MERCATUS CENTER
George Mason University
Bridging the gap between academic ideas and real-world problems

RESEARCH SUMMARY

GROWTH EFFECTS OF SPORTS FRANCHISES, STADIUMS, AND ARENAS
15 Years Later

Professional sports teams in a number of cities have successfully lobbied for and received new or updated sports stadiums and arenas over the last several decades, particularly during the 1990s. Advocates of such projects tend to claim that building new sports stadiums and attracting or retaining professional sports teams will boost the local economy. Previous academic studies have cast doubt on these claims, finding that the presence of a major sports franchise has no significant impact on the growth rate of per capita income in the area.

A new empirical study for the Mercatus Center at George Mason University finds that there is still little evidence that building stadiums or arenas for professional sports franchises leads to significant economic benefits. Sports-initiated development is unlikely to make a community wealthier, and subsidizing professional sports teams may actually reduce economic growth. If a local government is considering adopting economic growth policies, there are far better candidates than subsidizing professional sports franchises.

To read the study in its entirety and learn more about its author, economist Dennis Coates, see "Growth Effects of Sports Franchises, Stadiums, and Arenas: 15 Years Later."

BACKGROUND AND STUDY DESIGN

A 1999 study found that the presence of major sports franchises in a city had no significant impact on the growth rate of per capita personal income and that the presence of a sports franchise was negatively correlated with the level of per capita personal income. The sample included all cities that had been home to at least one baseball, basketball, or football franchise at some time between 1969 and 1994.

Updating the 1999 study, this new study adds an additional 17 years of data (1994–2011) and includes new stadiums, arenas, and franchise movements. The data update also adds hockey and

For more information, contact
Kyle Precourt, 703-993-8196, kprecourt@mercatus.gmu.edu
Mercatus Center at George Mason University
3434 Washington Boulevard, 4th Floor, Arlington, VA 22201

soccer franchises, as well as new dependent variables including wage and salary disbursements and wages per job. Using empirical methodology, the study ties together the various dependent (economic) and independent (sports-related) variables to see whether the presence of sports franchises impacts the economy either negatively or positively.

KEY FINDINGS

The updated study finds results similar to those of the 1999 study:

- *Professional sports can have some impact on the economy*. Looking at all the sports variables, including presence of franchises, arrival and departure of clubs in a metropolitan area, and stadium and arena construction, the study finds that the presence of a franchise is a statistically significant factor in explaining personal income per capita, wage and salary disbursements, and wages per job.

- *But this impact tends to be negative*. Individual coefficients, such as stadium or arena construction, sometimes have no impact, but frequently indicate harmful effects of sports on per capita income, wage and salary disbursements, and wages per job. When the effect of these coefficients appears to be positive, it is generally so small as to be insignificant.

- *At most, sports account for less than 5 percent of the local economy*. Though sports are often perceived as a major economic force, sports at most account for less than 5 percent of the local economy, with the majority of estimates putting that number under 1.5 percent. Simply stated, sports teams are not the star players in local economies.

CONCLUSION

The presence of a professional sports team may affect the economy, but often in the opposite way from what proponents anticipate: sports teams may actually hurt economic growth. Despite the many millions of dollars spent on professional sports, little or none of that money makes its way back to the taxpayers who subsidize professional sports teams by building new stadiums that cost hundreds of millions of dollars.