ECONOMIC SCENE

Take me out to the ballgame, but don't make taxpayers build the ballpark. The high cost and low benefit of sports subsidies.

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IN his last week as mayor of New York, Rudolph W. Giuliani announced a deal to issue tax-exempt municipal bonds to subsidize half the $1.6 billion cost of building new stadiums for the Yankees and Mets on the sites of the existing stadiums. The state would also throw in $150 million to improve parking and transportation. In return, the teams would sign 35-year leases, with no escape clauses.

Why spend nearly $1 billion of public money to subsidize facilities for a private industry in which billionaire owners pay multimillion-dollar salaries to average players? Mr. Giuliani justified it on economic grounds, saying, "This is something that would be very, very good for the economic development of the city."

He later boasted, "You can't underestimate the effect on civic pride and the economy of the city."

Yet economists who study the sports industry say the only way to underestimate the economic value of subsidizing stadium construction is to use negative numbers. Experience suggests that subsidies for stadiums yield negligible economic benefits and expand the gap between the superrich and everyone else.

New York is not unique. Ever since 1953, when Milwaukee offered the Braves a $5 million stadium to lure the team from Boston, more than $20 billion of public money (in current dollars) has been allocated for stadium construction. The government has pitched in more than two and a half times what team owners have contributed.

Economists argue that premier sports leagues exploit their monopoly position by pitting one city against another to extract income from taxpayers, usually in the form of stadium subsidies. If team location were not restricted by league monopolies, cities like New York would have more than two baseball teams, and competitive balance would be improved. In Japan, for example, 6 of the 12 professional baseball teams are in Tokyo or neighboring cities.

The extra money generated by subsidized stadiums accrues to owners and ballplayers. Ticket prices rise because of the new amenities. A reason athletes' salaries have soared in recent years is that leagues have grown better at playing hardball with host cities.

A good overview of the economics literature is provided by John Siegfried of Vanderbilt and Andrew Zimbalist of Smith College in "The Economics of Sports Facilities and Their Communities," published in the summer 2000 issue of The Journal of Economic Perspectives.

They argue convincingly that there is little reason to suspect that a new sports stadium will generate sufficient revenue to justify its cost. In the first place, if a team's revenue would rise enough to offset the cost of new construction, the owners would be willing to make the investments themselves; they're not.

So for subsidies to make economic sense, enough additional economic activity must be generated to the rest of the city to offset the remaining costs. This is unlikely. Although a new stadium may entice more fans to come to the ballpark, the extra money they spend there is typically offset because they spend less elsewhere -- they attend fewer movies or concerts, play less golf or dine out less frequently. The total budget devoted to leisure activities is fairly inflexible, so the rest of the city suffers.

To be sure, team owners have hired consultants who argue that there are large economic gains from stadium construction. But such promotional studies frequently ignore the substitution that takes place among leisure activities. By and large, academic studies that look at the actual experience of cities that build stadiums find no effect on the local economy, or a negative effect.

Robert Baade of Lake Forest College and Allen Sanderson of the University of Chicago found that adding new stadiums had no systematic positive or negative effect on employment relative to trend levels in 10 cities from 1958 to 1993, and even in the positive cases the effects were quite small. Other work suggests that per capita income might decline in cities that subsidize sports stadiums because much of the income garnered by players and owners is spent outside the host city. Only 29 percent of professional basketball players, for example, have permanent homes near where they play, Mr. Zimbalist said.

Further corroboration of negligible economic effects of sports franchises comes from strikes. During the 1994 baseball strike, for example, "the relationship between a city's economic performance before and during the strike essentially was no different for cities that hosted teams and those that did not," according to a study by John Zipp of the University of Akron.

The money promised to the Yankees and Mets is enough to increase school spending in New York City by $1,000 a student or cover the fire department's entire budget for a year. Is the (probably trivial) economic payoff to the city from tearing down two historic stadiums to build domed ones in their place worth the cost when the money could be used to improve education and public safety?

Even longtime fans are becoming fed up. Steve Warren, 69, a longtime fan of the New York Giants and then the Mets, said: "Devoted baseball fans like me have finally begun to realize that there is something inherently wrong with this beautiful game when owners pay obscene salaries to athletes and claim 'poverty' when it comes to improving facilities for fans, and instead seek public funds to build private stadiums. We are dunces if we continue to support them while they pull the wool over our eyes."

Mayor Michael R. Bloomberg, who has the final say on Mr. Giuliani's pledge to subsidize stadiums, has been lukewarm to the idea, but still promised to give the teams $50 million to continue planning over the next five years. "The issue is really, 'Can we afford them?' " he said recently. "I will have to take a look down the road as the economy develops."

The real issue should not be whether we can afford them, but whether the benefits of subsidizing stadiums outweigh the costs, especially compared with the high economic and social payoff from competing uses of public financing. On this question, economists offer a resounding no.

Moreover, Mr. Siegfried notes that even if the Yankees and Mets should move out, New York is unlikely to be without baseball -- the Twins and the Expos could move in. "Let's see baseball try to block that franchise move," he said.