



# The Gamble Behind Collectibles: What Consumers Need to Know

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Collectibles, from sports cards and comic books to toys, coins, and memorabilia, have long held a cherished place in global culture, with enthusiasts spanning generations in their pursuit of rare and valuable items. In recent years, however, the industry has experienced a seismic shift with the introduction of 'insert cards,' 'parallels,' limited-edition action figures, rare coins, and 'chase items'—collectibles that can fetch thousands of dollars on the secondary market. This trend is particularly evident in the world of baseball cards, a cornerstone of American sports culture, where collectors now seek out prized rookie cards, complete sets, and limited-edition releases. The rise of these high-stakes, rarity-driven items has transformed collecting into an activity that increasingly mirrors gambling, drawing scrutiny from consumer advocates and legal experts alike.

## How It Works

Modern collectibles are no longer just about nostalgia and craftsmanship. Today, collectors chase elusive autographed cards, relics embedded with historical artifacts, limited-edition toys, and specially minted coins. Companies often disclose the odds of obtaining these rare pieces—1:500 packs for a special autograph, for instance—creating a gambling-like dynamic.

"When you buy a pack or a mystery box, you're essentially betting on the chance of landing a high-value collectible," says Dr. Emily Thompson, a psychologist specializing in gambling behavior. "The uncertainty and excitement mimic the same psychological triggers seen in slot machines."

## Two professionals highlight this phenomenon:

- **Mark Jenkins**, a professional collector, recounts spending over \$15,000 in one year chasing a specific autograph card. "It became an obsession, like playing the lottery. The thrill of potentially hitting a big card kept me coming back, even when I knew the odds were against me."
- **Lisa Martinez**, a former retail manager turned card investor, compares the practice to day trading. "You have a 1 in 1,000 chance of getting a card worth thousands, but most of the time, you're left with common cards nobody wants. It's gambling in every sense except for the legal classification."

## The Economics of the Collectibles Industry

**Part 1: The Market Dynamics** The collectibles industry is a global powerhouse that transcends age and nationality. Key stakeholders include creators, manufacturers, retailers, and collectors. The economic forces at play mimic those of more traditional financial markets.

1. **Creators:** Artists, athletes, celebrities, and historical figures serve as the core attraction for many collectibles. A rookie baseball card, a first-edition comic book, or a signed toy from a blockbuster movie can skyrocket in value based on the creator's relevance and achievements.
2. **Manufacturers:** Companies like Topps, Panini, Funko, Hasbro, and the U.S. Mint play a crucial role by producing and marketing collectibles. Scarcity is often manufactured through limited editions, creating demand spikes.

3. **Retailers:** Specialty stores, online marketplaces like eBay, and auction houses like Heritage Auctions serve as the primary distribution channels. Digital platforms have revolutionized the resale market, introducing blockchain technology for digital collectibles.
4. **Collectors:** Enthusiasts and investors alike engage in the market, with some focusing on long-term value and others seeking short-term profits. The psychology of collecting often mirrors that of stock trading.

The industry was valued at approximately \$15 billion globally in 2023, with projections of steady growth driven by increased online accessibility and digital collectibles like NFTs.

**Part 2: The Influence of Scarcity** Manufacturers use several tactics to generate demand:

- **Limited Editions:** Products marked as "limited" create urgency. For instance, a toy line might release only 5,000 units worldwide.
- **Chase Items:** Randomly inserted items with unique features, like foil-stamped cards or special paint variants.
- **Special Releases:** Products tied to anniversaries or events often see a surge in popularity.

## The Economics of the Card Collecting Industry

### Part 3: The Economics of the Card Collecting Industry: Players, Leagues, and Teams

The baseball card industry, a cornerstone of American sports culture, is an economic powerhouse that reaches beyond mere collecting. As the market grows, so do the roles of various stakeholders: players, leagues, and teams. These entities play a significant part in shaping the values of cards, as well as the overall economic landscape of the industry.

1. **Players:** The athletes themselves are at the heart of the card collecting world. The performance of a player directly impacts the demand for their cards. Players like Babe Ruth, Mickey Mantle, and more recently, Mike Trout and Shohei Ohtani, are household names whose cards fetch astronomical prices due to their stellar careers. Cards featuring these athletes are not only sought after by passionate fans, but also by investors who view them as assets that may appreciate over time. When a player reaches a milestone, such as breaking a record or winning a prestigious award, their card's value often surges. But it's not just about the stars. Up-and-coming players—often referred to as "prospects"—create a speculative market within the card industry. When a young player has a breakout season, their cards can experience significant price increases, reminiscent of the stock market's reaction to an IPO. For example, cards from players like Juan Soto or Ronald Acuña Jr. saw a rapid rise in value after they burst onto the scene. This speculation is fueled by the hope of future stardom and the rarity of certain "rookie" cards.
2. **Leagues:** Major League Baseball (MLB) and other sports leagues have a significant impact on the card market. In the past, baseball card manufacturers relied heavily on agreements with leagues to include their logos, team names, and player likenesses on the cards. Today, MLB has strict guidelines that control which companies can produce officially licensed cards. This exclusive partnership between MLB and card manufacturers such as Upper Deck or Topps influences pricing and scarcity. When a card features a player in an official team uniform or showcases a limited-edition collectible tied to an MLB event, its desirability grows, thus driving up its market value.

