

How markets are like football

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The history of football is a model for the development of a market. Football in its variants—soccer, rugby, American football—traces its lineage to games of folk football played in England since medieval days. Folk football had few rules. What rules there were had emerged spontaneously: They rested on custom and varied from village to village. Any number of people could play. Spectators could join the fray if they felt inclined. There was no referee, just a kind of social control by the players themselves.

Little skill was on display, just muscle. The aim was to get the ball, a stuffed pig's bladder, to the opponent's end of the field, using any means. At the start of the play, the ball would be seized by some of the strongest players. "The rest of the players immediately close in upon them, and a solid mass is formed," reported a spectator at an 1829 game between the Derbyshire parishes of All Saints and St. Peters. "The struggle to obtain the ball, which is carried in the arms of those who have possessed themselves of it, is then violent, and the motion of human tide heaving to and fro without the least regard to consequences is tremendous." Players often fell, "owing to the intensity of the pressure, fainting and bleeding beneath the feet of the surrounding mob."

For hundreds of years, folk football developed incrementally. Then quite suddenly it metamorphosed into soccer and rugby. These changes came not, as in the preceding centuries, from the local level, but from the top down. National governing bodies, the Football Association in 1863 and the Rugby Football Union in 1871, were formed to codify the rules. Soccer and rugby began when a formal design was overlaid on the patterns of play that had evolved.

The players' skills, and not just their brawn, came to be emphasized. Folk football had been a popular but somewhat discreditable pastime for English village people and schoolboys. In its new, structured forms, football swept the world. Soccer became the beautiful game it is today and the world's biggest sport. Rugby became a game of speed and strategy. By a further process of spontaneous evolution plus purposeful rule-setting, rugby in turn gave rise to the chesslike game of American football. It was the explicit, enforceable rules that made the difference between folk football and its wildly successful descendants.

A typical market is born and grows like football. It evolves spontaneously, driven by its participants. It can operate with little or no formal structure—but only up to a point. To reach a degree of sophistication, its procedures need to be clarified and an authority given the power to enforce them. Only when the informal rules are supplemented by some formal rules can a market reach its full potential, with transactions being conducted efficiently and complex dealings being feasible.

An absolutely free market is like folk football, a free-for-all brawl. A real market is like American football, an ordered brawl.