

Economics of Sport Fundamentals

Sports Economics · Practice Test · 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