"If You Build It, They Will Come": The Positive Economic Impacts of NFL Stadiums in Their Surrounding Cities

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"IF YOU BUILD IT, THEY WILL COME": THE POSITIVE ECONOMIC IMPACTS OF NFL STADIUMS IN THEIR SURROUNDING CITIES
2011

BY

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FINANCE

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Requirements for the Degree of Bachelor of Science
In the Honors Program at
Coastal Carolina University

December 2011
There is no doubt that Aaron Rodgers, the quarterback of the Green Bay Packers, has had an incredible career defining season. The Packers are currently the only NFL team that is undefeated and have demonstrated that their offense is superior amongst the north division of the National Football Conference. When the Packers faced off against Eli Manning and the New York Giants on December 4th at Giants Stadium it seemed like it would be another easy Green Bay victory. However, the Giants’ defense made sure to put up an agonizing fight for the Packers up until the very last second of the game. Although the Packers were able to pull off another away victory, the gripping action on the field had Giants stadium riveting with emotion as hopeful fans prayed for an upset. Joe Buck and Troy Aikman’s voices were almost inaudible as they delivered the announcement on Fox that Green Bay indeed was the victor of the showdown in New Jersey (Maske 2011). The anticipation, excitement, joy, and angst was clearly displayed on fans throughout the seats of Giants stadiums as the seats began to empty, and the parking lots begin to fill with post-game tailgaters.

As with most sports, the incredible emotion that comes with dedicated fans radiates throughout the cities in which these teams reside. The positive economic impact that NFL stadiums have on their surrounding cities is the driving factor behind the creation of these sports power houses. NFL franchises increase tourism, and create an economic stimulus within the community that makes hosting an NFL franchise within a city extremely appealing. Studies show that there may be an incentive to creating these colossal entities. However, these outcomes are not always considered to be because of direct influences the stadiums exude, and in some cases may be results that are skewed by investors willing to pay researchers to predict trends that are appealing to accomplish specific goals.
The NFL became known as a financial empire after the signing of the 1993 labor agreement headed by Pete Rozelle, former commissioner of the NFL. This collective bargaining agreement created salary caps, free agencies, and years of peace amongst labor feuds that had been in place since the creation of the league. It also helped create a system that profited not only the players, but also the owners who were investing their own equity into the success of the league. Now, player salaries could be monitored by the set salary cap, which is a percentage of the total revenue of the league less a deduction for the owners, and all NFL franchises would be able to share in success in the league so that no one was left behind (Oriard, 2007). The significant milestone in NFL history helped create economic stability within the league, but the cost of stadiums and complexes was still astronomical. In order for cities to raise revenue required to build the stadiums taxes were raised. Pearson and Siegfried (2000) conducted a study that broke down the costs associated with these complexes and displayed how they are distributed amongst tax payers, beneficiaries, and various budgets. They claim that;

…careful documentation of the redistributional effects of the public subsidies for sports facilities requires an accounting of the distribution of the subsidies to the teams….an assessment of the incidence of indirect benefits such as community image…., and an evaluation of the incidence of the funding mechanisms (taxes and lotteries) used to raise revenue (p. 72).

A public subsidy is a certain amount of money established by taxpayers in support of a particular industry or business. The authors believed that the money raised by the public subsidies had to be carefully accounted for in order to finally see direct and indirect benefits that taxes had on the revenues of stadiums. Because so much intricate tracking of subsidy spending is involved, some scholars believe that the additional funds do not contribute to the positive impact stadiums bring to their surrounding environments. Robert A. Baade’s (2000) analysis of sports facilities in Seattle argue that the earnings per capita (or person) within the city could neither support or deny
the support for stadiums existing in cities because sports team’s budget constraints hold them back from making large enough profits to correlate with personal incomes (p.25). He determined that the positive economic impact of sports subsidies was not large enough to greatly affect large, diverse metropolis areas (p. 25). He also found that budget constraints on particular cities lead to spending on other goods and services, rather than putting money back into stadiums, which in turn, lessens their appeal because they are seen as too expensive in the long run (p. 25). The complexity of the NFL has changed significantly over the years with the growth of the number of teams, players, and stadiums. In the recent down turn economy and due to the changes in the league structure, the need to find ways to raise revenue while supporting positive economic growth is more crucial than ever.

