

# A Study on Causes of Moral Hazard in Sports

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**Abstract**—Sports moral hazard is high phenomenon in sports and has a serious impact on the development of sports. The cause of moral hazard in sports also are different in academia. This paper analyzes external causes, internal causes and fundamental causes and explains the formation process of sports moral, attempting to find out the root cause of moral hazard in sports.

**Keywords**—Sports; Moral hazard; Cause

## I. INTRODUCTION

Moral hazards are originated from insurance contracts and are circumstances with bigger risks brought by opportunistic behaviors.

Moral hazards in sports development refer to the behavioral expressions of relevant social groups engaged in sports activities to gain maximum personal interests at the cost of violating rules and regulations, sacrificing others' interests or interests of the entire society. To explore the factors causing sports moral hazards, it is applicable to understand and analyze from three layers, i.e., the external layer, which includes external factors of commercialization and institutional deficiency, the internal layer of personal and sports characteristics, and the essential layer--the formation process of sports morality, which are as shown below:

## II. EXTERNAL LAYER

Sports moral hazards are intrinsic attribute of sports, and the rise of sports is accompanied by sports moral hazards, but sports moral hazards aren't serious at the initial phase. Since the rise of modern Olympic movements, professional and commercial reforms have been gradually implemented in sports field, accompanied by utilitarianism, and increasingly severe issues of moral hazards, and this has become a chronic disease of sports field. In view of the study on factors generating sports moral hazards, former researchers often studied the reasons generating moral hazards from external factors. The author held that, although such factors are not essential factors generating sports moral hazards, external factors can intensify the degree of external factors to some extent or speed up the speed to form moral hazards, so it is worthy of study. This can be summarized as follows.

### A. Sports Moral Hazards are Influenced by Overall Social Moral hazards

After Industrial Revolution in Great Britain, capitalism developed fast, division of labor was increasingly exquisite in the society, and small workshops in traditional society were no longer suitable for the requirements of this big machine production era. As electrification era arrives, traditional moral ideas are subject to huge impacts. Especially since the reform and opening-up of our country, social economy has been through drastic changes, and economic development has stepped into a fast lane. But in the meantime, under the big background of promising social reform, some unavoidable side effects were generated, for instance, both the social ethical layer and overall moral layer are decreased. As the subsystem of the entire society, sports system must be subject to huge impacts from other social aspects. Under such conditions, sports moral hazards are increasingly intensified, seriously impacted the inherent sports ethnics, and accelerated the development of sports moral hazards.

### B. Pursuit for Economic Interests

Samaranch acted as President of International Olympic Committee in 1980, and resolutely pointed out that "commercialization was the most powerful factor making sports adapt to modern society". Since then, the huge potential of Olympics has been fully released, and we has ushered in a colorful Olympic marketing stage. The year of 1984 is the landmark year for Los Angeles Olympics in the marketing histories of Olympics. After American Merchant Peter Ueberroth acquired the marketing authorization of the Olympics, he had fully put the concept of Samaranch into practice. The big scene of sports commercialization was opened since then. All single competitive sports events in all countries and regions have sped up the progress of sports commercialization and sports professionalization, organized professional leagues, introduced sponsors and title sponsors, and fast expanded the mass of the sports industry. Professional and commercial sports have expanded the scale and influence of sports field, make sports generate the biggest production value, and more people accept sports and participate in it, which is no double a good thing for both the sports and the entire society. But economics are double-edged swords of sports, as market economy develops, and the outstanding position of money in social life, this must stimulate people's desire for material conditions and trigger money worship and egoism. Under market economic conditions, resource configuration, including special talent resources of athletes, etc. are adjusted by the market, and sports moral values must be

tested by the market. For some athletes and sports workers, they may advocate money and personal interests, seek for high remuneration and selfish interests, which have caused the inflation of selfish desires, and some illegal sports ethnics constantly spring up, while sports moral hazards also become increasingly obvious. Profit-making natures of merchants are gradually revealed, and you can often see merchants yield to commercial interests, and disrespect sports rules. For instance, in 2008 Beijing Olympic Games, lots of swimming competitions and gymnastics competitions were arranged in the morning, which wasn't the best time for the competition, because NBC held as the exclusive TV broadcaster of 2008 Beijing Olympic Games in North America that, Beijing and America had above 10h time difference, Americans got off work and enjoyed their leisure time in the morning of Beijing time, so the audience rating of NBC in North America would be improved, in case of arranging the competition in the morning of Beijing time.

