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BLUE SKY STEROIDS

BY GEOFFREY RAPP*

Performance-enhancing substance use has attracted considerable political and media attention. However, relatively little analysis of the reasons for regulating substance use in professional sports exists. Most of the ostensible reasons for regulating performance-enhancing substance use are belied by leagues' inadequate commitment to the justifications in other contexts. Further, most of the methods of proposed regulation would be ineffective and unworkable. In place of the standard test-and-punish regime advocated by doping authorities, this Essay argues that performance-enhancing substance policy should be modeled after federal and state securities regulation. Instead of punishing use, regulators should require disclosure of all substances used, and punish only omissions and fraud of a material nature. The goals of a regulation regime would be better achieved without unintended negative consequences through a market approach based on minimum disclosure requirements.

I. INTRODUCTION

It should come as no surprise that the nation's political establishment in Washington, D.C., turned its attention to the scourge of performance-enhancing substances in professional sports.1 This allowed politicians on Capitol Hill to take a break2 from "interminable speeches"3 to fawn over the

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1 Steroids use has been described as having reached “epidemic levels” in professional sports. Jim Thurston, Chemical Warfare: Battling Steroids in Athletics, 1 MARQ. SPORTS L.J. 93, 94 (1990).


likes of Roger Clemens and Rafael Palmeiro, as well as those players' (purportedly) artificially enhanced muscle mass. Even the President of the United States—with the nation in the midst of two conflicts abroad and teetering on the brink of economic disaster—thought the issue so pressing that it merited several minutes of his annual State of the Union address in 2004.⁴

Something has to be done to stop these athletes, we are told.⁵ Baseball's supposed "antitrust exemption" is on the table: if Bud Selig doesn't clean up the so-called national pastime, his league should be subject to federal antitrust law.⁶ And criminal laws are coming!⁷ Players may go to jail, where Super Bowl rings won't do them much good.

Amidst all the sound and fury,⁸ most policymakers pay only brief attention to the threshold question of why steroids and other performance-enhancing substances are a problem in professional sports.⁹ Steroids are bad, it is assumed, and so the only questions worth debating are how to ban them and how to test for them. All the major professional sports leagues

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⁷ Wilairat, supra note 4, at 378.

⁸ According to Will Carroll, the "so-called debate over performance-enhancing drugs has not been much of a debate at all. Most times it has been an emotional plea or political grandstanding." WILL CARROLL, THE JUICE: THE REAL STORY OF BASEBALL'S DRUG PROBLEMS 15 (2005).

⁹ My Essay discusses the issue only in connection with professional sports. Amateur sports, college sports, and high school sports raise different issues in regards to performance-enhancing substance use. In particular, the negative health consequences of performance-enhancing substance use may be amplified in younger users. See Thurston, supra note 1, at 103. Young athletes may also lack the cognitive sophistication to appreciate fully the risks and benefits of performance-enhancing substance use. See Schieffelin, supra note 4, at 978-79. In addition, where testing is performed by state institutions such as public schools or universities, constitutional concerns can impede effective testing and discipline. See Thurston, supra note 1, at 112-14.
have now put in place some type of drug-testing regime through the collective bargaining process.¹⁰

Five main arguments underlie policymakers’ assumptions and motivate their aggressive approaches to eradicating performance-enhancing substances from professional sports. These arguments, which surface in the literature and occasionally in policy discussions, are thought to justify testing athletes for banned substances and punishing those who fail the tests. First, performance-enhancing substances must be banned in order to “level the playing field.”¹¹ Second, performance-enhancing substances are bad for player health.¹² Third, performance-enhancing substance users are poor role models for children who often idolize professional athletes.¹³ Fourth, use of performance-enhancing substances could expose players to influence by gamblers aimed at manipulating on-field competition to produce ill-gotten gains.¹⁴ Finally, fans do not like it when players use performance-enhancing substances, and want a game clean from the taint of steroids and other performance-enhancing substances.¹⁵ However, these rationales are either unconvincing, belied by the leagues’ approach to related issues, or they are in pursuit of goals not likely to be achieved by any plausible “test-and-punish” regime.

In this Essay, I suggest a rethinking of the regulatory approach to performance-enhancing substance use in professional sports. Rather than test and punish through disciplinary sanctions and criminal law, aiming to control the substance of players’ substance use, I suggest that performance-enhancing drugs be controlled through an approach modeled after federal and state regulation of the financial aspects of corporate activity.

