

Sports and Live Performance

Chapters 12 and 13

Vocabulary

1. Free Agency
2. Monopsony
3. Oligopoly
4. Anti-trust
5. Sherman Act
6. Tax Shelter
7. Hedge Fund
8. Private Equity Group
9. Collective Bargaining Agreement
10. Anti-trust exemption
11. Personal Service Agreement
12. Unions
13. Guilds
14. SAG
15. Coase Theorem
16. MRP Marginal Revenue Product
17. Yield management systems (entertainment)
18. Private placement memorandum
19. Angel
20. Positive externality
21. National Endowment for the Arts (NEA)
22. 501(c) 3
23. Productivity
24. Syndicate
25. Subscription fees
26. Foundation grants
27. Subsidy
28. National Endowment of the Arts
29. Positive externalities
30. Bequest value
31. Existence value
32. Prestige value
33. Option value
34. Sports Broadcasting Act
35. Sports Wagering
36. Allocation arrangement
37. Salary cap
38. Federal Baseball Club of Baltimore v. National League
39. Landmark Decision
40. Toolson v. New York Yankees

41. Curt Flood v. Bowie Kuhn (Messersmith Decision)

FOCUS ISSUES AND QUESTIONS

1. Admission to sports contests are generally resistant to economic recessions and benefit in boom times. Is this accurate? Why or why not?
2. Sports franchise values are sensitive to what issues. Is this accurate? Why or why not?
3. What percentage of the NFL's revenues are derived from TV license fees?
4. The value of sports rights is primarily a result of the large demand for live transmissions of a relatively finite number of important contests. Is this accurate?
5. _____ restricts entry, assign exclusive franchise territory, and collude on revenue-sharing formula.
6. Professional football uses allocation arrangements that are completely exempt from antitrust laws. Is this accurate? Why or why not?
7. In baseball, basketball, and football it is equally important for a team to fill the arena, park, or stadium for every game. Is this accurate? Why or why not?
8. Player salary costs account for less than what Percent of total team operating expenses?
9. The Messersmith Decision, also known as Flood v. Kuhn, is a landmark decision related to labor, antitrust, and player salaries. Is this accurate? Why or why not?
10. Football, Basketball, and baseball were all granted special antitrust immunity from the US government. Is this accurate? Why or why not?
11. _____ decided that the cost of individual players' contracts should be capitalized over the useful life of the asset.
12. A monopsony is one of the 3 economic features central to the business of professional sports. Is this accurate/Why or why not?
13. Free agency has impacted the monopsony power of professional sports, but the cartel structure has remained unchanged. Is this accurate? Why or why not? _
14. What is economic argument for cartel agreements in sports?
15. What states that it does not make a difference whether a player is a free agent owning the rights to his or her services or a team owner has the right to hold the players contract. The player should nonetheless end up playing for the team that places the highest value on the services. _
16. Gross receipts from Broadway far exceed the receipts from touring theater presentations. Is this accurate? Why or why not?
17. Major hit musicals grossly outperform Major hit movies in the short run. Is this accurate? Why or why not?
18. Ticket prices for live performances have risen at rates consistently higher than that for the Consumer Price Index. Is this accurate? Why or why not?
19. What is the argument that the arts are a good with both public and private characteristics?
20. What is the economic relationship between professional sports and the cable/broadcast industry?
21. What economic impact does or will gambling have on professional sports?

22. What are the operating characteristics of professional sports?
23. What is an allocation arrangement in sports?
24. How do professional sports franchises treat player contracts under the IRS rules?
25. What are the factors to determine the worth of a sports franchise?
26. What are the major trends in the professional sports industry?
27. What are the operational characteristics of Broadway theater?
28. What are the financial characteristics of Broadway theater?
29. What is the role of productivity in the arts?
30. Compare and Contrast theater, orchestra, opera, dance, and the visual arts?
31. What is the underlying sensitivity to franchise values?
32. How does the IRS treat player contracts?