Measuring Cartel Rents in the College Basketball Player Recruitment Market


The NCAA acts as a cartel by restricting competition among schools for players. The value of an athletic scholarship is limited to $20,000. This prevents players from being paid their marginal revenue product. The difference between the marginal revenue product of a player and the player’s compensation is called a rent; the compensation of a player is equal to the value of an athletic scholarship. This study uses regression analysis to estimate the marginal revenue product of a premium college basketball player. The results show that a premium player may create as much as $1,000,000 annually in rents for his team.

Data/Model

\[ R_i = R_i(S_i, S_j, A_j) \]

\( R_i \): Revenue for team i.
\( S_i \): team i’s total skill level
\( S_j \): total team skill level of conference opponents
\( A_j \): team i’s market characteristics

Dependent Variable

DRAFT: the number of players drafted from a team’s 1988-89 roster

Independent Variables

MARKET: market potential parameter
OPPONENT-MARKET: the average market potential of conference opponents
POOL: percentage of college players produced in the state relative to the number of teams it supports
OPPONENT-POOL: the POOL measure averaged for all conference opponents
RANK 85-88: team’s average weekly Top-20 point ranking during the 1985-86, 1986-87, and 1987-88 seasons
OPPONENT RANK 85-88: average weekly Top-20 point rankings of conference opponents during these seasons
Data Sources:

