the biggest differences between a monopoly and firms who compete under monopolistic competition because multiple companies can enter the market, opposed to one firm monopolizing it. Below is an illustration of a monopolistically competitive market. In this market, the demand curve is flatter than in a normal monopolistic market. This is because the demand is more price elastic, meaning that a small change in price leads to a larger percentage change in demand. Even though firms within a monopolistically competitive market are producing slightly different goods, close substitutes exist, which means that consumers have the choice to switch firms, should one firm raise its prices too high. The short run profit in a monopolistically competitive market is the



difference between the price and average total cost times the quantity sold. Firms belonging to this market determine their own pricing considering that supply and demand forces do not dictate price levels.

A common trend for both monopsonies and monopolies is that they inhibit competition because of the power they both have in the buying and selling that is involved to keep their companies dominant. The question then becomes, if professional sports leagues all act as monopolies in their markets, then how can rival league formations stand a chance to survive, considering that the barrier of entry levels are so high? According to authors Bresnahan and Reiss (1990), they state, "We now have well-posed theoretical models in which incumbent firms can prevent entry while earning monopoly rents, as well as other theories which imply that potential entry disciplines incumbent behavior." The authors go on to say that they know incumbent firms can create barriers to entry for rival leagues by using a sequential-move entry game, opposed to a simultaneous-move game. The difference between the two game theories is that when an incumbent firm plays the sequential-move game they are able to make the first move, regarding business decisions that need to be made for the company. A simultaneous-move game is when two companies would make their decisions at the same time. Pertaining to LIV Golf and the PGA Tour, it makes sense for the incumbent firm, or the PGA Tour, to decide to play a sequential-move entry game, so they can make the first decision in the market. As a result of this, LIV Golf would have to act accordingly and make the second move in order to compete with the incumbent firm. The PGA Tour is already at an advantage in the professional golfing market, so by them choosing to play this theoretical game it makes the barrier to entry greater for an upcoming rival league, such as LIV Golf.

The final market structure to be assessed is a duopoly, and this form is not to be confused with a monopoly. When a market operates as a duopoly it tends to have a small number of companies that control it, and mostly it is seen for two firms to make up one. LIV Golf has been vocal about their belief that the PGA Tour currently serves as a monopoly in the market of professional golf. It is to be believed that LIV Golf's goal would be to grow their own league's popularity to the point that they would be able to change the arguable current market structure of a monopoly, in professional golf, to a duopoly. The problem associated with monopolies and duopolies is that since these market structures have few competitors, the worry is that these markets can lack diversity, limit innovation, and can increase prices for consumers. However, there are examples of successful duopolies in certain markets and it is not fair to assume that the markets of professional sports could not support this type of structure. This sentiment is supported in the economic paper titled, *The Case of Duopoly,* where the authors state, "None support the proposition that duopoly, per se, is tantamount to market failure and sufficient grounds for remedial government actions. Simply stated, duopoly is not always undesirable." It surely would not be undesirable for Greg Norman's LIV Golf because if the professional golfing market made the transition to act as a duopoly, this would give LIV a better chance of sustaining success, in a traditionally monopolized market. Already mentioned in the previous cases chapter, sustained success is not a common result for rival league formations, and historically it is seen for these leagues to experience financial failure or mergers with incumbent leagues. That being said, LIV Golf would be thrilled to create a duopoly in their respective market.

Now that several different market structures have been discussed, it is important to know if there is any economic theory supporting why rival leagues tend to either merge, or experience financial failure? The best answer to this question is that incumbent leagues combine their historical significance to fans and implement tactics causing barriers to entry for rival leagues that ultimately lead to their demise. The Big Four professional sports leagues can sign their players to longer contracts, upon the arrival of a new league formation, to prevent that league from gaining attention that star players can provide. This is one of the reasons the sports world historically sees rival leagues forming a merger, partial merger, and most commonly a failed rival league. The Big Four leagues have all experienced these outcomes, now the final question becomes if LIV Golf will experience the same fate in competing in a market dominated by the PGA Tour? Other forces that drive ownership of professional leagues to monopolized structures is the power these leagues have over local governments. If teams want to build new stadiums the funding comes from the tax-paying public while they receive a majority of the revenue. If the local governments deny teams from having their arenas and stadiums built then the teams can threaten to relocate. Professional teams do create wealth for local governments, so oftentimes the teams get their way, showcasing their monopoly power over politics and government.

