

Introduction

On January 8, 2007, an estimated 58.4 million television viewers watched the University of Florida football team defeat Ohio State in the Tostitos BCS Championship Game in Glendale, Arizona. The Gators and Buckeyes each received US\$17 million, a handsome payoff for a single game. The FOX network paid \$320 million for the rights to televise the championship bowl game from 2007 to 2009, as well as the Fiesta, Orange and Sugar Bowls from 2007 to 2010. In 2004, ABC agreed to a US\$300 million contract to broadcast the other major bowl game, the Rose Bowl, for eight years.

The NCAA men's basketball championship, better known as "March Madness," is also extremely successful. In 2003, CBS began payments that will total US\$6 billion to broadcast the tournament through 2013. Roughly 11% of households watched the April 3, 2006 showdown between Florida and UCLA, and large numbers of fans watched games in the earlier rounds of the competition (especially those hoping to win their office pool!). In fact, the value of the broadcast contract for the college tournament is eclipsed only by the National Football League. Clearly, college sports are big business, and is an industry in and unto itself. *Or is it?*

Florida, Ohio State, and over 1000 other colleges and universities belong to the National Collegiate Athletic Association, or NCAA for short. Established in 1906, the primary mission of the NCAA is "to maintain intercollegiate athletics as an integral part of the educational program and the athlete as an integral part of the student body and, by doing so, retain a clear line of demarcation between intercollegiate athletics and professional sports." Over the past one hundred years, the NCAA has evolved from an obscure organization to a trusted brand name, an organization whose rules govern every facet of college sports in the United States.

The NCAA is proud of its educational mission. The term “student-athlete” is used by the NCAA to emphasize that the 361,175 men and women now playing college sports are also getting an education. You may have heard about the NCAA’s recent policies to increase the graduation rate of student-athletes and ensure that the athletes are preparing for their future, a future in which, as the athletes featured in NCAA television commercials say, “most of us will turn pro in something other than sports.” As Myles Brand, the president of the NCAA, has said, “The fundamental purpose of intercollegiate athletics is the education of student-athletes in both the classroom and on the field or court.” *Or is it?*

The NCAA ensures that member schools comply with the myriad rules included in its by-laws. Every year hundreds of rules infractions occur; some are fairly minor — like a college football coach contacting a potential high school recruit more times than the rules allow. Others are more serious, such as a star basketball player getting tens of thousands of dollars in illegal payments. To give you an idea of the magnitude of NCAA violations, try typing the phrase “NCAA violation” into an Internet search engine like Google and see how many results you get. Clearly, the fact that so many violations are uncovered every year must mean that the NCAA is doing a good job of policing college sports. *Or is it?*

In this book you will learn about the activities of the NCAA from the perspective of economics. Many of these activities, as you will see, appear to be consistent with the NCAA’s mission statements. This can lead people, including you and me, to conclude that the NCAA is an organization acting solely in the best interests of student-athletes, its member universities, and the general public. *Or is it?*

Henry Hazlitt’s *Economics in One Lesson* is one of the best books ever written on the importance of “thinking like an economist.” To Hazlitt, “*The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.*”¹ In this book, we examine not only the readily visible activities of the

¹ Hazlitt, H. (1946). *Economics in One Lesson*. New York: Harper & Brothers Publishers.

NCAA and the college sports industry, but also the impact of those actions, which are not always immediately obvious. By analyzing college sports using the tools of economics, we not only better understand the college sports industry but we also learn that there is an altogether different perspective on the NCAA than the public interest. We invite you to join us in exploring this “hidden world” of college sports.

As you read this book, you will notice several “themes” that appear and reappear. These themes represent the core ideas of the book, the ideas that we believe are most important in understanding the world of college sports. We list those themes now, so that you will be prepared when you come across them as you read the book.

1. The NCAA is a cartel. Cartels cause economic harm.
2. The primary economic harm is borne by the student-athletes, although other individuals are harmed as well.
3. Like most cartels, the NCAA generates significant monopolistic profits that are shared among the cartel members (the colleges and universities). And like most cartels, there is also a significant temptation to cheat.
4. Unlike most cartels, the NCAA has a very large number of members. This both increases the amount of cheating and leads to the creation of “cartels within the cartel.”
5. The NCAA implements more rules to discourage cheating over time; nevertheless, member institutions are always discovering new ways to cheat on the cartel. We call this the “little Dutch boy” phenomenon.
6. Because members of the NCAA cartel cannot engage in competition based on price, they rely instead on non-price competition. This results in an “arms race” among member institutions, especially in the form of new facilities construction.
7. Because of the arms race, the athletic departments at most NCAA member institutions lose money, although a handful of schools do generate substantial profits.
8. The media has played an integral role in the operation and growth of revenue-generating sports, and the financial fortunes

of the media and university athletic departments are strongly intertwined.

9. As in many American institutions, discrimination on the basis of race and gender persists, but has improved through a combination of market forces and legislation.
10. *Plus c'a change, plus c'est la me'me chose* (or, the more things change, the more they stay the same). Many past reforms have been mere “window dressing” that do little to change the underlying problems in college sports. The NCAA is on a “treadmill of reform” — taking steps but not moving forward.

We are hopeful that you will enjoy reading our book and will become better educated about the college sports industry in the United States. We also encourage you to explore, and learn even more, by choosing among the many excellent readings included in the selected bibliography.