

Response to Referee Report

Comments are truly appreciated. I didn't know that cricket is the second most popular sport in the world. Here are my responses to the 4 issues raised:

1. I was well aware of the dependence between the market size of club-line games (A) and that of country-line games (a^j). That is why in the comparative statics exercises I have discussed the effect of an increase in A coupled with a decline in a^j s. It is equivalent to $a^i = f^i(A)$, with $df^i/dA < 0$. Proposition 4 on page 17 states the effect for the ICL case. However, for the IPL case the combined effects are ambiguous.

Whether such joint or combined effects are ambiguous or clear-cut, it is instructive, I think, to understand their individual effects. This is why, other propositions state such individual effects.

However, in the way the version was written it was not clear if the dependence between A and a^j is recognized. In the revised version I intend to write a separate paragraph stating this. Further, in the 'IPL section', I would add a sentence saying that the combined effects are ambiguous.

2. This is a misunderstanding, stemming from Nash-objective function written in the (natural) log form. Equivalently, the Nash objective could be have been written as: $\Pi^{i\alpha} \cdot \Omega^{i^{1-\alpha}}$. The club-line-games sponsor is risk-neutral too; the objective function, $[F(\Pi^i)]^\alpha \cdot [G(\Omega^i)]^{1-\alpha}$, where $F' > 0 > F''$ and $G' > 0 > G''$, would have implied risk-aversion.
3. Comparing the two regimes, so-to-speak, is a very interesting suggestion – which I hadn't thought about earlier. I have already worked on this point. Given the nature of the two-stage game, a discrete analytical comparison of the two regimes does not seem possible in general. But, there is a strong presumption that, compared to the outside sponsor of club-line games, the sponsoring CB will offer a lower wage for participation in the club-line games and feature a smaller scale of games.

Intuitively, if the sponsor is a CB, an increase in the scale of club-line games will reduce its revenue from country-line games. This substitution possibility is absent for an outside sponsor. Hence compared to the latter, the former will organize club-line games of a smaller scale. This means a lower demand for players' time and hence a lower wage for participating in club-line games. A foreign quota by the CB which sponsors club-line games implies, ceteris paribus, a lower wage and a

lower of scale of games. Hence the ranking of wages and scale of games between the two regimes remain unchanged.

Overall, the interesting result is that if the ICC, the international governing body of cricket, recognizes ICL, ICL is likely to pay more and organize a bigger scale of games than would IPL. (Coincidentally, there is a media report today, September 17, that ICL has threatened ICC that it would take legal action unless the latter recognizes it.)

These conclusions are borne out analytically in the quadratic revenue functions case and when there is only one category of players, namely, national players. I intend to write these results in an additional section.

4. I would corrected them these embarassing typos.

Once again I appreciate these comments. The editor's evaluation as well other referee comments, if any, are awaited.