Budget constraints and different strains on funding always pose problems within companies. Despite these hardships, the relationship between corporate social responsibility and profitability states that when companies are making fair and just deals, the will be more likely to be viewed as profitable (Howard & Crompton, 1995). Corporate social responsibility is the backbone of any organization, and when it is perceived as positive, it creates a strong support chain for brand wealth, franchise success, and an overall increase in the wealth of surrounding businesses of a particular sports franchise (Walker & Kent, 2009, p. 743). This supports the idea that franchises have a positive impact on their cities.

Fan attendance and ticket sales are the direct impacts that drive the success of the stadiums, and without their support most of them would not exist. However, a study conducted by Levin and McDonald s (2009) proved that fans are more reluctant to support teams that are poorly matched up within the league due to the lack of competitive balance. Levin and McDonald define competitive balance, “as the degree to which teams in a league are evenly
matched” (2009, p. 10). Fans who spend the time to travel to stadiums, tailgate (usually hours), before kickoff, and then proceed to watch the actually event want to be entertained, not bored. Their analysis determined that fans were more willing to support franchises that were well managed in the league and comparably matched up to the competition (2009, 20). The researchers measured the revenue generated by local businesses as well as the profitability of cities in which the franchises that were exhibiting a well perceived competitive balance and found that these locations were more successful than cities where competitive equivalencies did not seem as important (2009, 20). In order for a franchise to be considered successful it must be well rounded as well as entertaining in tournament play in order to succeed economically. This study supports the idea that the success of teams perhaps increases economic impacts positively because of the psychological effect it has on football fans. If a particular consumer’s team is well matched in its conference, routinely successful but not completely slaughtering the competition, it is likely that the pride felt amongst that consumer would cause more productivity and positivity to affect that particular consumer (Leeds & von Allmen).

Considerable funding, taxation, and donations have kept NFL stadiums alive for years. However, in March of 2011, the NFL entered into a lockout against the players association which sought to make extensive labor negotiations. The timeline of the lockout threatened the 2011 football season, and states, such as Maryland, (home to the Baltimore Ravens and Washington Redskins), began to worry that they may lose the indirect and direct gains generated from the teams. The Comptroller of Maryland released a pamphlet illustrating the amount of revenue the state would lose should the entire football year be cancelled. The chart below represents dollar amounts in millions:
Table 3: Indirect Revenue Effects of Full-Year NFL Lockout

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>2.08</td>
<td>2.24</td>
</tr>
<tr>
<td>Local</td>
<td>1.18</td>
<td>1.28</td>
</tr>
<tr>
<td>Total</td>
<td>3.26</td>
<td>3.52</td>
</tr>
</tbody>
</table>

Source: Peter Franchot (2011). p. 5

Based on this collection of data, the revenue impacts on the local economies would have losses of about 1.18-1.28 million dollars, and the state and local economies combined would lose between 3.26-3.52 billion dollars. Indirect sources of revenue were defined as, “sources such as the motor fuel tax, parking taxes, hotel occupancy taxes and public transportation fares.” The most shocking losses were the direct revenue effects, shown below in millions of dollars:

Table 2: Direct Revenue Effects of Full-Year NFL Lockout

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
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</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>19.63</td>
<td>21.76</td>
</tr>
<tr>
<td>Local</td>
<td>13.71</td>
<td>15.38</td>
</tr>
<tr>
<td>Total</td>
<td>33.34</td>
<td>37.14</td>
</tr>
</tbody>
</table>