The federal government’s securities laws—and state “Blue Sky” laws designed in similar fashion—have traditionally shied away from imposing substantive restrictions on corporate activity. Corporations are not told to avoid particular kinds of risky investments, or to allocate assets in certain ways.¹⁶ Instead, the federal and state securities laws call for everything to be out in the open and visible, so that a shareholder can tell that a

¹¹ See infra Part II.A.
¹² See infra Part II.B.
¹³ See infra Part II.C.
¹⁴ See infra Part II.D.
¹⁵ See infra Part II.E.
¹⁶ Cf. UNIF. PRUDENT INVESTOR ACT § 3, 7 U.L.A. 15 (2006). Unlike state business laws, the Uniform Prudent Investor Act (UPIA) takes a substantive approach to regulating the investment of trust assets, mandating that they be diversified unless a trustee has a basis to believe that special circumstances justify a non-diverse portfolio. Id.
corporation is selling nothing more than the “Blue Sky.” Securities laws allow corporations to do whatever they want with shareholders’ money, so long as they disclose what they are doing with it. Substantive decisions are not reviewed and punished when found to be wrong, except in rare instances. Instead, it is the failure to disclose that leads to securities liability.

The “Blue Sky” approach achieves a level of market stability when substantive governmental intervention would be impossible or ineffective due to limited resources and the complexity of modern business affairs. Our securities regulation regime trusts that, in ordinary times, market forces will discipline corporate managers who waste or misdirect business assets. The disclosure approach minimizes monitoring costs and allows market arbitrage to replace governmental intervention as the source of discipline for corporate leaders.

A similar approach could do wonders in professional sports. Rather than ban certain substances and test for them (or their masking agents), sports leagues should simply call for all players to disclose all “non-food” substances they put into their bodies. Penalties would exist not for using drugs per se, but only for failing to disclose accurately those substances used.

II. THE FLAWED CASE FOR A “TEST-AND-PUNISH” REGIME

A. “LEVELING THE PLAYING FIELD”

The first argument in favor of an aggressive approach to regulating professional athletes’ use of steroids and other performance-enhancing substances is also the most vague. This argument is framed in ethical terms. Competition in professional sports “should be honorable,” and the use of performance-enhancing substances is “both cheating and a contradiction to the meaning of sport.” Testing regimes—accompanied

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18 Thurston, supra note 1, at 95-96.

19 Id. at 95.
by disciplinary sanctions—are said to be justified because they will help ensure that competition occurs on a level playing field.

One weakness of the ethical argument against performance-enhancing substances is that it imagines that a level playing field can be achieved if drugs are eradicated. This may be unrealistic. Legal performance-enhancing techniques, like "weight machines, treadmills, better training programs, better diets, better dieting techniques, computer diagnosed training, [and] hyperbaric chambers . . .," not to mention innate genetic differences in ability, will always produce an "unlevel" playing field in which some athletes have an advantage over others. The challenge for one seeking to justify a drug testing regime lies in "articulating a convincing distinction between these enhancers and steroids."

Even if they could be justified, testing regimes face a near-fatal impediment to success: the difficulty of defining what is banned. Two approaches to articulating the scope of any substance can be envisioned, and both approaches have significant real-world limitations. First, and most commonly, a testing regime can identify a list of "banned" substances. Alternatively, a testing regime can provide a generic description of a banned substance, for instance, as any substance not available over the counter that gives an athlete an unfair advantage over competitors.

A testing regime based on a list of banned substances fails to stop athletes from using new drugs that are not on the banned list. In response to this problem, anti-doping authorities have expanded their list of banned substances.

24 Thurston, supra note 1, at 110.
substances “to include almost every conceivable performance-enhancing drug.”25 But the science of drug creation will always move faster than the science of drug testing. A drug not “conceived” as performance enhancing might very well prove to be, but it will likely remain absent from the list of banned substances until years after its use permeates professional athletics. Anti-doping authorities tend to feel like “they are always a little bit behind.”26 By the time a test is developed, a new version of the performance-enhancing drug may have been developed that would defeat the test.27

Even where a substance is identified among a list of banned substances, existing technology may not allow accurate detection via non-invasive testing means.28 Some types of doping, most notably autologous blood doping (in which an athlete receives a transfusion of the athlete’s own blood, drawn at an earlier time) are virtually undetectable.29

Another striking example is the use of Human Growth Hormone (HGH). Even as sports leagues started to “get tough” on steroids, athletes turned to the use of HGH, which replicated some of the positive effects of steroids but proved nearly undetectable.30 This substance naturally occurs in the body, and the only means of detection is through a blood test.31 However, the test only discovers unusually high levels of the hormone in the body,32 and can thus fail to detect use by many athletes.

