

Activities and Discussion Questions



Inning 7

7.1 How Important Is Competitive Balance?

Lop-sided contests aren't much fun. Just think about all those Super Bowl blowouts in which the commercials were the highlight of the second half. Or what about the Dream Team? Marketers and eight-year-olds loved the idea of NBA superstars taking on the world, but after the hype faded, fans saw the games for what they were – low drama and poor sport.

Of course, there are exceptions. Dominant, powerhouse teams like Babe Ruth's New York Yankees and Michael Jordan's Chicago Bulls are the stuff of legend. Watching an extraordinary team can be a lot more fun than sitting through a forgettable game between evenly matched opponents.

Question:

When you get right down to it, how important is competitive balance in pro sports? Does it really affect the overall economic health of a pro sports league if some teams always win and others always lose? Explain your answer.

Question:

If you think competitive balance is a problem, what is your solution?

Question:

Cable television and satellite dishes make it possible for you to see a winning team whenever you want – as long as you don't mind that the team is from another city. Is the hometown connection as important as it used to be? Why or why not?





Inning 7

7.2 Let the Buyer Beware?

New York Yankees owner George Steinbrenner is always good for a quote. At the start of the 1999 baseball season, he told *USA Today* that he knew what he was buying when he bought the Yankees, and other owners should have known what they were buying when they bought their teams.

Question:

What do you think he meant?



George Steinbrenner

Courtesy of National Baseball Hall of Fame





Inning 7

7.3 What about Salary Caps for Everyone?

Question:

If there is no salary cap for top doctors, lawyers, corporate executives, rock musicians, TV stars, or computer wizards, why should there be one for top athletes? Why do people seem to get so much more agitated over high salaries for athletes?





Inning 7

7.4 Collusion Course: What's an Owner to Do?

In 1985, Major League Baseball team owners informally agreed not to sign free agent players whose clubs were interested in keeping them. The owners' move was successful in slowing the growth of salaries, but there was a problem.

An individual owner has every right not to pay high salaries. That's an individual business decision.

But when owners acted as a group to restrict the labor market, they violated their labor agreement with the players union. It's called collusion.

After realizing what the owners had done, the Major League Baseball Players Association filed three separate labor grievances. Arbitrators ruled against the owners, who ended up settling all three cases for a total of \$280 million. The Players Association distributed the money to players who had suffered financial harm as a result of the owners' collusion.

Your Call:

If collusion is not an option, what can team owners do to reduce labor costs?





Inning 7

7.5 A Modest Proposal: Jonathan Swift Might Have Liked This One

Competitive balance? Let's take this issue into the wider world.

Most Americans would probably agree on two things:

1. Providing a quality education for every child is a desirable goal.
2. The opportunity for a child to get a quality education is probably greater in a wealthy community than in a poor community.

So, why not ask wealthy communities to share some of their local tax revenues with poor communities – a sort of revenue sharing to promote competitive balance? Or what about a “luxury tax” on education budgets that exceed a certain amount? Money from the tax could go to communities that don't have as much to spend on education.

Question:

How do you think parents and students in various communities would react to these proposals?





Inning 7

7.6 If They Move, So What?

Owners of small market teams often say that dwindling attendance and financial pressures are making it hard for them to stay in business. Some threaten to move their teams unless:

- 1) the local government helps to finance a new stadium, and/or
- 2) the local fans - especially local businesses - buy more season tickets.

Question:

Who cares? If a business can't make money, it goes out of business. Isn't that one of the bedrock beliefs of a free enterprise system? Are sports franchises different from other businesses in that regard? Explain.

Question:

Media giants like Fox and Disney are buying teams. How might that affect the revenue gap, the payroll gap, and competitive balance?

Before you answer: Go online and check the standings for the 1999 baseball season. Where did the Disney-owned Angels and the Fox-owned Dodgers finish? While you're at it, check the NHL standings. How did the Disney-owned Mighty Ducks finish in 1997-98 and 1998-99?