Source: Peter Franchot (2011). p. 4

Direct effects were defined as ticket sales and the admission & amusement (A&A) tax. Because there is no sales tax on tickets sold for games at the Redskins’ FedEx Field in Prince George’s county and the Raven’s M&T Stadium in Baltimore county, Maryland allows the issuance of the A&A tax. (It is generally a direct revenue source to the county in which the city is located. However, M&T Stadium is affiliated with the Maryland Stadium Authority (MSA) which means it is subject to an 8% tax that is incorporated in the A&A tax. Because of this, Baltimore county only realizes an additional 20% tax revenue from A&A taxes, while Prince George’s county gains to complete 100% of gains collected from A&A revenue.) Combined, the state of Maryland could have potentially lost anywhere between 36.60-40.66 million dollars in direct and indirect realized revenues in 2011 alone. It is also considerable to note, that Maryland is not the only state that hosts two football teams; New Jersey houses the New York Jets and the New
York Giants. Losses that could have potentially been incurred nationwide prove that without the active presence of the teams, states would be without very significant amounts of revenue because of direct and indirect impacts.

\[ (y_{i,t} - \Sigma y_{j,t}/k) - (y_{i,t-1} - \Sigma y_{j,t-1}/k) = \beta_0 + \beta_1 NT_{i,t} + \beta_2 NS_{j,t} + e_t, \]

where, \( y_{i,t} \) = real per capita income in city \( i \) at time \( t \),
\( k \) = number of cities in the sample,
\( n \) = number of years in the sample,
\( NS_{i,t} \) = number of stadiums less than 10 years old in city \( i \) at time \( t \),
\( NT_{i,t} \) = number of professional sports franchises,
\( e_t \) = stochastic error.

**Source:** Robert A. Baade (1996). p.7

Other scholarship suggests that the revenue cycle of stadiums does not directly dictate gains and losses. Instead it requires a lot of advanced models to determine where certain benefits exist, such as the one proposed by Baade (1996). His equation, shown above, was used to calculate, “the effect a new stadium or team [would have] on metropolitan income.” (Baade used income as a means to measure the appearance of a benefit rather than revenues because changes in income would reflect similar trends in the changes of economic prosperity, and a new stadium or team would have an impact on the number of available jobs within the metropolitan area.) The equation solves for variable \( y_{i,t} \), which can be more simply defined as the amount of income generated per person in a given area, \( i \), at a given time, \( t \). This model helps determine if cities without sports teams and facilities would benefit in a similar way to cities with teams should they decide to take on a new sports team related project. Baade’s method does not quite account for additional subsidies that might account for the boost in economic prosperity brought on by the stadium. He explains that a city with strong economic growth, and excess funding might still want to implement a subsidy to support a stadium. Baade suggested that the subsidy could fail, or
that the funds raised by the subsidy might not actually be used for the stadium, making the
calculation for this area inconsequential. However, based on the large sample size obtained in
this study, these instances were easily detected and determined irrelevant. Unfortunately, only
Baltimore and Indianapolis yielded noteworthy results. Baltimore showed a positive correlation
with regard to income and stadium growth, and Indianapolis showed the opposite. Baade
concludes that there is no direct benefit based on income per capita in metropolitan areas based
on the creation or sponsorship of new teams and stadiums.

While the creation of a new partnership may not generate a positive impact, the winning
percentages of individual NFL franchises did appear to show a positive trend in income per
capita in a study conducted by Michael C. Davis and Christian C. End (2010). By examining
metropolitan areas with relevant statistical evidence (approved by the Bureau of Economic
Analysis), Davis and End were able to create mathematical models that determined the per capita
income per city in a given year as well as a model that estimated income per capita in a given
city based on winning percentages using endogenous variables. (The endogenous variables in
this model are defined by the article as, “the factors that have the potential to be affected by
changes in income as opposed to affecting income”) (pp. 42). By incorporating this statistical
analysis Davis and End determined that if a local NFL franchise experiences an increase in their
overall winning percentage, there will also be an increase in real per capita personal income of
the city. This means that the growth rate of personal income increases as NFL franchises
experience individual success The researchers were unable to determine what the exact causes of
the increase in income were, and suggested that they could be economical or psychological. That
is, it is possible that because fans take pride in the success of their local teams, their increased
winning percentages may help individuals increase their personal, “productivity, consumption, or both” (p. 49).