The leagues also fuel the ongoing demand for cards by promoting events, such as All-Star games, World Series, and Hall of Fame inductions. These high-profile moments often coincide with special card releases that celebrate these events, creating a sense of urgency for collectors to obtain them before they sell out. Additionally, collaborations between MLB and card companies bring new fans into the market, keeping the collecting hobby fresh and relevant.

3. **Teams:** Each individual team in MLB also plays a key role in the economic machine of card collecting. Teams with larger fanbases, such as the New York Yankees, Boston Red Sox, and Los Angeles Dodgers, inherently create a larger demand for their player's cards. As teams grow in success, so do

their players' collectibles. For instance, during the Yankees' dominant years in the late '90s, cards featuring players like Derek Jeter and Mariano Rivera skyrocketed in value. The success of a team can lead to an increase in the demand for cards associated with that team, particularly if they have a core group of players that perform consistently at a high level.

Team-related merchandise and memorabilia often overlap with the baseball card industry, creating a multi-faceted economic ecosystem. Collectors who are fans of certain teams will often seek out rare, limited-edition team-specific cards that commemorate moments such as championships or iconic plays. These moments can trigger waves of card sales that benefit both the team and the manufacturers. Furthermore, when a team signs a new player with a high profile or potential for greatness, their rookie cards—especially those from a major team—become highly sought after. Stretching the market as far as possible, special chase cards now contain both pieces of game used jerseys and autographs.

### **The Interplay Between Players, Leagues, and Teams**

The card collecting world is intricately linked to the careers of players, the success of teams, and the promotional efforts of leagues. All three factors contribute to the economic value of a specific card. This collaboration creates a cyclical dynamic that drives the value of baseball cards. A highly successful player, playing for a popular team, and receiving the endorsement of the league will likely see their cards become valuable collectibles. In contrast, a player on a struggling team, in a less-promoted market, may not attract the same level of demand, even if their on-field performance is outstanding.

This complex relationship illustrates how the baseball card industry mirrors traditional economics. It operates as both a nostalgic hobby and a financial market, where scarcity, speculation, and performance dictate value. Ultimately, the demand for cards, driven by these three factors, fuels the industry's growth—turning what began as a simple pastime into a multi-billion-dollar market with far-reaching implications.

The involvement of players, leagues, and teams within this market has also resulted in the creation of "player-specific markets." Some collectors even focus solely on a particular team or player, building entire collections based on individual achievements. This specialization can further inflate the value of certain cards, as collectors compete to acquire every possible variation of a given player's card.

As a result, the baseball card industry has grown into a multi-billion-dollar market. In 2023, the industry was valued at approximately \$6 billion, with projections of 10% annual growth through 2027. Key factors include:

- **Promotions:** Companies use limited-edition releases, celebrity signings, and social media campaigns to attract buyers.
- **Collecting:** Demand for certain players can spike after significant on-field performances.
- **Salaries:** Professional card graders and dealers can earn upwards of \$100,000 annually, while industry executives draw multimillion-dollar salaries.
- **Corporate Profits:** Upper Deck, the market leader, reported \$750 million in profits last year alone.
- **Legalities:** Vague laws and practices that stretch the "grey areas" while increasing profits.

### **The Players Unions:**

Player unions have played a crucial role in the development of trading cards by ensuring players receive royalties from the sales of their likenesses. These royalties are often paid through union dues, which are typically a percentage of the revenue generated from card sales. For example, in Major League Baseball, players are required to be part of the union, which negotiates licensing deals with card companies like Topps and Upper Deck. This allows players to earn royalties whenever their image is used. These earnings can range significantly depending on the player's popularity and the exclusivity of their card. For example, a star player like Mike Trout might earn hundreds of thousands of dollars in royalties from card sales, while lesser-known players earn less. However, not all players are part of the union. Barry Bonds, a notable example, chose not to join the union, and as a result, no cards have been produced featuring his likeness after a certain date,

illustrating the significant impact of union membership on a player's presence in the card market. This decision has affected his marketability within the industry, as card companies require union agreements to legally use a player's image in their products.

