

Ballpark Figures

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Article:

On May 5, voters in Forsyth and Guilford counties will decide whether they want to foot two-thirds of the bill for a new baseball stadium. I haven't yet decided how I'll vote, but I'm leaning towards "no" for one reason: Supporters of the stadium are trying to sell it as something it ain't.

We keep hearing about how the stadium, and the coming of major-league baseball, will be a boon for economic development. The stadium, we're told, will create jobs and improve the local and regional economy.

The group called "Vote Yes! for Major League Baseball" recently put a flyer on my car that claims "economic studies project that a MLB franchise will create 3,000 new jobs and have an annual economic impact of \$140 million in the Triad region." Sounds good.

The problem is that "economic studies" are not always done by economists. Unlike baseball advocates, academic economists generally have no particular agenda, and their studies tend to be done more carefully. As a result, economists' studies yield more sobering conclusions.

Economics literature tells us that sport franchises and stadiums don't have large effects on local economies aside from modest increases in service-related employment.

Economists argue that other forms of economic development are more efficient generators of jobs and wealth, and that sports franchises primarily reallocate families' entertainment expenditures from existing businesses (movie theaters, miniature-golf courses, the zoo) to the new team.

A new book, *Sports, Jobs, and Taxes: The Economic Impact of Sports Teams and Stadiums*, edited by economists Roger Noll of Stanford University and Andrew Zimbalist of Smith College, includes case studies of major- and minor-league sports facilities in a number of U.S. cities. The central conclusion of these studies, as summarized by Noll and Zimbalist, is:

"A new sports facility has an extremely small (perhaps even negative) effect on overall economic activity and employment. No recent facility appears to have earned anything approaching a reasonable return on investment. No recent facility has been self-financing in terms of its impact on net tax revenues. Regardless of whether the unit of analysis is a local neighborhood, a city, or an entire metropolitan area, the economic benefits of sports facilities are de minimus."

In a December 1997 paper, University of Maryland economists Dennis Coates and Brad Humphreys disagreed with the consensus of "little or no effect." Using a sophisticated statistical analysis of sports facilities, they concluded the economic effects are *negative*.

Coates and Humphreys wrote, "The sports environment does appear to significantly influence the level of real income per capita ... the general nature of this impact is negative."

A related issue is the split between public and private financing. A principle of economics is that resources tend to be used most efficiently when those who benefit pay.

An op-ed piece last year by an official of the Congressional Budget Office pointed out that in the context of public funding of baseball stadiums there should be some appraisal of how benefits are split between baseball fans and the public. If two-thirds of the benefits are likely to accrue to baseball fans, they should bear two-thirds of the burden through surcharges on tickets, parking and concessions.

But the May 5 referendum flips this on its head. By putting two-thirds of the financing burden on the public at large with a tax on restaurant meals, the stadium authority is implicitly claiming that two-thirds of the benefits of the stadium will go to the public at large. In view of the slim chance that the stadium will actually spur general economic development, that sounds steep.

Unfortunately, we don't get to vote on the appropriate ratio on May 5. We vote up or down, yes or no. I'd be much more likely to vote "yes" if the specific burden on baseball fans were higher.

So where does all this leave us? With highly dubious claims of economic benefits and a highly curious distribution of the financing burden.

Yet in spite of the unreasonably optimistic claims of stadium advocates, it's not necessarily crazy to vote for the tax. It comes down to this: If you just flat-out like baseball, then vote "yes."

There are all sorts of things we spend our money on that don't benefit our financial bottom line, and yet they're perfectly sound expenditures. When I buy camping gear or a new sports shirt, my incentive is not my personal "economic development." I buy it because it makes me feel good. And so if baseball makes you feel good, then go for it.

Just don't kid yourself that you're doing great things for the Triad economy.