John Fizel (2006) suggested that in order to determine whether different teams gave cities varying positive economic stimulus’s that it was essential to valuating individual NFL teams. However, he also believed that because football is a unique sport with a unique reliance on individual play makers it would be difficult to identify specific profitability measures necessary to complete the valuation. This is because the distribution of income amongst employees, but more importantly players in the franchise varies too greatly between teams. This wide variance in distribution of income occurs because of the unique and numerous positions that exist in football. (2006, p.170) The team’s probability of winning is reliant upon specific plays, skills, conditions, and movements of more than one player at a time so that measuring individual success is almost impossible, whereas calculating individual achievement is not (p. 171).

Essentially, there can be an infinite number of factors that determine an appropriate probability. Because of this assessment, Fizel believes that you cannot accurately determine an appropriate comparable value between different NFL teams, and you cannot use their winning percentages as a means of comparison amongst different variables, like personal income per capita.

Now that we have seen that there is some evidence to support the argument that the presence of stadiums gives cities an additional source of revenue, it is important to recognize that sports stadiums are not only used for hosting conference games. As written by Charles Santo (2005),

Sports facilities are now designed to serve as architectural symbols with tourist appeal and are often built into the urban fabric to facilitate synergy. This is in contrast to facilities of the previous generation, which were located near interstate exchanges to facilitate a quicker exit after the game (p.178).
At one time, football stadiums were simple structures with enough amenities to make sure that each fan in attendance was solely paying attention to the game in front of them. Now, stadiums have turned into domes with giant screens, enhanced video playbacks, numerous choices for concession, and many other luxuries available to fans before, during, and after game time. Economic researchers believe that when specifically measuring the benefits of stadiums the externalities, (separate parties excluded from the direct transactions that occur generating either gains or losses) are most important since they are the devices that can easily demonstrate either positive or negative feedback (Leeds & von Allmen 2011). A prime example of this new type of facility is Patriot Place; attached to Gillette Stadium in Foxboro, MA. The 1.3 million square foot facility is located directly adjacent to the field of Gillette Stadium. The website for the tourist attraction advertises a variety of, “major fashion retailers, live and interactive entertainment, eateries, a four-star hotel, state of the art theatre and much, much more” (undefined 2011). Because there are so many attractions at Patriot Place, the stadium addendum is able to open daily and year round, even when the NFL is not in season. This makes Gillette Stadium an incredible versatile facility for the New England Patriots as well as a staple for the local economy of Foxboro, MA. The vibrant atmosphere is designed to please any demographic so that consumers will linger in the facility, and therefore, contribute to the third party externalities in a positive way. Building more diversified, interactive stadium complexes creates an affirmative argument that NFL stadiums contribute to a positive economic impact.

The direct and indirect benefits of stadiums are beginning to emerge more clearly, but the economic impact needs to affect more than just the states and workers in order to be positive; it needs to also consider the investors. In order to take on the production of a new stadium, large initial inputs of money are required, as are with most projects. Fans are generally instantly
gratified after purchasing tickets to a game because they’re money is being put towards a tangible product. Investors are required to create drawn out projections of possible outcomes that could result in either gains or losses depending on the success of the project and longevity of the investment. Sometimes projects do not seem likely to succeed, like the construction of the New England Patriots’ stadium. In 1971, the Sullivan family owned the Patriots and sought to build a home field for them. By using companies that were seeking to break into the sports field and stadium business, they were able to build the first Patriots stadium for a mere $6.7 million (Leeds & von Allmen, 2011). Because of their clever ways of saving money the Sullivan family was able to begin the layout for what would eventually become the colossal Gillette Stadium, which was reported to cost about 15 times as much as the Sullivan’s original investment (Leeds & von Allmen, 2011).