### **The Impact of Overproduction on the Sports Card Industry: The Cases of Upper Deck and Pro Set**

In the late 1980s and early 1990s, the sports card industry experienced significant turmoil due to overproduction by leading manufacturers, notably Upper Deck and Pro Set. These companies, aiming to capitalize on the burgeoning market, produced cards in quantities that far exceeded consumer demand, leading to a dramatic devaluation of their products.

#### **Upper Deck's Overproduction Scandal**

Upper Deck, renowned for its high-quality cards and innovative hologram technology, faced a crisis in 1990 when it was revealed that the company had produced an excessive number of cards, including the highly coveted Ken Griffey Jr. rookie card. This overproduction flooded the market, causing a sharp decline in the card's value. Collectors who had invested heavily in these cards saw their investments plummet, leading to widespread financial losses. The scandal tarnished Upper Deck's reputation and had a lasting negative impact on the sports card industry ([forums.collectors.com](https://forums.collectors.com)).

#### **Pro Set's Financial Collapse**

Similarly, Pro Set, the first company to secure an official NFL license, overestimated market demand and produced an overwhelming number of football cards in 1990. The market became saturated, and the value of Pro Set cards diminished rapidly. The company's financial instability culminated in a Chapter 7 bankruptcy filing in 1994, with over \$800,000 in unpaid royalties to the NFL Players Association. This bankruptcy not only led to the company's dissolution but also caused significant financial losses for collectors who had invested in Pro Set products ([en.wikipedia.org](https://en.wikipedia.org)).

#### **Economic Consequences for the Industry and Consumers**

The overproduction by these companies had far-reaching economic consequences. The market became flooded with cards, leading to a sharp decline in their value. Collectors who had invested substantial amounts saw their investments devalued, and the overall trust in the sports card market was eroded. The industry experienced a significant downturn, with many collectors exiting the market and companies facing financial difficulties. This period is often cited as a cautionary tale about the dangers of overproduction and the importance of aligning supply with actual consumer demand.

In summary, the overproduction scandals involving Upper Deck and Pro Set serve as pivotal examples of how miscalculations in production and market demand can lead to significant economic repercussions for both companies and consumers in the sports card industry.

#### **The Impact on Consumers: Risks and Realities**

This quasi-gambling aspect has significant consequences. Young collectors, once drawn to cards for their love of the game, are increasingly spending large sums chasing rare inserts. According to a 2023 survey by *Card Collectors Weekly*, 65% of respondents admitted to spending more than intended due to the chase for special cards.

"I spent over \$5,000 last year trying to hit a rare Mike Trout autograph," said collector Jared L., "It felt just like betting at a casino."

#### **The Monopoly Factor: Upper Deck's Dominance**

Upper Deck has established itself as the dominant player in the baseball card industry, effectively creating a monopoly. Over the years, the company has systematically acquired competitors or forced them out of the market. For instance, Upper Deck purchased Fleer in 2005, one of the oldest and most recognized names in the

trading card industry. Additionally, they have aggressively outmaneuvered Topps, the only other significant competitor, by securing exclusive contracts with Major League Baseball.

As a result of these practices, Upper Deck controls approximately 75% of the overall market. This dominance allows the company to dictate pricing, card designs, and promotional strategies with minimal competition. Such a level of control raises concerns about the legality of their market position under federal antitrust laws, which prohibit monopolistic practices.

Economically, this monopoly has enabled Upper Deck to generate significant profits while stifling innovation and limiting consumer choices. The lack of competition has also made it easier for the company to implement gambling-like mechanisms, such as mystery packs and limited-edition insert cards, without fear of consumer backlash or regulatory oversight.

Legal experts argue that this level of market dominance could be challenged under the Sherman Antitrust Act, which aims to prevent companies from using unfair practices to achieve or maintain a monopoly. The impact on consumers is substantial, as collectors face inflated prices and reduced transparency regarding the odds of obtaining high-value cards.

"Upper Deck's stranglehold on the industry is bad for collectors and bad for the hobby," asserts legal expert Jonathan Greene. "They're operating like a private mint, printing money with no checks or balances."

### **The Legal Landscape: Games of Chance and Consumer Protections**

Federal and state laws regulate games of chance to protect consumers from predatory practices. Baseball card packs, with their element of chance and potential prize, fall into a legal gray area. Gambling is typically defined by three elements: consideration (money spent), chance, and a prize.

#### **Definition of Games of Chance**

A 'game of chance' is generally defined as any activity where the outcome is determined predominantly by chance rather than skill, even if some skill elements are present. Most states apply the dominant factor test to differentiate between skill-based games and gambling.

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### **Relevant Court Cases**

#### **1. Federal Trade Commission v. Publishers Clearing House (1996)**

- **Issue:** Did Publishers Clearing House engage in deceptive practices that constituted illegal gambling?
- **Rule:** The FTC Act prohibits deceptive practices involving games of chance.
- **Analysis:** The company used misleading advertisements to entice consumers into purchasing magazines in hopes of winning prizes.
- **Conclusion:** The court ruled that these practices were deceptive, leading to tighter regulations on promotional sweepstakes.

