RACE, REVENUES, AND COLLEGE BASKETBALL

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Customer discrimination may result in racial differences in the marginal revenue products generated by workers. College basketball data allow for direct comparisons of the racial differences in the marginal revenues generated by players. This article compares the revenue generating potential of the top black and white college basketball players. A highly skilled white college player generates over $100,000 in per game revenues as compared to around $30,000 for a black player of equal talent, providing a strong incentive for colleges to discriminate against recruiting black student-athletes.

INTRODUCTION

The revenues generated by college basketball players provide an incentive for schools to expend effort in locating and recruiting talented players. For example, Brown reports that the most talented men's college basketball players produce nearly $1,000,000 in annual team revenues. However, those estimates overlook the effects of customer racial discrimination on the revenue generating potential of players. Customer discrimination against minority workers occurs when consumers of a particular race are willing to pay a premium for a product produced by workers of their own race, even though workers of other races produce an identical product. In college basketball, customer discrimination implies that the marginal revenues produced by players of the preferred race will be higher than for players of other races. In this article, we compare the revenue-generating potential of the top black and white college basketball players, attributing any difference to the existence of customer discrimination.

The sports industry has proven a fruitful area for examining the effects of customer discrimination on revenues and attendance since players are highly visible and data are available on individual and team performance.
Using data on the National Basketball Association (NBA), Kahn and Sherer find that attendance is negatively affected by the percentage of black players on a team. However, Brown et al. report that the percentage of playing time for black players does not affect NBA attendance. Brown et al.; Burdekin and Idson; and Koch and Vander Hill find evidence that an NBA team’s racial composition is significantly affected by its city’s racial composition, suggesting that NBA teams respond to customer discrimination by changing team racial composition. In college basketball, Brown and Jewell show a negative relationship between the percentage of black players on a team and gate revenues.3

Scully compares racial differences in the marginal revenue products of professional baseball players.4 Scully estimates a two-equation model to predict marginal revenue products for black and white players: the first regresses attendance on wins, controlling for team racial composition; the second regresses wins on team inputs—batting and pitching statistics. Marginal revenue products of hitters and pitchers are measured by multiplying the marginal product coefficients and the marginal revenue of wins coefficient. White players are shown to have higher predicted marginal revenue products than black players. However, estimates computed using team statistics make it difficult to directly compare the racial differences in the revenue generating potential of individual players. Other studies focus on the effects of customer discrimination on racial differentials in player salaries. For example, Koch and Vander Hill; Kahn and Sherer; and Brown et al. test for salary discrimination in the NBA and find that blacks are paid between 11 and 25 percent less than whites.5

To directly estimate the effect of an individual player’s race on team revenues, it is necessary to measure a player’s overall skill. The NBA draft provides information on a college player’s skill level—if a player is drafted, it indicates that he is one of the premium college players. Therefore, direct comparisons allow for estimates of the revenue generating potential of premium college players. The marginal revenues generated by a black premium (future NBA draftee) college basketball player as compared to a white premium player are estimated by regressing a college team’s gate revenues on its number of black and white players drafted into the NBA. The results show that an additional white premium player generates nearly $100,000 in per game gate revenues, while an additional black premium player generates approximately $30,000.