Economics of Sport: Hard Facts

Economics Of Sport · Practice Test · 10 Questions

1. What economic concept best describes the situation where a single entity (like a league) has significant control over the supply of a product (professional sports teams), potentially leading to higher prices or restricted output?

A) Perfect competition
B) Monopolistic competition
C) Monopoly
D) Oligopoly

2. The 'reserve clause' historically employed in many professional sports leagues effectively created what type of labor market situation for athletes before free agency became widespread?

A) A perfectly competitive labor market
B) A monopsony labor market
C) A bilateral monopoly labor market
D) A competitive bargaining labor market

3. Which economic phenomenon is most directly responsible for the 'winner's curse' often observed in the bidding for high-profile sports broadcast rights?

A) Information asymmetry
B) Externalities
C) Moral hazard
D) Adverse selection

4. When sports teams argue for public subsidies to build new stadiums, they often cite potential economic benefits like job creation and increased local spending. Economists often refer to these claimed benefits as what, due to potential overestimation or displacement of existing economic activity?

A) Positive externalities
B) Crowding-out effects
C) Economic multipliers
D) Spillover effects

5. The formation of sports leagues, where teams agree on rules, schedules, and revenue sharing, is an example of overcoming which economic problem?

A) Principal-agent problem
B) Tragedy of the commons
C) Coordination problem
D) Information asymmetry

6. The significant disparity in player salaries between different sports leagues (e.g., NFL vs. WNBA) is primarily driven by differences in which economic factor?

A) Unionization rates
B) Demand for the sport and its associated revenues
C) Government regulation
D) Player skill levels

7. A 'sports cartel' is an economic concept that best describes the behavior of which entity in professional sports?

A) Individual star athletes
B) Fan clubs
C) Sports leagues and their member teams
D) Sports agents

8. The 'sports franchise valuation' often cited in business publications is largely determined by the capitalization of future earnings, which includes ticket sales, media rights, and merchandise. This is an application of what core economic principle?

A) Marginal utility
B) Present value analysis
C) Opportunity cost
D) Elasticity of demand

9. When a successful sports team's presence in a city attracts new businesses and residents, this is an example of a positive ______, though the magnitude is often debated by economists.

A) Externality
B) Market failure
C) Public good
D) Network effect

10. The economic argument that a professional sports team provides a 'public good' (non-excludable and non-rivalrous enjoyment for fans) is generally considered flawed by economists because:

A) Sports teams are privately owned and operate for profit.
B) The experience of watching a game is excludable (requiring a ticket).
C) The enjoyment derived from a team's success is rivalrous (scarce).
D) Sports teams do not contribute to local infrastructure.