Economics of Sport Fundamentals

Sports Economics · Answer Key · 10 Questions

1. Which professional sports league introduced the first luxury tax system to control payroll spending in 1997?

A) Major League Baseball
B) National Basketball Association
C) National Football League
D) National Hockey League

2. In sports economics, what term describes the practice where teams share gate receipts to promote competitive balance?

A) Salary capping
B) Revenue sharing
C) Draft lottery
D) Asset stripping

3. Which governing body generates the highest share of its revenue from the sale of international broadcasting rights for the FIFA World Cup?

A) IOC
B) FIFA
C) UEFA
D) NFL

4. The 'Winner's Curse' in sports economics is most commonly associated with which financial activity?

A) Stadium construction
B) Free agent bidding
C) Jersey sponsorship
D) Broadcasting auctions

5. What is the primary purpose of a 'hard' salary cap in professional sports leagues?

A) Increasing tax revenue
B) Limiting total team payroll
C) Reducing ticket prices
D) Encouraging team relocation

6. Which revenue stream typically accounts for the largest percentage of total income for top-tier European football clubs?

A) Matchday ticket sales
B) Merchandising
C) Broadcasting rights
D) Stadium naming rights

7. What economic concept explains why ticket prices for major sporting events do not always clear the market at face value?

A) Perfect competition
B) Price skimming
C) Consumer surplus
D) Scalping behavior

8. In the context of US sports, what is an 'expansion fee' paid by a new franchise to existing team owners?

A) A penalty for poor performance
B) A payment to join the league
C) A tax on stadium construction
D) A fee for player transfers

9. The 'Reserve Clause', which historically restricted player movement between teams, was a prominent feature in which sport's legal history?

A) Cricket
B) Rugby
C) Baseball
D) Tennis

10. Which type of financing is most commonly used by municipal governments to fund the construction of new professional sports stadiums?

A) Personal income tax
B) Public bond issues
C) Direct corporate grants
D) Private equity loans