It is clear to see that the positive externalities that are present from the existence of NFL Stadiums are numerous. But, what can be said for the stadiums themselves? Before a stadium can be considered for construction the various pros and cons of the facility have to be weighed. Projections must indicate that revenue from tickets, merchandise, food, beverage, suite sales, and activities that will be held within the stadium must exceed the overall cost of the project in order for it to be profitable (Leeds & von Allmen 2011). Researchers suggest that teams want new stadiums and more stadium development because newer stadiums generate more profit due to their increased conveniences (such as bathrooms, parking, pro shops, etc.) and exhilarating aesthetic atmospheres (Noll & Zimbalist, 1997). Clearly, franchises, such as the New England Patriots, have begun to implement these changes in order to attract more consumers.
One of the most prominent sources of positive economic activity that is derived from the appearance of NFL franchises in cities is the number of fans and tourists they attract each year. Taylor and Young (2005) write

While professional sports teams can have a positive economic impact on the community by creating new streams of revenues for local business owners, they also require a significant investment of public dollars. …the presence of an NFL team in a market area creates a unique self-drive (i.e., travel by car) tourism opportunity (p. 47-48).

The concept is simple; when you host a large, popular event that requires extra travel, people will make extra purchases to make sure that they are accommodated. It goes without saying that any large public venture is going to require funding whether it is from public or private sectors. However, it is much easier to justify public funding if the project in question will produce positive benefits upon the people paying for the project. That being said, Taylor and Young’s look at the hotel industry and how it is significantly, positively affected by the presence of NFL stadiums proves that the economic benefit imposed upon other industries justifies the funding of sports franchises in cities. The increase in tourism and hotel profitability can be positively attributed to the presence of sport franchises.

Because these economic benefits are so strong, other authors believe that positive financial benefits, despite the recent recession, are still visibly present in cities such as Tampa, Florida, which hosted the 2009 Super Bowl. The profitability experienced by a city hosting the Super Bowl is substantial enough to be measurable and perceived as positive (Harrow & Swatek, 2009). Conversely, other researchers found that cities that hosted the Super Bowl did not recognize any positive or negative economic effects from hosting the event because of the overwhelming “influx of football fans” that dominate the metropolitan area. The tourism brought in from fans that travel to watch the Super Bowl live are beneficial, and help keep businesses...
alive, but since there are a number of tourists that do not go to Super Bowl cities while the event is taking place the effect is displaced. (Leeds & von Allmen 2011).

Earlier, Davis and End suggested that perhaps the positive relationship between per capita increases and franchise success was psychological, rather than economical (2010, p. 49). Researcher John Crompton (2004) agreed with this theory and suggested that the greatest impact stadiums have over their cities is the “psychic impact.” He defines psychic impact as the source that “focuses internally on the benefits received by existing residents in the community,” and therefore serves as a positive impact on the community, in times of profitability (2004, p.42). This idea is based on the belief that psychologically powered events are what fuel the apparent financial positive impacts (Crompton & Howard, 1995, p.161). These scholars believed that “psychic income” benefits the residents and business owners of cities; it is not a measurable or numerical term (Crompton & Howard, 1995).

