Econ 416 Quiz 1 Fall 2004 - 6 Points Possible

Multiple Choice
Identify the letter of the choice that best completes the statement or answers the question. Each answer is worth 1 point.

____ 1. Which of the following are sources of team market power in Major League Baseball?
   a. The existence of the players' union.
   b. Exclusive territorial rights given by the league.
   c. The availability of close substitutes to Major League Baseball games in a given city.
   d. High advertising prices.
   e. All of the above are sources of market power in Major League Baseball.

____ 2. Natalie is willing and able to pay up to $30 for a ticket to a Kansas City Wizards (MLS) game against the Jan
   Jose Earthquakes. Ticket prices for individual games are $22. Assume tickets are available. Will Natalie buy
   a ticket and, if so, how much is her consumer's surplus?
   a. No, she will not buy a ticket.
   b. Yes, she will buy a ticket and her surplus is $22.
   c. Yes, she will buy a ticket and her surplus is $30.
   d. Yes, she will buy a ticket and her surplus is $8

____ 3. Which of the following refers to the absolute quality of play?
   a. The amount of competitive balance within the Big 12 in football.
   b. The difference in overall quality of play in NCAA Division I womens' basketball and
      NCAA Division II womens' basketball.
   c. The closeness of games between the Chicago Cubs and the St. Louis Cardinals.
   d. The amount of talent in the AFC compared to that in the NFC in the NFL.

____ 4. On most college campuses, mens' basketball games have higher levels of attendance than womens' basketball
   games although tickets to womens' games are usually cheaper. Which of the following is a primary reason for
   this?
   a. differing fan preferences
   b. differing fan incomes
   c. different population bases
   d. upward-sloping demand curves
   e. more than one of the others is correct
Consider the following information that summarizes a regression performed on the following equation:
Franchise Value = α + β*Population + ε.

The variable entitled "Franchise Value" is how much a MLB team is estimated to be worth and "Population" is the population of the metropolitan area in which the team plays its home games.

Dependent Variable: franchval Franchise Value $Mil

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<td>intercept</td>
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The "parameter estimate" for the variable named "Intercept" is the estimate for α. The parameter estimate for the variable called "pop" is the estimate for β.

5. Refer to Regression 1. According to this output, if a team located in a metropolitan area with no people, what would the team's franchise value be?
   a. $182,842,396
   b. $20,193,030
   c. $40,019,783
   d. $0

6. Refer to Regression 1. What proportion of the variance of team franchise values is explained by differences in metropolitan area populations?
   a. approximately 39.8%
   b. approximately 7.7%
   c. approximately 20.78%
   d. approximately 99%
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Answer Section

MULTIPLE CHOICE

1. B
2. D
3. B
4. A
5. A
6. C