### *C. Backward System Construction, Unsound Legislation, and Insufficient Supervision*

Backward system construction is also an important reason causing intensified sports moral hazards. System construction is of fundamental and essential effect on the moral construction of the entire society. Since ancient times, our country has implemented human governance rather than the rule of laws for a long time, with weak legal concepts, and backward formulation of laws and regulations. Meanwhile, long-term human governance has also caused excessive dependence on ideological education, and held that people can have noble moral sentiments and good ethnical behaviors as long as ideological work is well implemented, and sports workers can improve their moral cultivation. In fact, although ideological and moral education is critical, it is insufficient to offset huge interest temptations in commercialization with people's fragile moral and mental line of defense, in case of no scientific and sound competition rules, strict and fair institutionalized punishments for violators. As a continental law country, it is feasible as long as no prohibition is stipulated by laws. The sports market develops fast, but both the legislation and system construction are behind the development of market economy. This has caused the grey area between morality and laws in sports field, and with loose law enforcement, this has caused furious activities of moral hazards, and the frequent occurrence of sports moral hazards.

## III. INTERNAL LAYER

Sports moral hazards of external layer have explained the external reasons causing the increasingly severe sports moral hazards since the rise of modern sports, but it is held in such resolution schemes that most sports moral hazards are influenced by institutionalization and other external factors, but this has neglected the subjective initiative of moral subjects and the particularity of sports.

Sports moral hazards of external layer can only decide the layer of sports moral hazards, and are not the essence generating sports moral hazards. moral hazards are originated from the self-interested nature of human beings, and in order to

explore the internal reasons generating moral hazards, we should start from the essential personnel of moral hazards.

### *A. Assumption of Rational Man and Opportunistic Motives*

The basic assumptions of human economic behaviors in western economics are the assumptions of rational man. Adam Smith pointed out in *An Inquiry into the Nature and Causes of the Wealth of Nations*, rational men are economic men seeking for maximum personal interests, and the rational behavior is to gain maximum personal interests. Since rational man seeks for maximum personal interests, and can easily form extreme egoism and individualism. Unmoral behaviors are frequently seen in the society, for instance, harming others for personal interests. Opportunistic motives refer to the behavior tendency of relevant economic subjects to internalize interests in the operation of unbalanced market, externalize costs and expenses, avoid economic responsibilities, and seek maximum interests.

### *B. Inconformity of Stakeholders in Sports Activities*

Interest structure of sports refers to the mode and status to distribute and configure social political, cultural and economic resources among members engaged in sports during sports development. Changes in the mode and status of resource configuration will form interest differentiation of members engaged in sports, and finally cause the occurrence of different sports stakeholders.

Our current sports stakeholders include General Administration of Sport of China or Single Event Sports Association (Center), professional sports club, athletes, coaches, referees, audiences, sponsors, mass media, and event service personnel. Their interest demands are generally inconsistent, General Administration of Sport of China and Single Event Sports Association (Center) are the managers of sports events, activities, etc., and most interest demands are political interests, aiming to build a good environment for sports development. The interest demand of professional sports club is to keep its score in competitive sports events. Except for acquiring sports industry interests, sponsors also want to increase their brand exposure and brand value via the competition platform. Interest demands of coaches and athletes are to improve the competitive layer and performance of athletes. Referees enjoy the right of adjudication for the competition, and interest demands are to make the competition go smoothly. News media are to improve the media exposure of audiences via competition reports, and reinforce the social influence and commercial value of the competition. Interest demands of audiences are to meet the demands of leisure, entertainment and observation via media reports or watching the competition at site.

### *C. Information Asymmetry in Sports Activities*

Asymmetric information refers to the information owned by partial behavior subjects only. Sports participants are equivalent in legal status, but this doesn't mean that they are equivalent in the possession of information. It will require lots of energy, materials and financial resources to be verified by a third party, which is unworthy in financial terms, and sometimes, such information cannot be verified by a third party. So the party with information advantages will often do things

that may damage interests of other participators by taking advantage of its own information advantages.

#### *D. Uncertainty in Sports Activities*

People are existence of possibilities, although we can judge the trend of human behaviors and the development direction and summarize the general rules, it is only a probabilistic judgment. Except for extremely simple things with clear logics, it is difficult to make judgments identical to the original assumption. This is not only because we are living in a complicated collaborative society, and all social factors will influence the follow-up progress of events, but also because human existence is a subjective initiative process, and people will make constant revision and select accordingly as per the constantly changed environment.

Skill-oriented difficult and pleasing events of performances and skills-oriented competition events are of particularity, and can decide that the sport performance depends on the moral and business layer of referees to the largest extend. Therefore, while cultivating referees for sports events, the government should value the technical layer of referees, and their personality traits. Although we can find lots of excellent referees who worked conscientiously and dedicatedly throughout the sports history, not all referees can give you fair and objective judgments in facts. If we pin our hopes for a fair judgment of sports events on a certain person, rather than objective systems, it is of extremely big sports moral hazards. Besides, sports morality is not only a rational cognition, but also a rational practice. Sports morality cognition and realistic behaviors are of huge gaps, and cognition cannot ensure practice, which is also why Yangming WANG, famous philosopher of Ming Dynasty put forward "the unity of knowing and doing".

