

National Collegiate Athletics
Association (NCAA) – Cartel?

NCAA

- Formed in 1905 to regulate football
- Later set rules for academics
- Now it counts more than 1000 academic institutions



All college sports

- The NCAA regulates all of 88 college sports
- However, only two of those sports create revenue

The sports that, financially, matter!

- Football



- Men's Basketball



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- BCS Football
- - The 2006 Bowl Series Championships (BCS) had payouts of more than \$100 million to the participating athletic teams



\$\$\$ cont.

- Men's Basketball
- - March Madness generates about \$545 million every year for the NCAA



The necessary conditions for a cartel

- 1. Engaged in activity that lowers welfare
- 2. Contrary to the independent self interest of its members
- 3. Governed by explicit agreement among its members

1. Lowers Welfare for teams

- NCAA regulates:
 - How many games are played
 - What teams play each other
 - sponsorships

Pac - 10

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NCAA

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Lowers Welfare for athletes

- A full scholarship is typically worth between \$20.000 and \$40.000
- However, it has been estimated that a top college player may generate up to \$1.000.000



Chronicle / Kurt Rogers

Value of Players

- Marshawn Lynch signs with the Buffalo Bills...as in the Buffalo \$\$\$
- His contract is in the Millions



2. Contrary to the independent self interest of its members

- NCAA regulates:
 - Number of scholarships
 - Practice hours

Division of profits among conferences

- The Big Ten will divide \$34.4 million for BCS football
- 11 schools will receive about \$2 million

3. Governed by explicit agreement among its members

- The NCAA Rule Book is more than 500 pages and each institution is required to have a Compliance Officer
- The NCAA penalizes institutions for violations
 - Loss of scholarships
 - Recruiting restrictions



Updated: April 30, 2007, 7:44 PM ET

Clemson athletics reveals seven secondary violations

Associated Press

COLUMBIA, S.C. -- Clemson revealed seven NCAA secondary violations Friday, including an instance in which an athlete's brother received free transportation, lodging and meals from an athletic booster while attending one of his sibling's road games last September.

That was among the two most serious, Level I violations the athletic department reported directly to the NCAA between July 1 and Feb. 1, according to documents released by the



Updated: Feb. 10, 2007, 9:50 AM ET

Disputed phone call with Bush has USC investigating

ESPN.com news services

LOS ANGELES -- The University of Southern California is looking into whether it may have violated NCAA recruiting rules while pursuing highly rated recruit Joe McKnight, a university official said.

McKnight signed a national letter of intent with USC on Wednesday and made comments during a news conference that seemed to suggest communications involving former Trojan Reggie Bush, who is now with the New Orleans Saints.

Former players are forbidden from telephoning prospective recruits, their relatives or guardians.

"We're aware of it, and we are looking into it," sports information director Tim Tesselone told The Associated Press late Thursday.

The university's action was first reported by the Los Angeles Times on its Web site late Thursday.

USC coach Pete Carroll denied any call took place, and McKnight's high school football coach said the recruit misspoke during the news conference.

SIGNING DAY 2007



When the fax machines across college football nation finally stopped humming, our analysts broke down the best of national signing day:

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Cartel?

- Revenue from those two sports support all the other college sports
- Literally keeps them alive!
- Good or Bad?