In addition, athletes have proven adept at manipulating their substance use to avoid testing positive on an announced testing date, either by the timing of substance use or by employing masking agents which frustrate existing testing regimes.33 For example, an athlete can use a banned substance, but then taper use before testing and avoid a positive result.34 The sad fact of life in professional sports is that the testing regimes will

27 Id. at 192.
28 See Thurston, supra note 1, at 147.
30 Del Cid, supra note 26, at 182.
31 Id.
32 Id.
33 Thurston, supra note 1, at 109-10.
34 Del Cid, supra note 26, at 191.
never catch up to the cheaters. The financial stakes involved for players create powerful incentives for the use of ever more evasive performance-enhancing substances. So long as it remains a "certainty that a large number of cheating athletes will beat the tests," no testing-and-punishment regime will eradicate performance-enhancing substance use.

A further drawback of a specified list of banned substances is that inclusion of a substance on such a list can, ironically, encourage its use. For instance, even though the scientific evidence on whether HGH is actually a performance enhancer is mixed, inclusion of HGH on doping lists may inadvertently promote its use among athletes.

A generically described "illicit substance" ban, rather than a ban based on a specific substance list, also fails to solve the problem. Here, the main impediment is the zealous representation provided to professional athletes by their players' unions and associations. Because any testing regime is necessarily a "required" subject of collective bargaining (particularly where failed tests lead to disciplinary sanction), such a scheme requires union acquiescence. Given unions' rightful concern with protecting their members from discipline in the absence of notice, they are likely to oppose any broad prohibition or extensive testing regime.

B. PLAYER HEALTH

A second argument in support of aggressive anti-substance regimes posits that the use of steroids and other performance-enhancing substances and drugs has negative health effects on users. Anabolic steroids, in

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35 "The relatively small number of athletes who are 'caught' suggest that either drug abuse is not a rampant problem or, if it is rampant, that most of the 'cheaters' escape detection." Melethil, supra note 22, at 89.


37 Melethil, supra note 22, at 87.

38 Id. ("The mere listing of a substance or method in such a list is misinterpreted by most athletes that the substance or method offers an advantage.").


40 Thurston, supra note 1, at 122.


42 See Thurston, supra note 1, at 94.
particular, are said to negatively affect players' health.\footnote{See id.} According to the famous Mitchell Report:

Steroid users place themselves at risk for psychiatric problems, cardiovascular and liver damage, drastic changes to their reproductive systems, musculoskeletal injury, and other problems. Users of human growth hormone risk cancer, harm to their reproductive health, cardiac and thyroid problems, and overgrowth of bone and connective tissue.\footnote{MITCHELL, supra note 5, at SR-8.}

Woven into this argument about player health is the suggestion that steroids and other performance-enhancing drugs result in an "arms race" by athletes. That is to say, athletes who prefer to stay "clean" are compelled to use steroids out of a fear that other athletes use them.\footnote{Thurston, supra note 1, at 102-03.} In other words, athletes who would otherwise stay clean are coerced into substance use.\footnote{Latiner, supra note 20, at 209.}

This argument, as Professor Lewis Kurlantzick argues, is similar to the "problem of coordination" faced by a group of fishermen who work in the same fishing grounds.\footnote{Kurlantzick, supra note 21, at 792.} Individually, each fisherman might prefer to take a smaller catch today to preserve the fish population for future fishing.\footnote{Ian Ayres & Gideon Parchomovsky, Tradable Patent Rights, 60 STAN. L. REV. 863, 881-82 (2007) (describing the fishing example as a textbook tragedy of the commons).} Yet fearful that others will not exercise the same restraint, each is tempted to over-fish, and the result is a quick destruction of the fish population.\footnote{See Will Walsh, Comment, Fishy Business, 59 ALA. L. REV. 1661, 1663 (2008).} Steroid use, if athletes' stated reluctance is believed, results, at least in part, from a similar lack of coordination, resulting in a "tragedy of the commons."\footnote{Id.} This is an extension of the classic and familiar "prisoner's dilemma."\footnote{See Richard H. McAdams & Janice Nadler, Coordinating in the Shadow of the Law: Two Contextualized Tests of the Focal Point Theory of Legal Compliance, 42 LAW & SOC'Y REV. 865, 871 (2008).}

