Economics of Sport: Factual Foundations

Economics Of Sport · Practice Test · 12 Questions

1. According to economic theory, the high salaries in professional sports are primarily a reflection of:

A) Union bargaining power and player solidarity.
B) The inelastic demand for elite sporting talent.
C) Significant revenue generation capabilities of star athletes.
D) Government subsidies for sports teams.

2. The 'reserve clause' in historical sports contracts, which bound players to a single team indefinitely, is an example of a situation that suppressed:

A) Team profitability.
B) Player bargaining power and created a monopsony labor market.
C) Fan attendance.
D) League expansion.

3. In sports economics, the concept of 'team dynasties' (e.g., multiple championships in a short period) is often linked to:

A) Increased league parity and competitive balance.
B) The creation of positive externalities for local economies.
C) The ability to consistently attract and retain top-tier talent due to higher expected future earnings.
D) Strict salary caps that prevent large market teams from dominating.

4. The economic impact studies of hosting major sporting events often face criticism for:

A) Overstating the multiplier effect by not accounting for displacement of local spending.
B) Underestimating the direct economic benefits to the host city.
C) Failing to consider the impact on national economies.
D) Ignoring the positive effects on tourism.

5. The 'winner's curse' in sports economics refers to the phenomenon where:

A) The winning team often overspends on player contracts in the following season.
B) Teams that win championships tend to lose key players due to free agency.
C) A team that wins a championship may have paid a price (in terms of draft picks or salary) that outweighs the economic benefits.
D) The league's revenue distribution system unfairly penalizes winning teams.

6. A primary reason for the existence of salary caps in professional sports leagues is to:

A) Guarantee profitability for all teams.
B) Increase player salaries across the board.
C) Promote competitive balance and prevent large-market teams from dominating.
D) Reduce ticket prices for fans.

7. The economic principle of 'monopoly' in sports leagues, where a league is the sole provider of professional competition within a specific sport and geographic region, allows teams to:

A) Face intense competition from rival leagues.
B) Negotiate freely with players without league oversight.
C) Have significant market power in setting prices for tickets and broadcasting rights.
D) Experience lower revenue streams.

8. In the context of sports broadcasting rights, the value is largely determined by:

A) The number of teams in the league.
B) The perceived quality of the athletes and the viewership interest generated.
C) The historical performance of the league.
D) The number of individual games played each season.

9. The concept of 'derived demand' in sports economics explains that the demand for players is ultimately a function of:

A) The number of fans attending games.
B) The profitability of the league.
C) The demand for the sport itself by consumers (fans).
D) The salaries of coaches.

10. The economic argument for public funding of sports stadiums often centers on:

A) The creation of private wealth for team owners.
B) The generation of substantial tax revenue that offsets public investment.
C) The belief that stadiums create positive economic externalities like job creation and increased tourism.
D) Ensuring that all teams have access to state-of-the-art facilities.

11. The 'free-rider problem' can be observed in sports fandom when:

A) Teams consistently fail to win championships.
B) Fans enjoy the benefits of a successful team (e.g., city pride, social engagement) without directly contributing financially to its success.
C) Broadcasting rights are too expensive for average fans.
D) League revenue is not equitably distributed.

12. The 'substitution effect' in sports economics is evident when:

A) A team invests heavily in player development.
B) Fans switch their allegiance from one team to another due to a player's performance.
C) The price of tickets for one sport increases, leading fans to attend more games of another sport.
D) A new technology enhances player performance.