When Can Economic Impact Be Positive? Twelve Conditions That Explain Why Smaller Sports Have Bigger Impacts

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Despite the lofty perception that mega-events and professional sports leagues are useful economic development tools, academic research has failed to support this contention. Ex post analysis of teams and events on a variety of economic measures indicate almost entirely insignificant or negative effects on income (Baade & Dye, 1990; Baade, 1996; Coates & Humphreys, 1999, 2001, 2003; Lertwachara & Cochran, 2007; Matheson & Baade, 2005), employment (Rosentraub, Swindell, Przybylski, & Mullins, 1994; Baade & Sanderson, 1997; Hudson, 1999; Miller, 2002; Coates & Humphreys, 2003), sales tax revenues (Rosentraub & Nunn, 1978; Coates & Depken, 2006; Baade et al., 2008), and spending (Zipp, 1996).

Notwithstanding the weight of broad economic evidence on major league sports, some authors (Matheson, 2006; Seaman, 2004) have suggested that smaller teams and amateur events may have a greater propensity to positively affect local economies. Indeed, in recent empirical analysis of all 238 metropolitan areas that hosted a minor league team between 1985 and 2006 (Agha, 2011) found that AAA teams, A+ teams, AA stadiums, and rookie stadiums are associated with gains in local per capita income. The positive results are especially striking in light of myriad conceptual reasons to expect that minor league teams might have a more negative effect on local economies than their major league counterparts do, including lower levels of national media exposure, shorter seasons, decreased league longevity, more frequent moves, seasonal employment, lack of national revenue sharing, and the small size of the business.

While Agha (2011) empirically answered Matheson’s (2006) and Seaman’s (2004) call for ex post research on smaller sporting entities, no research to date has explored why smaller teams might be more likely to induce local benefits. That is, what makes minor league sports uniquely different from their major league counterparts? Is it the inherent structure of the sport or the features of the smaller towns and cities in which they play?

Specifically, this research reviews the economic impact literature to identify the conditions that would theoretically allow any sport, large or small, to generate positive economic effects. Twelve conditions are identified that, when present, could allow a community to experience a positive economic impact from a team or stadium. Major and Minor League Baseball are then used to test the conditions. Finally, outcomes are compared with known empirical results. It appears as if major league teams are more likely to violate the conditions while minor league teams are not.

In conclusion, this research finds theoretical support for Matheson’s (2006) and Seaman’s (2004) hypothesis that smaller teams and events may be beneficial to local economics. In doing so, it also finds support for Agha’s (2011) empirical results that minor league baseball is associated with positive gains in per capita income in some metropolitan areas.

The differential impacts of smaller sporting teams have implications for sport managers, city officials, and event organizers who believe that attracting a professional team or mega-event will lead to certain gains. Evidence is beginning to show that a large number of smaller events may be more successful in generating positive economic impacts.