

Midterm Example

ECONS 321 - Sports Economics

March 3, 2018

Multiple Choice

1. If the cross price of elasticities of two products (with respect to each other) are both negative, then those two products are _____ of each other.
 - a) **complements**
 - b) substitutes
2. Increasing team quality generally _____.
 - a) decreases total revenue and increases total cost
 - b) decreases total revenue and decreases total cost
 - c) **increases total revenue and increases total cost**
 - d) increases total revenue and decreases total cost
3. According to economists, when should a city subsidize a franchise's costs?
 - a) If taxes cover the subsidy
 - b) **If consumer surplus exceeds the subsidy**
 - c) If the franchise's profits are high
 - d) If the franchise's revenues are high
4. If a sports league is deemed to be a _____, then agreements among its members cannot violate Section 1 of the Sherman Act.
 - a) **single entity**
 - b) joint venture
5. Suppose that inverse demand for a Luke Falk jersey is: $P = 120 - 3q$. What is the marginal revenue?
 - a) $MR = 120 - 3q$
 - b) **$MR = 120 - 6q$**
 - c) $MR = 120$
 - d) $MR = 6$

6. Suppose that there are only 5 teams in a market, and each firm has an equal share of the market. The HHI in this market is _____ and thus is considered to be _____ concentrated.
- a) 10,000, highly concentrated
 - b) 100, unconcentrated
 - c) 4000, highly concentrated
 - d) **2,000, moderately concentrated**
7. Which of the following market definitions could be considered a monopoly?
- a) MLB games in California
 - b) **MLB games in Washington**
 - c) College baseball games in Oregon
 - d) MLB games in the east coast
8. A cartel can achieve its goal of maximizing profit by:
- a) refusing to deal with others
 - b) fixing process
 - c) rigging bids
 - d) **all of the above**
 - e) both a and b
 - f) both b and c
 - g) none of the above
9. In economics, what is a cartel?
- a) **a group of independent firms that agree not to compete with one another to earn supra-competitive profits**
 - b) a group of drug lords
10. Even though the MLB acts as a monopolist, it may have imperfect _____.
- a) **substitutes**
 - b) complements
 - c) competition

11. Suppose the San Francisco 49ers and the Golden State Warriors hold 2 of their games on the same days (a week apart). The 49ers increase the price of their tickets from 100 to 110, and the Warriors keep their prices the same. We see that the Warriors have an increase in attendance from 20,000 to 24,000. What is the cross-price elasticity?
- a) $1/2$
 - b) $-1/2$
 - c) **2**
 - d) -2
12. Suppose that the Seattle Seahawks find that the elasticity of demand for their tickets is $-1/2$. What is the Lerner index?
- a) **2**
 - b) $1/2$
 - c) 4
 - d) $1/4$
13. Generally, what is an economist's main concern with a monopolist's limiting of quantity?
- a) The monopolist price gouges the consumer
 - b) **It creates deadweight loss**
 - c) The monopolist receives higher profit
 - d) It changes the demand
14. According to the book, most proposed rules and procedures do not work to create competitive imbalance because:
- a) they are too costly
 - b) they create excess demand
 - c) they can't be properly enforced
 - d) **they cannot offset market forces**
15. Under the the reverse clause, who held the "property rights" of the players?
- a) **The owners of the club**
 - b) The league
 - c) The players
 - d) The agents