Economic impacts difficult identify for sports entities because of their massive size, seasonal variability and the probability of skewed income distributions (Fizel, 2006). Howard Crompton (1995) agree that while there is definitely a positive economic impact in cities with franchises due to their presence, the valuation tactics used to measure other businesses (for example, a grocery store), do not yield accurate results when studying sports teams (p. 124). This is because of the abundant variables that are associated with the financing of a sports entity. According to Crompton, “economic impact is defined as the net economic change in a host community that results in spending attributed to the sports facility” (2004, p. 42). While he believes that there is no economic impact specifically imposed by the sport entity’s activities, as proven by numerous scholars (Baade, 1996; Baade & Dye, 1990; Coates & Humphreys, 1999; Crompton, 1995; Noll & Zimbalist, 1997; Rosentraub, 1994; Walden, 1997), there are several
“spillover benefits” that are bestowed upon a city while it sponsors an NFL franchise. These benefits include, “increased community visibility; enhanced community image; stimulation of other development; and psychic income” (Crompton, 2004, p. 42-43). The “spillover benefits” are driving factors for the increasing demand for new sports franchises in more cities. While these four factors tend to be viewed as social and psychological ideas (rather than economic), when all four are combined, they tend to reveal why the public would choose to support a subsidy’s that would positively influence an NFL stadium (Crompton, 2004, p. 54). For example, Charlotte, NC, home to the Carolina Panthers, almost closed its stadium down at the turn of the millennium after several unsuccessful seasons had created a significant decline in ticket sales. Surprisingly, when a vote was put to the public suggesting they could pay additional tax dollars to save the Panthers home, the citizens voted in favor of keeping the stadium (Morgan, 1997). This is often because regimes that decide on the funding for sports centers perceive positive benefits that will arise because of their existence.

The existence of stadiums supports community development and infrastructure improvements due to the externalities that attract customers to these particular metropolitan destinations (Taylor & Young, 2005). An international study conducted Mason and Misener (2009) showed that although it was unclear whether stadiums and sports facilities were essential for community development, area-wide leaders that encouraged the development of more sporting events and facilities were able to foster a stronger sense of community within their governing limits (p. 770). The researchers suggest that while community development is important for cities, it cannot be done without economic development, and “for economic development [to exist], consensus between a few key organization representatives is required…” (p. 790). Therefore, governments should consider the positive effects more closely of supporting
projects that improve sport facilities and the infrastructure around them when taking on new projects. By supporting these projects more visible community enhancement will be able to take place, which will likely lead to economic stimulus and success.

Earlier Crompton’s idea of “psychic income” proposed that perhaps economic benefits and personal happiness with money come from good feelings we have about particular situations (2004). While his argument for perceiving this to be a positive example of why consumers would support subsidies that enhance stadiums and franchises, the ability to measure psychic income is virtually impossible, therefore making it difficult to prove his theory. Similarly, another disadvantage of this explanation is that the subsidizing power of professional sports teams tends to yield different results based on where the franchise is located. Ian Hudson’s (2001) study of the “wide variance” associated with these differences attempts to explain the large gaps that previous authors have created (p. 20). For example

According to one study, the Philadelphia Eagles contributed more than $500 million to the city’s economy in 1983. In contrast, a study on the now relocated Baltimore Colts concluded that the team had a quite marginal economic impact, only managing to increase economic activity of the city by $200,000 in 1 year (p.21).

As mentioned before in the discussion of A&A tax, several variables in each city will make the dollar amounts differ across any analysis, but in Hudson’s example, the Philadelphia Eagles were said to have generated roughly $499.8 million dollars more in revenue over the Baltimore Colts. That means on average, Philadelphia was collecting about $41.65 million dollars a month more than Baltimore. This kind of variability discredits many of the existing economic analyses of sports teams usually because the studies are contracted by parties interested in deterring sports subsidies in a particular area (p. 20). When the numbers have been adjusted to net values, rather than gross, and all of the inflated multipliers associated with these case studies have been
deflated, there is no question that sports franchises have a substantial economic impact on their surrounding cities, making them an attractive revenue generating entity (p. 37). However the existence of “wide variance” would suggest that there is a difference in “psychic incomes” amongst different cities, because clearly, the competitive balance within some franchises is overinflated and neglected in cities. Other biases, such as those implied by Noll and Zimbalist (1997), suggest that the “source of bargaining power of teams in obtaining subsidies from the local government” outweigh the positive effects franchises can have on cities simply because they are too expensive and require too much funding (p.55). While it is true that each of these stadiums and facilities are multi-million, sometimes billion, dollar operations, annually as described by Hudson and earlier by Franchot, these initial outlays pay off significantly.

