

Responses to Comments from the Editor and the Referees

I am thankful to the two referees for their comments as well as Richard Pomfred for his editorial evaluation. I submit the revised version, which addresses their concerns.

Editor's Comments

- I was aware that there was a debate in soccer on “club versus country.” But I didn't know the extent of it. Your comment made me search harder and I was able to find relevant references. Please see the last paragraph of the concluding section. I cite Syzmanski (2006) on soccer and Williams (2008) for rugby. I have also cited an interesting working paper on value added to the Australian cricket board's revenues by the presence of Don Bradman in the team (Blackham and Chapman (2004)). The revised version thus has more up to date references.
- I also indicate in this paragraph how the analysis of the paper may be potentially useful if country-line (international) games become more popular in soccer and rugby.

Response to Referee Report Dated September 04, 2008

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^i). That is why in the comparative statics exercises I have discussed the effect of an increase in A coupled with a decline in a^i '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; this is stated on page 23 of the revision.

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^i is recognized. In the revised version I have written a separate paragraph stating this on page 10.

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. [An objective function like $[F(\Pi^i)]^\alpha \cdot [G(\Omega^i)]^{1-\alpha}$, 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. In the revised version this is now addressed in a new section (section 5 beginning in page 23). Given that it is a two-stage game, a discrete analytical comparison of the two regimes does not however seem possible in general. But, it is possible to fully work the case where the revenue fuctions are quadratic and national players constitute the only pool of players for the club-line games. It is shown that, compared to the outside sponsor of club-line games, if a CB sponsors these games (like BCCI), it 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. It means a lower demand for players' time and hence a lower wage for participating in club-line games. It is indeed a general insight.

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.

A more general implication is that if there are two sponsors, a CB and an outsider, the very presence of the latter is a factor on its own for higher wages for the players and a larger scale of club-line games.

4. I have corrected the embarassing typos you have pointed out as well as others.

Response to Referee Report Dated September 19, 2008

- The reviewer has asked a very interesting question: why did the problem surface in the cricket now? At this point it is a matter of opinion. I have provided a rather lengthy account of what I think are the reasons on footnote #10.

- I have now moved the discussion of club-versus-country issue to the concluding section and added some new references. This debate appears to be heating up.