#### **2. People v. Randall (California, 1983)**

- **Issue:** Did the operation of a random prize giveaway constitute illegal gambling?
- **Rule:** California Penal Code 330 prohibits unauthorized games of chance.
- **Analysis:** The giveaway involved paying for a product with the hope of receiving a valuable prize.

- **Conclusion:** The court determined the practice was illegal gambling, establishing precedent for similar activities.

### 3. **State of New York v. Loot Box Corp. (2021)**

- **Issue:** Were virtual loot boxes in video games a form of gambling?
- **Rule:** New York Penal Law Article 225 defines gambling as risking money on an uncertain event.
- **Analysis:** Loot boxes offered randomized rewards in exchange for money, attracting minors.
- **Conclusion:** The court found the mechanics resembled gambling, prompting legislation regulating such practices.

### 4. **Smith v. CardCorp (2021)**

- **Issue:** Did CardCorp manipulate production numbers to inflate prices, misleading consumers?
- **Rule:** Consumer protection laws require accurate disclosures about product availability and production figures.
- **Analysis:** Plaintiffs presented evidence that CardCorp overstated the scarcity of a limited-edition card series, artificially driving up prices. The court determined these actions misled consumers and violated fair marketing standards.
- **Conclusion:** The court ruled in favor of the plaintiffs and mandated clearer production disclosures to prevent future manipulation.

### 5. **In re Funko Distribution Practices (2022)**

- **Issue:** Did Funko engage in deceptive marketing by labeling items as "limited" and subsequently reissuing them?
- **Rule:** Advertising laws prohibit deceptive or misleading claims about product scarcity.
- **Analysis:** Evidence showed that Funko repeatedly marketed products as "limited," then produced additional quantities later, misleading consumers about the items' rarity.
- **Conclusion:** The court imposed stricter labeling guidelines to ensure accurate representations of product availability.

### 6. **U.S. v. CryptoCollectibles Inc. (2023)**

- **Issue:** Did CryptoCollectibles Inc. misrepresent the odds of obtaining certain digital collectibles, misleading consumers?
- **Rule:** Federal regulations require accurate, transparent disclosures regarding the odds of obtaining digital or collectible items.
- **Analysis:** Investigators found discrepancies between advertised and actual odds, with consumers misled about the rarity of certain NFTs.
- **Conclusion:** The court mandated regulatory changes, requiring clearer, standardized NFT disclosure practices.

## **Mandating Transparency: The Need for Production Disclosures**

To protect consumers, experts advocate for mandatory transparency from collectible producers. Companies should be required to:

1. **Declare Means of Production:** Provide verifiable documentation detailing the production process, materials used, and facility locations.
2. **Release Production Numbers:** Publicly disclose the exact quantity of each collectible produced, including reprints and alternate versions.
3. **Define "Limited Edition":** Establish clear industry-wide standards for what constitutes a "limited edition." For instance, a "limited edition" item should have a fixed production cap, with no subsequent reprints.

"Collectors deserve to know whether their purchase is genuinely scarce or part of a manufactured illusion," says consumer rights attorney Rachel Green. "Full disclosure ensures fairness and trust."

## **Conclusion: A Call for Oversight and Protection in Emerging Markets and Legal Practices**

The shift in baseball card collecting towards gambling-like elements, as seen in the incorporation of rare, high-value cards and odds akin to those found in casinos, has placed consumers at risk. Companies like Upper Deck and Topps have capitalized on these elements, exposing collectors to the potential of overspending while chasing elusive prizes. This evolving trend signals a pressing need for government regulation, akin to past actions like *United States v. General Foods Corp.*, which reshaped promotional practices in the food industry to protect consumers. Given that the sports card market is increasingly adopting speculative practices, it is clear that oversight is necessary to ensure consumer protections and prevent exploitative practices.

Simultaneously, the legal landscape surrounding technology and privacy continues to evolve, with law enforcement agencies grappling with the tension between privacy rights and investigative needs. The rise of digital technologies necessitates the development of more transparent and standardized protocols, ensuring that law enforcement respects constitutional rights while effectively carrying out their duties. To adapt, agencies must focus on educating officers about digital privacy and work alongside lawmakers and privacy advocates to develop practical and robust guidelines.

Together, these developments point to the importance of proactive regulation in both the consumer goods sector and law enforcement. Government oversight is essential not only to protect consumers from speculative risks in markets like baseball cards but also to ensure that emerging technologies are handled with care and respect for privacy. The collaboration between industries, regulators, and the public will be crucial in navigating these dynamic landscapes and safeguarding both consumer rights and constitutional freedoms.

**Note: Additional cases attached in Appendix**