But there is no reason why the players' collective representation—the players' association—cannot accomplish the necessary coordination.\footnote{Kurlantzick, supra note 21, at 792.} If collective action is really the problem, unions are well equipped to advocate on players' behalves, particularly given the unions' longstanding concern for the health of their members. That so little of the impetus for drug testing regime reform comes at the request of players' unions seems to run counter to the characterization of performance-enhancing drug use as the product of a prisoner's dilemma.
Assertions of negative health effects associated with steroid use are undercut, to some degree, by the lack of accurate and rigorous scientific data concerning the kind of doses used by athletes. Still, even in the absence of “controlled” studies, it seems clear that many athletes use substances at levels that do raise genuine health concerns. Anabolic steroids’ negative side effects include increased risks of cancer and suppressed immune systems. Further, long-term use of such substances can have deleterious effects both physiologically and psychologically. Anecdotal evidence suggests that the common concept of “roid rage,” heightened aggressiveness flowing from steroid use, has scientific validity. Other substances, such as weight-loss supplements, are documented as causes of death for athletes at both the professional and amateur levels.

Ultimately, however, expressions of concern for players’ health are unpersuasive because of how little regard we pay to other unhealthy choices and lifestyles of professional athletes. Football itself is an unhealthy activity; certainly, the position of offensive lineman would be banned if leagues truly valued players’ long-term health. Tobacco use among baseball players is tolerated. Players are also permitted to engage in risky patterns of sexual promiscuity, if not lionized for that dangerous course of conduct. Why we express concern about the plausible health risks from steroids, but not the obvious health risks of these other behaviors, is indecipherable, or at least indefensible.

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53 Thurston, supra note 1, at 103-04.
55 Thurston, supra note 1, at 105-06.
56 Latiner, supra note 20, at 193.
57 Thurston, supra note 1, at 106.
58 See Shapiro, supra note 2, at 199; Tynes, supra note 41, at 494.
61 Wilt Chamberlain’s autobiographical claim to have slept with 20,000 women was not condemned, but rather has become part of the athlete’s legend. For instance, a satirist described the NBA’s decision to honor this infamous “record.” See Sportsman’s Daily, Chamberlain’s 20,000-Women Mark Finally to Be Honored by NBA, CBSSPORTS.COM, Sept. 16, 2008, http://www.cbssports.com/spin/story/10980310.
C. ROLE MODELS

A third argument made in support of aggressive anti-performance-enhancing substance regimes stems from the direct threat to younger athletes and fans.\(^6\) Professional athletes are considered “role models” for younger athletes, and, arguably, the use of performance-enhancing substances by professional athletes makes the use of such substances socially acceptable for younger potential users.\(^6\)

Whether such substances enhance an athlete’s on-the-field or on-the-court performance, the use of such substances “conveys a message to younger players . . . that cheating to win is acceptable as long as the player is not caught.”\(^6\)3 Teenagers use performance-enhancing substances to emulate professional athletes.\(^6\)

There are two counters to this argument. First, at a basic level, if a professional athlete is a child’s role model for moral and ethical choices, his parent faces a serious problem. As Charles Barkley put it, “the biggest role models are parents, not famous jocks and famous people.”\(^6\)6 Athletes make all sorts of choices that most parents would abhor their children using as life lessons. Athletes often carry guns (sometimes illegally),\(^6\)7 are sexually promiscuous,\(^6\)8 and are domestic abusers.\(^6\)9 Nevertheless, athletes’ morally questionable conduct, with gambling as a notable exception, is rarely a lightning rod for public criticism in the same way that performance-enhancing drug use is.

More problematic for a testing policy, however, is the ironic result of overly enthusiastic testing. The more we test athletes, the more we will, inevitably, discover about their drug use. More positive tests mean more “fallen heroes.” The goal of preserving athletes’ moral status for role model purposes actually seems best served by a regime with no testing. So long as athletes do not brag about their own activities—or point the finger

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\(^6\) Mitchell, supra note 5, at 15.
\(^6\) Thurston, supra note 1, at 103.
\(^6\) Walker, supra note 25, at 201.
\(^6\) See supra notes 60-61 and accompanying text.
at other heroes—our children are free to idolize superstar athletes without negative effect.

