

Activities and Discussion Questions



Inning 4

4.1 Ratings and Revenues

The National Hockey League received \$120 million in TV revenues during the 2002-2003 season. By contrast, the National Football League received approximately \$2 billion – give or take a few hundred million.

Question:

Why such a big difference?





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4.2 How Much Is That in Today's Dollars?

The Federal Reserve Bank of Minneapolis has a very useful web site called "What's a Dollar Worth?" It covers 1913 to the present, and it's a great tool for calculating and comparing how prices have changed over the years.

Try This Exercise:

Thirty seconds of commercial time during the first Super Bowl in 1967 cost \$42,000. The same thirty seconds cost advertisers an average of \$1.9 million during Super Bowl XXXVI in 2002. Go to the "What's a Dollar Worth?" web site and compare the two amounts:

<http://woodrow.mpls.frb.fed.us/economy/calc/cpihome.cfm>

Question:

If you were an advertiser, why would you want to negotiate a lower advertising rate if your commercial is scheduled to appear during the game's fourth quarter?



Prints and Photographs Division, Library of Congress

The First Super Bowl, 1967



4.3 Your Dream Homework Assignment

How big is the licensed goods business? Take a week to find out. Go shopping, watch TV, listen to the radio, read newspapers and magazines and keep a log of every product you come across that is licensed by a professional sports organization – Major League Baseball, Major League Soccer, the NBA, the NFL, the NHL, NASCAR, whatever you see.

Questions:

- What trends do you notice? Are certain products associated with a particular sport? Is licensing more effective for some products than others? Why?
- Is there a price difference between licensed goods and comparable non-licensed goods? For example is the official team jersey or the official team cap more expensive than a comparable jersey or cap without a team logo?
- Why have licensed goods become so popular?
- What about celebrity endorsements? How much do they influence your buying decisions? (Be honest!)





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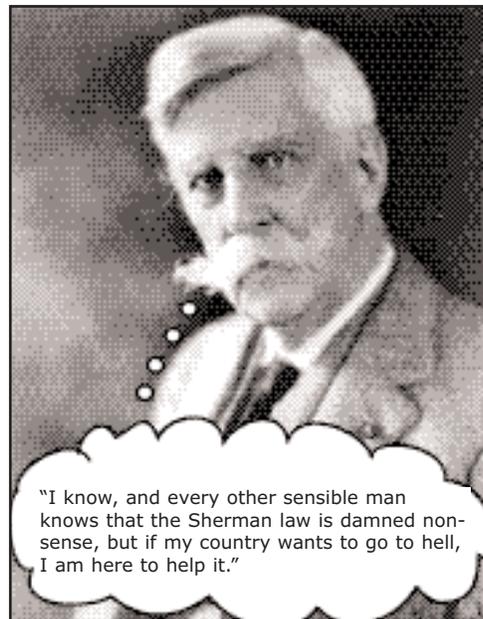
4.4 A Matter of Trust(s)

Justice Oliver Wendell Holmes wrote the 1922 Supreme Court decision that gave baseball an exclusion from the Sherman Antitrust Act and other federal antitrust laws. He once said: "Of course I know, and every other sensible man knows, that the Sherman law is damned nonsense, but if my country wants to go to hell, I am here to help it."

Questions:

- What do you think Justice Holmes meant?
- Are there times when a monopoly might not hurt the interests of consumers and may, in fact, serve the public interest? Explain.
- Would you classify professional sports leagues as perfect competition, oligopolies, monopolies? What is your reasoning?

Economists Quirk and Fort propose breaking up each pro sports league – the NBA, NFL, NHL, and MLB – into independent leagues that would compete against one another for everything – players, TV contracts, franchise locations, and fans. (Example: The NBA's four divisions – Atlantic, Central, Midwest, and Pacific – would become totally independent leagues.) What do you think? What economic impact would that have on pro sports?