Analysis of LIV Golf vs. the PGA Tour

As previously mentioned, when a rival league formation enters a professional sports market, the incumbent firm will try everything in their power to create greater barriers to entry. Now the PGA is trying to drive LIV out of their market since LIV has successfully entered it. The PGA Tour is doing so by banning any players who transition from the tour to LIV Golf from competing in any of their tournaments. However, the PGA Tour does not govern the four major tournaments like The Masters, PGA Championship, U.S. Open, and British Open, therefore they cannot ban them from competing in those. Despite the PGA Tour banning players who leave the Tour to join Greg Norman's newly founded league, players with star power in the world of golf are still choosing to switch leagues. Perhaps, if the PGA Tour had the power to ban players from majors they would choose to remain with the PGA. So far, decision makers for the majors have kept quiet on whether they will follow suit in banning LIV players from competing in their events. Although it would be highly unlikely for majors, like The Masters, to ban LIV golfers from competing in their event because over ten of LIV's players have previously won. Once a player wins at Augusta National they are invited back for life, which truly makes The Masters a tradition unlike any other. Ultimately, the benefits that LIV Golf has to offer is too much for players like Phil Mickelson, Dustin Johnson, Brooks Koepka, and Bryson DeChambeau to ignore. For starters, this Saudi-backed series has financial funds that would be enticing for any player on the PGA Tour. This past season the rival league spent $785 million and plans to have a $1 billion budget for their upcoming season in 2023. When you factor in the financial opportunities that LIV Golf presents, along with their advantageous rule changes that benefit the players, it is easily understandable why professional golfers are making the transition.

Two major areas of concern regarding whether LIV Golf will be able to maintain sustained success involves their lack of having a television deal, and their controversial reputation of sportswashing. To begin with, the PGA Tour's television rights are controlled by both CBS and NBC Sports networks. This is what allows the tour to have the outreach that they have and also allows them to grow their sport with new viewers tuning in. Contrastingly, LIV Golf received no attraction from television sponsors, most likely because of the allegations they face in clearing their negative country's image, and had to resort to streaming their events on YouTube. The PGA Tour is able to capture millions of viewers through their broadcast networks, in comparison to the tens of thousands of viewers LIV received on YouTube. This poses a big problem for LIV Golf going into the future if they are not able to capture their own television deal. Furthermore, ticket sales to their events were seen to go for as little as a few bucks. The PGA Tour events have historical relevance surrounding them and they only happen once a year, making their fans excited to purchase tickets at their favorite courses. It still remains to be seen if LIV Golf will be able to successfully sell tickets to their events, especially because their schedule only holds tournaments fourteen times in their season. Another factor that should make Greg Norman worried for the future of his rival league is whether LIV's players will be granted world ranking points for participating in their events. World ranking points play a crucial role in determining who gets invited to major events. Considering the PGA Tour's pushback on players leaving their league for the rivals, it cannot be guaranteed that LIV players will receive rankings. That decision has not been made yet, so the future landscape of golf is very much in the air as of right now. LIV Golf truly is the PGA Tour's worst nightmare and it seems like the world of golf does not know how to handle their presence in the market. If LIV Golf is able to attain world ranking points for their events then the PGA Tour might have a real contender that could challenge them for years to come. Historically, economics tells us that the market of professional golf has been monopolized. The PGA Tour came into existence in 1929 and since it was founded there have been no legitimate start-up leagues to challenge their dominance within the market. While LIV is aware that they currently lack sponsorships and television partnerships that the PGA currently possesses, they also know that it is predicted that their players will earn more. LIV's average yearly earning for their players is predicted to be higher than the PGA's players, if you only consider the amounts the players will make from playing golf, which excludes any money made from brand deals. The projected success of LIV is great, but it remains to be seen whether they will be able to sustain that success in the long run.

Concluding Remarks

For decades now the Big Four sports leagues and the PGA Tour have been able to dominate their respective markets in professional sports, located in the United States. Historically, it has been documented for rival league formations to fail or form a merger with the incumbent leagues because of barriers to entry and potential monopoly power that the established leagues possess. The NFL, NBA, NHL, and MLB have all proven to stand the test of time in fully controlling the markets that they belong to. However, the PGA Tour was not expecting to see a rival league formation make such an early impact in the world of golf, especially as soon as they did. A lot of unanswered questions remain regarding whether LIV Golf will be able to sustain success, alongside the historical presence that the PGA Tour presents. It is unlikely for LIV Golf to experience financial failure because they are backed by a wealthy Saudi Government. A merger between the two leagues is also unlikely because mergers usually form because of financial failures. Ultimately, I believe that LIV Golf will be the most successful rival league formation because of the talented younger players that they have been able to obtain from the PGA Tour that will draw attention to their league for years to come.

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