D. MANIPULATION BY GAMBLERS

A fourth argument in favor of an aggressive anti-performance-enhancing substance regime begins with the recognition that, even when a substance is available through legal channels, many users acquire their performance-enhancing substances illegally.\textsuperscript{70} The black market for steroids tops $100 million in transactions per year.\textsuperscript{71} Sports leagues express concern that black market sellers of performance-enhancing substances can use the leverage provided by their knowledge of a player’s use to blackmail him into throwing games or shaving points.\textsuperscript{72}

Baseball in particular has long feared manipulation by gamblers, and the possible leverage a drug dealer possesses over a player is cited as grounds for imposing harsh sanctions for drug use by athletes.\textsuperscript{73} According to the \textit{Mitchell Report}, “[t]he Commissioner’s Office has been concerned for decades that drug dealers could blackmail a player to alter the outcome of a game in exchange for maintaining the secrecy of the player’s substance use.”\textsuperscript{74}

The problem with justifying an anti-steroids regime with a fear of gambling, however, is twofold. First, the leagues all have separate rules to deter association with gamblers and the manipulation of on-field performance.\textsuperscript{75} In any instance where drug use gives a gambler leverage over a player, the existing rules are more than adequate to impose a sanction.\textsuperscript{76}

More troubling is the escalation of blackmail that may result. Ironically, as the leagues impose harsher sanctions for drug use, they give more power to gamblers. A gambler seeking to manipulate a player is more likely to get what she wants if the penalties for revelation of the player’s drug use are significant.

If we are concerned about manipulation, moreover, we should test owners, coaches, and referees. These individuals are equally positioned, if

\textsuperscript{70} Thurston, \textit{supra} note 1, at 107-08.
\textsuperscript{71} Id.
\textsuperscript{72} MITCHELL, \textit{supra} note 5, at 301.
\textsuperscript{73} Id.
\textsuperscript{74} Id.
\textsuperscript{76} That said, a drug-testing regime might uncover potentially vulnerable players left undiscovered under the association rule.
not better positioned, to manipulate the outcome of a sporting event. They could be vulnerable to manipulation by their drug dealers. But so far, little attention is directed toward a testing regime for such individuals.

E. FANS DON'T LIKE TAINTED SPORTS

A final argument in favor of aggressive treatment of performance-enhancing drugs is that the fans, on whose patronage professional sports depend, lose interest in professional sports when the integrity of competition is doubted.\textsuperscript{77} This argument draws on the idea that performance-enhancing drugs produce an uneven playing field and suggests that leagues become “less appealing to spectators” if players use performance-enhancing substances to “become bigger, stronger, or faster than they otherwise would be.”\textsuperscript{78} Fans want to see “natural talent and ability” on display, and the use of performance-enhancing drugs undercuts that spectacle.\textsuperscript{79}

The assertion that fans reject or would shy away from a league corrupted by steroids is a testable empirical proposition that remains untested. Maybe fans want to see “natural” talent on display; on the other hand, they certainly do not want to see five random guys off the street take the hard court against five other guys. Fans cheer for professional athletes who are, in many respects, genetic deviants—faster, stronger, and more talented than the average human. In an episode of \textit{The Simpsons}, fans bemoan the potential loss of one of the town’s NBA players, “Nook of the North,” who they refer to as “Our Freak.”\textsuperscript{80} Although this terminology is a bit harsh, it is clear that fans do not want to see normal people play. Professional athletes are heralded precisely for their abnormal genetic gifts and their abnormal commitment to physical fitness and training.

Perhaps the most striking real world evidence to contradict the fan preference justification for testing arises from the 1998 baseball season, in which both Sammy Sosa and Mark McGwire broke Roger Maris’s four-decade-old single season home run record.\textsuperscript{81} Although the subsequent histories written of Sosa and McGwire suggest their home run chases were “tainted” by substance use,\textsuperscript{82} fans were certainly cheering at the time.\textsuperscript{83} Is it

\textsuperscript{77} Wachutka, supra note 10, at 149-50.
\textsuperscript{78} Id. at 149.
\textsuperscript{79} Id. at 150.
\textsuperscript{80} \textit{The Simpsons: The Burns and the Bees} (FOX television broadcast Dec. 7, 2008).
\textsuperscript{82} Wachutka, supra note 10, at 150.
\textsuperscript{83} Healey, supra note 81, at 300. The “adulation” that fans gave to Sosa and McGwire allegedly inspired Barry Bonds to take up performance-enhancing substance use himself. \textit{Id.}
safe to assume that fans were blissfully unaware of the possibility these two dramatically enhanced physical specimens were using something other than hard work to achieve their success? To make such an assumption gives fans too little credit. Fans must have noticed that, “at a time when most players’ skills begin to decline,” McGwire and Sosa suddenly reached new levels of power. Fans suspected, but they cheered anyway. Similarly, fans have shown a remarkably short memory when it comes to their distaste for even admitted substance users.

If the integrity of baseball were called into question, one journalist argued, baseball would come to resemble professional wrestling. Professional wrestling is known to be “fake,” and its athlete-actors quite obviously partake in a regular diet of performance-enhancing substances. Yet professional wrestling is amazingly popular in this country, even if derided by members of the sports media.