#### *E. Internal Factors Generating Sports Moral Hazards*

All parties participating in sports are "economic men" seeking for maximum profits in essence, and the economic behavior is rational. They are seeking for maximum objective function under many restrictions. Due to the bounded rationality of "economic men", there can be extensive uncertainly and incomplete information in their behaviors, so more spaces are available to implement opportunism tendency. Opportunism tendency may induce people to disobey contract, and even if the contract is abided by all parties, the contract may be executed in favor of its own benefits, which will induce moral hazards.

### IV. ESSENTIAL LAYER

From internal layer, the assumption of rational man and opportunistic motives, the inconsistency of stakeholders, information asymmetry, and uncertainty have explained the factors generating moral hazards. However, sports moral hazards refer to certain moral behaviors, if we neglect the accumulation of emotional experience in the forming process of morality while studying sports moral behaviors, and rigidify moral concepts as external system binding force, we will be "renouncing the essential while pursuing the trifles". In order to explore the factors generating moral hazards, we need to

explore the mechanism generating morality from philosophical category, clear moral connotation, and internal development logics of sports morality, and then solve the problems related to sports moral hazards in essence. In the recognition theories of Axel Honneth from German Frankfurt School, the generation process of morality was explained from the perspective of love, laws and unity, and explained the factors generating sports moral hazards in essence.

#### *A. Sports and Morality*

Morality is one of the endogenous attributes of sports, the regularization of competitive sports is one of the external expressions of sports morality attribute, and without rules, sports must be terrible, and in chaos like a society without justice. People participating in sports with subjective initiative recognize sports morality, and such endogenous recognition is not only a recognition of sports, but also a recognition and respect of restrictions in sports morality

#### *B. Human and the Society*

People are assemblies of all social relationships, and the society is developing and making constant progress during people's mutual recognition and communication. Recognition in the interaction and communication of social individuals is not only a recognition of individual existence, but also a communication and correspondence between people and even the entire social environment from the perspective of value concept, and is also a pursuit and construction of value community. In social operation and development, such values present a normalized and ordered social operation rules, which are the essence of social moral normalization.

#### *C. Routes Forming Sports Morality*

According to Honneth's "love", "laws" and "unity" recognition theory, it has explained the routes forming sports morality, and also explains the generation of moral hazards from the perspective of philosophy and sociology. "Love" refers to the emotional experience gradually accumulated by mutual recognition while contacting with the closest individuals. The subject can gradually form its self-recognition through being recognized by others, and form the most essential confidence in social contacts, and then sublimate into emotional morality based on the emotional experience in the interpersonal process of individuals. This is the prototype of social morality and also the micro reflection of social morality in specific individuals. Sports are generated from chasing and contests in ancient times, and the most essential sports morality in sports competitions is formed by the "love" of individuals, which is the most essential fair and open principle of sports competition.

The emotions and morality of individuals can expand to the entire society, and become the foundation to build social relationships. The morality of individual emotions complies with the normalization demands of social development, forms the general social morality, while the social systems centered on "laws" provide defined and normalized basis for such moral demands. Such social regulation is not only a compulsive requirement for individuals to comply and obey accordingly; it is more importantly a protection for individuals' social rights.

Such social rights can reflect individual values in social interaction, and can make "loving" individuals recognize each other. "Laws" in sports refer to sports laws and regulations focused on competition rules, and can provide solid system assurance for the fair and open principles of sports morality.

After rising to sports morality, "loving" individuals recognize that they have generated the moral value commonly shared in the society. Such value is consistent and stable for a long time with regional characteristics, and will unite individuals holding the same moral values tighter, which is the so-called "unity", and will not only protect the rights of individuals in the team, but also make individuals holding the same moral value concept generate moral recognition and group belonging, and join this social group. This can reflect the cultural value behind sports morality, and the recognition of sports is also the recognition of sports morality, and sports culture. While sports morality and sports culture can gather more social individuals and generate bigger recognition of social value. For instance, the Olympic spirits are formed accordingly step by step.

#### *D. Occurrence Mechanism of Sports Moral Hazards*

Just as the pros and cons of conflicts, some people can recognize sports moral emotion, while others cannot recognize it. Some people can recognize sports moral value, while others cannot recognize it. However, sports moral hazards are generated because social individuals cannot recognize the sports moral value concepts that have been formed, and lack in group belonging in current sports organizations, while the essence is that they refuse to join sports group organizations, which is the "scorn" described in Axel Honneth's recognition theory. Such "scorn" experience means that people cannot recognize the social emotions, and social values.

People are existence of possibilities, and we cannot judge their recognition of sports moral emotions and the orientation to judge sports moral values in sports based on current experience, so this will trigger sports moral hazards.

## V. CONCLUSION

The generation of sports moral hazard is driven by external social factors, and internal human factors, but the essence is that people participating in sports cannot recognize sports moral culture. Therefore, in order to clear up or decrease moral hazards, we need to reinforce the influence of sports moral culture, and generate bigger social identification.

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