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College sports is heading for a fall (essay)

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It is fashionable to talk of “bubbles” these days -- unsustainable, somewhat speculative ventures nearing the bursting point: the dot-com stock market bubble in 2000, the housing crisis bubble of a few years ago, and maybe a college tuition bubble today. Broadly defining “bubble,” maybe we are nearing one in major-college intercollegiate sports.

If you ask alumni of the University of Oxford, Moscow State University, the University of Tokyo, or even the nearby University of Toronto, to describe their most successful intercollegiate sports team, you likely will get blank stares. While amateur, intramural sports activities occur at campuses around the world, the U.S. is unique in having hugely popular, high-revenue collegiate teams. While Great Britain has both top and secondary-level football (soccer) teams, as is the case in American baseball, in the high-revenue American sports of football and basketball, there are overtly professional teams as well as ostensibly amateur college teams comprising so-called “student athletes.”

Yet this model is undergoing a good deal of strain:

- The financial viability of major college sports importantly derives from “paying” the best “student-athletes” a small fraction of what they would earn in a competitive market; the cartel enforcing low payments to athletes, the National Collegiate Athletic Association, is facing the possibility of losing a potentially extremely costly lawsuit.
- At many schools, an athletics arms race is forcing students to pay largely hidden fees to sustain costly sports programs, and there is evidence of a growing disconnect between the desires of older alumni and other sport supporters for good teams and the tastes and preferences of the students being increasingly asked to pay the bills.
- To sustain noncompetitive labor market practices, the NCAA imposes draconian and Byzantine rules on member schools, but incentives are huge to break those rules, leading to repeated scandals creating an aura of corruption hurting not only collegiate sports but higher education generally.
- A moral crisis is increasingly apparent: relatively innocent young persons (talented athletes) have income many would say is rightly theirs taken from them by their mentors (coaches) for their own personal use, leading to coaches often earning as much as 10 times as much as the university presidents who run the educational aspects of the institution.
- Graduation rates of athletes, especially members of minority groups, in the top revenue-

producing sports are scandalously low, even below the deplorably low rates of the general student population. Student status for some athletes is increasingly more nominal than real.

In a competitive labor market, workers usually earn on average roughly what they add to their firm's revenues. Professional football, baseball and basketball players, for example, sometimes receive salaries reaching several million dollars annually. Top-flight college football and basketball teams generate revenues rivaling those of professional teams, but the workers receive scholarships worth at most \$50,000 annually, and that's only at the most expensive institutions. Very good football and basketball players are very lucrative at top sports schools, so coaches able to recruit them receive a large portion of the millions of dollars that ordinarily would go to the athletes. It is not too far-fetched to say that middle-aged adults are exploiting the children under their guidance.

The NCAA enforces this practice. The NCAA forces players to sign a contract in effect abrogating their labor bargaining rights. Even income earned from, say, t-shirts featuring the name and number of the athlete revert to the colleges. A lawsuit challenging this practice filed by the former UCLA basketball player Ed O'Bannon is moving forward, with very high-powered lawyers representing O'Bannon and other athletes.

If the lawsuit is certified as a class action as early as next month, the stakes become huge, and in one plausible scenario the NCAA could be forced into bankruptcy. More likely would be an out-of-court settlement costing the NCAA and maybe major conferences many millions of dollars. The long-term impact would likely move some of the income received by coaches to players, perhaps also crowding out non-revenue sports funded from football or basketball profits, etc.

Even the NCAA's own data suggest that only 22 major programs break even or make a profit. In the second-tier athletic conferences, such as the 13-university Mid-American Conference (MAC), schools typically need \$10-20 million annually to balance their athletic budget, increasingly met by student fees that can approach \$1,000 a year. A survey of students at MAC member colleges directed by David Ridpath suggests that most students are unaware of the extent of the fees, and unhappy when informed of them, given their general low level of interest in collegiate sports and the increasing financial strains of attending college.

The spectacularly tawdry sex scandal at Penn State that led to the imprisonment of the former coach Jerry Sandusky is the worst example of immorality run amok, but dozens of colleges have been found guilty of violating the NCAA's rules -- giving money to athletes, making illegal recruiting visits, etc. It is not uncommon to read "Ohio State admits to rules violations," or "Miami faces NCAA sanctions."

Increasingly, the public perception of universities as intellectual oases, centers of learning and moral probity, is being tarnished by intercollegiate sports.

What to do? Why haven't university presidents, who nominally run the NCAA, done anything? First, they are afraid of losing their jobs if they anger their fanatic fans (and sometimes their boards). Second, they love the funds from television contracts and other sports commercialization of their schools -- money may trump principle. I know several ex-university presidents strongly promoting reform, but few actively serving ones.

Still, as costs rise faster than revenues, as scandals persist and grow ever more spectacular, and as multimillion-dollar coaches become ever more arrogant and plutocratic, change will likely come, probably ultimately for the good of college sports, higher education, and the nation.

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