What is to say that fans would not cheer with equal vigor for a surgically, robotically, genetically, or chemically enhanced athlete? In any event, if fan preference is to be the basis for an anti-steroid regime, that regime would perhaps be better designed if it allowed fan preference to play an incentivizing role. The “Blue Sky” model developed in this Essay would do precisely that.

III. THE BLUE SKY MODEL

It has been said that if clean competition is the desired end point, “the only solution would be a complete ban of any performance enhancer.” Others have argued that the only way to ensure policy effectiveness would

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81 Michael J. Cramer & James M. Swiatko, Jr., Did Major League Baseball Balk? Why Didn’t MLB Bargain to Impasse and Impose Stricter Testing for Performance Enhancing Substances?, 17 MARQ. SPORTS L.J. 29, 36 (2006). Most visibly, during the 1998 home run chase McGwire was found to have the substance androstenedione in his locker. Id. at 42. Although this substance was legal in baseball at the time, it was banned by most other leagues and international anti-doping authorities. Id.

82 Id. at 55.

83 The same fans who “pilloried” Jason Giambi in the spring of 2005 voted him “’Comeback Player of the Year,’ although he might only have been coming back from self-inflicted problems related to his use of illegal drugs.” MARK FAINARU-WADA & LANCE WILLIAMS, GAME OF SHADOWS: BARRY BONDS, BALCO, AND THE STEROIDS SCANDAL THAT ROCKED PROFESSIONAL SPORTS 267 (2006).

84 Id. at 55.


86 Professional wrestling is the most popular television genre for the eighteen- to thirty-five-year-old male demographic. Lawrence Daressa, Wrestling with Manhood, CINEASTE, Spring 2004, at 96, available at 2004 WLNR 12683565.

87 Del Cid, supra note 26, at 194.
be to increase greatly sanctions associated with a positive test result. But is there another approach?

The federal securities laws were passed in the midst of the Great Depression and inspired by the stock market crash of “Black Tuesday,” October 29, 1929. Investors had pulled their money en masse from the publicly traded stock exchanges, resulting in the destruction of over $14 billion dollars in market capitalization. Fraudulent stock promotions played a contributing role in the market crash. The crash caused investors to lose faith in the market price of stocks as an accurate indicator of value and in the underlying business institutions as investments for their assets. Federal securities regulation aimed to restore that faith.

Congress could have chosen to regulate business activity in a substantive manner in order to restore this lost investor confidence. Congress could have called on businesses to avoid risky investments, or to diversify their holdings across industries to avoid potential downturns. But these approaches would deny corporations needed flexibility and require the government to launch a massive and expensive regulatory regime to identify and penalize offenders of whatever substantive behavioral standards Congress had put in place.

Instead, Congress enacted legislation to supplement various states’ “Blue Sky” laws. Blue Sky laws were investor protection statutes, designed to protect shareholders from fraud and deception, and required corporations seeking to raise capital through the sale of securities to register...
with a state securities commissioner. In passing the federal securities statutes, Congress sought to achieve a similar result. The federal approach imposed further requirements on affected corporations to disclose their financial information and business practices to shareholders, and imposed punishments, not for substantive business transactions, but for material fraud and failure to disclose. As Dean Clark explains, the federal securities acts are "based on a philosophy of full disclosure rather than on an ideal of substantive regulation."

The core concept of the federal regulation of securities consists of "antifraud rules and a mandatory disclosure system." Before securities can be sold to the public, the Securities Act of 1933 requires the corporation to file a disclosure document with the Securities and Exchange Commission (SEC) and circulate a portion of that document, a prospectus, to investors. The Securities Exchange Act of 1934 requires publicly-held companies—those that have sold shares that trade on public exchanges—to file regular reports with the SEC.

The SEC's Rule 10b-5, promulgated under authority provided by the 1934 Securities Exchange Act, is a "catchall antifraud provision." Rule 10b-5 helps "regulate the flow of information to the investing public and in many instances to compel corporate disclosure of material facts." The end-goal of this system may be to make pricing of securities more accurate. Accurate pricing, in turn, ensures that capital will be directed to the corporate actors most likely to use financial resources provided by shareholders for productive economic activity. Alternatively, the mandatory disclosure regime has been defended as reducing the agency costs associated with the separation of ownership and control in corporate enterprises.

