Economics of Sport Fundamentals

Economics Of Sport · Answer Key · 8 Questions

1. What is the primary source of revenue for most major professional sports leagues today?

A) Ticket sales
B) Broadcasting rights
C) Merchandise sales
D) Concession sales

2. Which economic concept explains why professional sports leagues often implement salary caps to keep competition balanced?

A) Monopoly power
B) Competitive balance
C) Comparative advantage
D) Diminishing returns

3. In the context of stadium financing, what are 'public subsidies' used for?

A) Paying player salaries
B) Funding new stadium construction
C) Covering team travel costs
D) Buying sports equipment

4. What is the term for when a sports team owner charges different prices for the same seat based on the opponent or time of season?

A) Dynamic pricing
B) Fixed pricing
C) Predatory pricing
D) Cost-plus pricing

5. What is the largest expense for the vast majority of professional sports teams?

A) Stadium maintenance
B) Marketing budgets
C) Player salaries
D) Administrative taxes

6. How do 'luxury taxes' function in leagues like Major League Baseball?

A) They tax fan ticket purchases
B) They charge teams that exceed a certain payroll threshold
C) They tax stadium food sales
D) They tax foreign player contracts

7. Which economic term refers to the value of the next best alternative given up when a city chooses to host a major event like the Olympics?

A) Sunk cost
B) Opportunity cost
C) Fixed cost
D) Variable cost

8. In sports economics, what does 'vertical integration' refer to in team ownership?

A) Owning multiple teams in different sports
B) Owning the team and the stadium/broadcasting network
C) Hiring only local players
D) Selling equity to fans