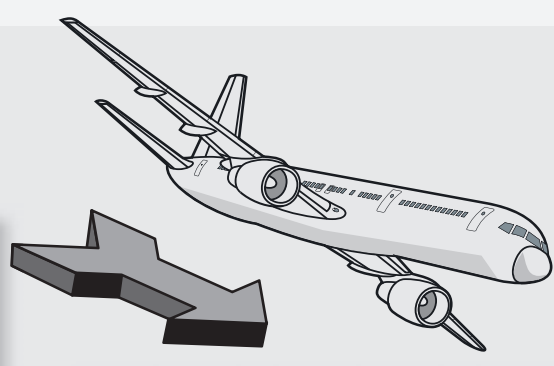




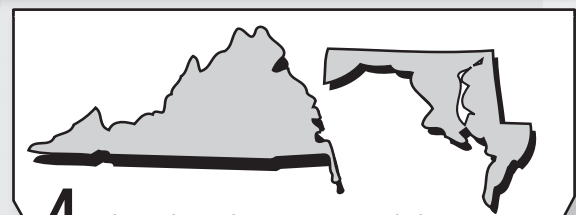
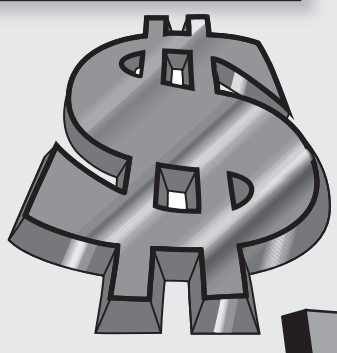
1. Absent the stadium, a large share of the money spent at a stadium would be spent at other entertainment venues in the metropolitan area. Only new spending in the area promotes local development.



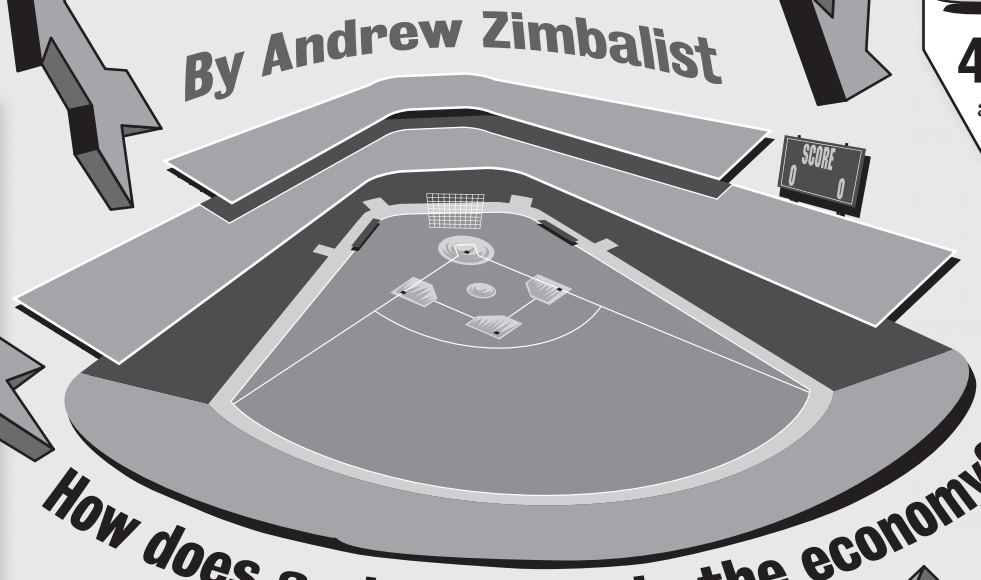
2. Any impact from new funds is offset by the greater leakages out of the area of the sports dollar. The players get roughly 65 percent of the revenue (including the minor leaguers) and very few of the players live in the team's host city. Thus, a significant part of their income is spent elsewhere. Moreover, with short careers and extremely high incomes, players save a very large share of their income. This money enters the world's markets and does not support the local economy.



3. Spending hundreds of millions of public dollars on stadiums yields debt service obligations of tens of millions every year. On top of this, the city usually has to spend money on infrastructure, sanitation and security around the stadium and sometimes is also obligated to cover facility maintenance and upgrade expenses. These direct costs generally will exceed any revenue coming from the stadium and therefore engender a budgetary gap. The gap must be filled either with reduced services or higher taxes, both of which put a drag on the local economy.



6. Teams and stadiums produce a variety of unmeasured benefits to consumers. Economists have fancy terms for these: consumer surplus, externalities and public goods. But we can all recognize that sports teams can provide a salutary cultural impact by enhancing community expression, excitement and shared experience.



4. A stadium, however, may shift economic activity around locationally within a metropolitan area. By doing so, a sports facility may serve a productive purpose even if it doesn't raise employment or income. That is; a city's planners may consciously seek to relocate activity in order to generate a vibrant urban core, to promote a depressed area or to catalyze development in an area already poised for growth.

Relocation can also occur across tax jurisdictions. In the case of the proposed D.C. stadium, for instance, it is likely that a significant amount of leisure spending will be transferred from Virginia and Maryland into the District. Of course, not all spending by suburbanites at a D.C. stadium will be new to D.C. — some of it may substitute for spending at the Kennedy Center or a Georgetown restaurant. But some will be new and will have an incremental, positive effect on the D.C. budget — this will come at the expense of public treasuries in Virginia and Maryland.

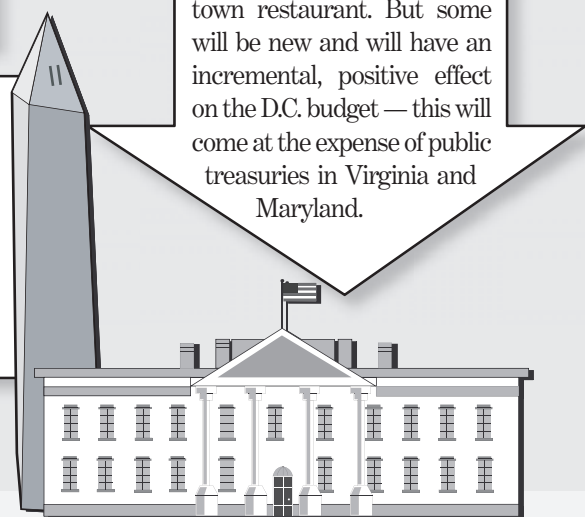


5. If the stadium project is accompanied by a commitment to also invest in commercial, residential or other development, it is certainly conceivable that the overall project will have a positive impact. But standalone stadiums are used infrequently over the course of a year and by themselves won't induce significant collateral investment. Additionally, if the goal is strictly economic development, building a stadium should always be compared to the best alternative use of the city's land and resources.

Conclusion

From the perspective of efficient resource allocation, these benefits would justify some degree of public support — not the support that comes from leagues or owners threatening to move the team, but the type of support that comes from public coffers to construct a public park or symphony hall.

Since some of the benefits from a sports team or stadium are privately appropriated, the issue of stadium lease terms also becomes important. The real point, however, is that citizens and politicians should keep their eye on the ball: While subsidies cannot generally be justified on economic development grounds, more modest subsidies may make sense on quality-of-life grounds.



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