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99 These laws were viewed as inadequate to regulate securities markets. COX & HAZEN, supra note 91, at 292 n.3.
100 ROBERT CHARLES CLARK, CORPORATE LAW 719 (1986).
102 Id.
103 Id.
105 COX & HAZEN, supra note 91, at 293.
106 Id. at 293-94.
108 Id. at 1007.
109 See generally Paul G. Mahoney, Mandatory Disclosure as a Solution to Agency Problems, 62 U. CHI. L. REV. 1047, 1049-50 (1995) (noting that shareholders own corporations, but delegate control to corporate leaders, and explaining that to monitor their
The federal securities laws aim to ensure that investors have adequate information to make rational decisions in connection with the purchase or sale of securities. As the Supreme Court explains:

Disclosure, and not paternalistic withholding of accurate information, is the policy chosen and expressed by Congress. We have recognized time and again, a "fundamental purpose" of the various Securities Acts, "was to substitute a philosophy of full disclosure for the philosophy of caveat emptor and thus to achieve a high standard of business ethics in the securities industry."

Without federally mandated disclosure, market forces were seen as inadequate to regulate risk-taking by corporate actors. "Self-help" remedies are less feasible in connection with the purchase and sale of securities than in ordinary contract settings. Investors need information about corporate activities to be presented in a reliable and standardized fashion to "facilitate comparisons among securities." Absent federally mandated disclosure, investors might be reluctant to commit funds to corporate activity, and would certainly be more skittish in the event of market downturns. For securities markets to function properly, "much more disclosure is required than in most other markets."

Although there is much scholarly debate on the effectiveness of the federal mandatory disclosure policy, it seems clear that Congress believed that prior to the enactment of the Securities Act and Securities Exchange Act, corporate actors did not disclose sufficient information about their business activities.

IV. HOW THE BLUE SKY MODEL WOULD SOLVE OUR STEROIDS "PROBLEM"

I do not argue that steroids and other performance-enhancing substances are good. To do so, as others have worried, might spark calls for

agents, shareholders must have access to information, and thus mandatory disclosure reduces monitoring costs for shareholders).

10 Clark, supra note 100, at 719.
14 Id.
15 Id.
17 Jennings et al., supra note 113, at 3.
18 See Seligman, supra note 116, at 18-19.
19 See id.
The question isn’t whether reducing performance-enhancing substance use among professional athletes is a laudable aspiration. The question is, given our society’s expressed desire to regulate performance-enhancing drug use, how should that goal best be achieved from a policy perspective, pragmatically and promptly? The answer is through faith in the market, assisted by an aggressive regime designed to promote disclosure and punish fraud and omission.

Rather than impose obtrusive and unwieldy testing regimes, a disclosure-based framework should be implemented. Under this system, professional athletes would be required to file disclosure statements with the league office on a regular basis—perhaps three times a season, perhaps more regularly. In that statement, an athlete would disclose all non-food substances injected or ingested by the athlete. The league could then conduct a “privacy scrub,” deleting references to medicines that implicate privacy concerns (such as drugs to treat baldness, or a sexually transmitted disease). The scrubbed lists would then be put online for the public to view, either on the league’s website or on the individual sites of the players’ teams.

A modest anti-fraud regime could be put in place to provide sanctions not for those who use performance enhancers, but for those who fail to disclose with complete candor the substances that they use. Once the information hits the “market,” market forces could quickly curb the problem of steroid use. If fans detest steroid use, “it would make sense[,] simply as a matter of sound commercial judgment . . . to avoid . . . customer alienation[,]” for teams to decline to hire players with disclosed performance-enhancing substance records. Some teams could announce their preference to sign only “clean” players. If fans responded, by buying more tickets and memorabilia and watching more televised games, such teams would find their anti-substance stance profitable even if their on-the-field success took a short-term hit.

The market approach would also be more subtle than a heavy-handed testing regime. Some substances, like anabolic steroids or HGH, might be detested by fans; others, like pain killers, might be tolerated. And for players with known lingering injuries, the use of even HGH might be tolerated by fans; a universal testing and punishment approach is not capable of making such allowances.


121 While a creative athlete might try to pitch a performance enhancer as “food[,]” I trust that existing FDA and state law definitions of that term would avoid potential manipulation.

122 Kurlantzick, supra note 21, at 794.
The market approach would also be fair and consistent in a way that
testing is not, by doing away with the "innocent dopee" defense. A number
of athletes who tested positive for steroids denied that they had knowingly
used performance enhancers. A heavy-handed disciplinary approach
would reject any such defense, while a lighter approach that allowed such a
defense would invite athletes to maintain willful ignorance about what they
put, or allowed trainers to put, into their bodies. By contrast, a disclosure
regime would be clean. If an athlete failed to disclose an ingested or
injected substance, the athlete's failure would be clear. If an athlete
disclosed a substance that he or she did not know contained a performance
enhancer, the market would operate to bring that information to the athlete's
attention.

