



The NCAA and Paying College Athletes

Richard Ellison | ECON 676 | Spring 2019

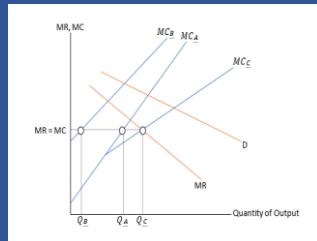


Theoretical Model

The NCAA behaves as a cartel and uses its monopoly and monopsony power to protect collegiate athletics

Cartel Behavior

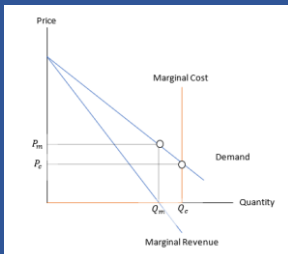
- Regulates schools to keep prices high and competition of entry low



- Optimal level of output is MC_C
- $MC_A + MC_B = MC_C$
- NCAA uses rules and regulations to optimize output levels for athletics

Monopoly Power

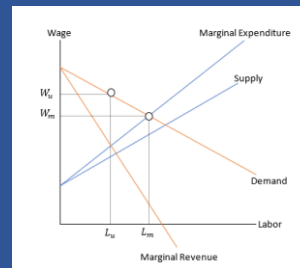
- NCAA maximize profits at where $MR=MC$



- Charge high prices for NCAA events with Monopolistic ticket pricing
- Charge high prices with high demand

Monopsony Power

- Use rules and regulations so keep NCAA sports at the amateur level



- Unions and Monopsonies negotiate wages
- Without unions, student athletes have no bargaining power

Data

FBS Athletic Revenue					
Conference	Revenue	Expenditure	Subsidy	Profit	Net Profit
ACC	\$ 90,400,000	\$ 87,800,000	\$ 7,900,000	\$ 2,700,000	\$ (5,000,000)
Big 12	\$ 103,300,000	\$ 98,500,000	\$ 2,700,000	\$ 4,800,000	\$ 2,100,000
Big Ten	\$ 108,500,000	\$ 106,600,000	\$ 4,700,000	\$ 1,900,000	\$ (2,800,000)
PAC-12	\$ 81,300,000	\$ 82,800,000	\$ 7,200,000	\$ (1,500,000)	\$ (8,700,000)
SEC	\$ 122,500,000	\$ 105,600,000	\$ 1,300,000	\$ 16,900,000	\$ 15,600,000
Group 5	\$ 33,000,000	\$ 32,800,000	\$ 19,200,000	\$ 100,000	\$ (19,100,000)

- Most FBS schools athletic departments operate at a loss
- Without subsidies, 42.3% of Power 5 Schools athletics operate at a loss
- Every Group 5 School operates at a loss without subsidies

Concerns with Paying Players

- Competitive balance
 - Who gets paid?
 - Player recruitment
- Cutting teams
 - Title IX

Professional Probability

Student Athlete	Men's Basketball	Football	Baseball	Hockey	Soccer
% High School to NCAA	3.50%	6.70%	7.00%	11.30%	5.70%
% NCAA to Professional	1.10%	1.60%	9.70%	6.60%	1.40%
% High School to Professional	0.04%	0.11%	0.68%	0.75%	0.08%

- Low percentage of college athletes turn professional
- Amateur rules
- Stipends, rule changes, self promoting

Marty Scarano

- UNH Athletic Director
- "Schools like us would suffer"
- FCS and lower division school
- Employment concerns