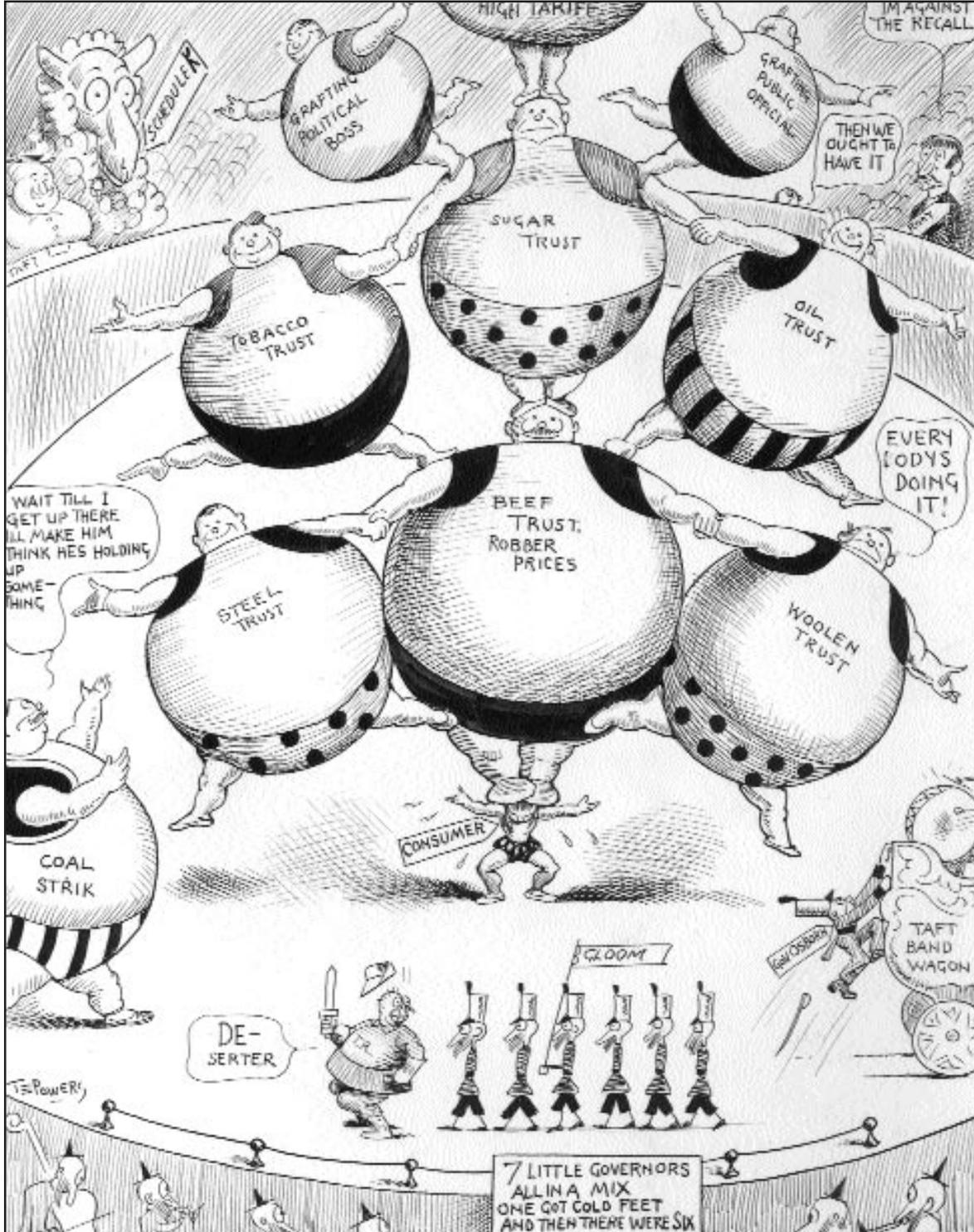
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Justice Oliver Wendell Holmes



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"The Monopoly Brothers" balancing on the shoulders of the consumer, 1912