A disclosure system would stay current and ahead of the cheaters,
since it does not depend on an ossified list of banned substances or an
unenforceably broad category of enhancers. Of course, in order to be
effective, punishment would need to be imposed on those who used a
substance without disclosure. Punishment could only result where
information came to light about a player's use of a substance that
contradicted his disclosures. Without a testing scheme, some players would
use, lie, and remain undetected. The regulation of securities fraud,
however, confronts the same issue. No aggressive auditing of financial
statements is conducted by the SEC for every corporate submission;
instead, the agency depends upon tips, often from Self-Regulatory
Organizations (SROs) like the New York Stock Exchange and the National
Association of Securities Dealers. In the same way, the steroids disclosure
regime could launch investigations after receiving tips from the sports
media, teams, and other individuals and entities affiliated with professional
sports. Moreover, just as the SEC may launch investigations after sudden
dramatic changes in corporate stock price, a steroids disclosure regime
could launch proactive investigations when players' performances deviate
dramatically from past trends.

Information disclosed pursuant to the regime suggested in this Essay
would allow each player to make an accurate assessment of what substances
other athletes are using and would serve to reduce the trend towards an
"arms race." At present, players might use performance-enhancing drugs
because they suspect others are doing so. Under the disclosure approach,
players would have the information they need to make decisions about how
to handle their own substance regimen.

123 Lindsay J. Taylor, Note, Congressional Attempts to "Strike Out" Steroids:
To be sure, at least in the short term, a “disclosure” based performance-enhancing substance regime might lead to more substance use. This could present health concerns for particular athletes who choose to use such substances. Ultimately, of course, “the choice to risk harm associated with drug enhancements is ultimately up to the individual user . . . ”124 Adults are “in a position to make a decision about what behavior is in their best interest, to weigh the risks and benefits according to their own values.”125

Professional athletes are uniquely positioned to make these decisions for themselves, with a stable of trainers and team doctors to advise them. The increased public recognition of particular athletes’ choices could also lead to an increased level of public warning for such athletes. Indeed, a disclosure-based regime could stimulate more research on such substances and actually provide professionals with more information about the long-term consequences of such use.

A disclosure system would also bring to light information that might lead parents to suggest their children find other role models. In the short term, we might be shocked at the percentage of professional athletes who use performance-enhancing substances. But a disclosure system would also avoid the surprise disappointment a young fan faces at learning that her lifelong idol has done drugs. We would know from a player’s first day in the Big Leagues whether he would be the kind of person a youngster should idolize.

A disclosure system would eliminate the potential for drug dealers to use their leverage to manipulate players to achieve ill-gotten gambling gains. Since all substances used would become public information, dealers would have no leverage over their player clients.

Finally, a disclosure system would provide the ultimate test of the assertion that fans prefer a clean league to a dirty league. Market forces would drive owners to contract with the players that fans prefer—whether they are drug users with great ability, or clean players with less zip on their swings. Just as the securities laws restored faith in markets (at least until recently), a disclosure-based regime for steroids could restore fan faith in professional sports.

In some sense, the argument in favor of regulation-through-disclosure is justified if the steroid problem in professional sports is characterized as a market failure. The arguments against steroid use—particularly those that focus on fan preferences—are strengthened by the view that a market approach could solve the problem if only markets functioned properly.

124 Latiner, supra note 20, at 209.
125 Kurlantzick, supra note 21, at 791.
Teams would respond to fan preferences, and steroid users would be systematically excluded from professional sports through the forces of supply and demand. At present, those forces cannot solve the problem because performance-enhancing substance use is clouded in mystery and obfuscation. Through disclosure, powerful market forces would be unleashed and produce an "optimal" level of substance use.

V. CONCLUSION

Whether or not the use of performance-enhancing substances is the best use of policymakers' time, it has clearly attracted their attention. Most public discussion of the issue has been long on condemnation and short on nuanced evaluation of policy options. To date, doping authorities have called for ever-more-intrusive testing and ever-harsher sanctions, ignoring the painful reality that such efforts will never catch determined cheaters. It is hard to call the solution proposed in this Essay "radical," given that it was one that Congress considered eight decades ago. Yet it offers an approach to addressing drug use in sports that could actually make a difference.

126 See Melethil, supra note 22, at 80.