The economic downturn currently occurring in American markets has created an additional variable, especially for recent data. Typically in a recession, luxury, in elastic items are easily removed from consumer’s budgets in order to ensure that they will be able to buy the things they need in order to satisfy their essential needs (Mellinger, 2009). Because of this economic standard, the possibility that NFL franchises would hurt during this period of time wouldn’t be a radical idea. A recessive market that is showing little to no signs of improving in the near future has a great effect on the success of an NFL team’s ability to continue its operations and still churn a profit. Mellinger’s (2009) brief analysis of failures experienced in the sports industry during a recession help illuminate the problems faced by leagues and cities during an economic crisis. Franchises who have already taken on new projects, such as the Dallas Cowboys in Dallas, TX are not able to finish recently started construction endeavors due to lack of funding and, in this case, support from the city (51). Because of this, certain stadiums have to
plan accordingly to find ways to continue to positively stimulate cities that are being negatively affected by current market circumstances.

While it is clear that the National Football League’s presence in large cities and suburbs has been significant both economically and socially since the founding of the league in 1920, scholars continue to debate about the impacts stadiums have on cities. Although there are a significant number of variables associated with intrinsic value and economic impact studies regarding sports franchises’ impacts in cities, there is still evidence to support that there are direct and indirect impacts present that effect cities positively. Teams that are profitable economically on their own attract large groups of people to their stadiums who then stimulate local economies with their various purchases. Most of the positive economic impacts can be attributed to the generous amount of externalities stadiums provide. In addition, a substantial list of impacts that are not economic, but rather social and psychological, support various decisions consumers make in markets that tend to support spending in the sports entertainment industry. The general consensus amongst economic professionals is that the “world-class” image of sports teams strengthens the argument that football stadiums provide some economic benefit to cities (Baade 1990). The optimistic feelings members of society hold toward the various NFL franchises helps power the steady increasing demand for teams to remain in cities, constantly develop their infrastructures, and continually provide a unique source of entertainment. In general, residents feel prouder about their home cities when there is a team representing them in a national sports organization, such as the NFL. Without these psychological acknowledgements, the desire to host teams in cities would be lessened, and the possibility of support for NFL teams could grow exponentially smaller. Michael Oriard (2007) writes.

The ‘power’ of NFL football is hard to pin down. The various psychological, sociological, anthropological, and cultural theories that can be employed in this
effort are necessarily speculative and abstract. The $3.7 billion dollars put up by
TV networks, like the billions of dollars in public subsidies for stadiums, are
decidedly concrete measures that do not explain themselves, but confirm that the
game’s power, whatever the source, is real (p.174).

However, the true economic impact still stands, and supports the claim that NFL franchises do
pose a positive effect on their surrounding cities. Although there are many arguments to support
that the accuracy of different calculations can be skewed by an infinite number of variables, the
demand for more opportunities for fans to participate in football culture clearly (whether it be
through the purchase of game tickets, or the purchase of cable packages), supports that there is a
strong demand for the NFL to have a strong presence in our communities. Their draw for an
increase in tourism, notably seen through the hotel industry, and increase in pride amongst
citizens for their city helps fuel the local economies, therefore showing that there is a positive
impact. The positive externalities are the strongest support towards this claim because they are
able to generate revenues all year long due to the success of individual franchises within the
NFL. Stadiums create unique tourism opportunities and venues that should be utilized as often as
possible in order for this benefit to reach its full capacity. The direct effects, such as ticket sales,
are still important to consider, however they create a limited profitability window due to the
constraints of the NFL schedule. Based on this extensive literature review, it can be concluded
that there is a general positive economic impact on cities that have an NFL franchise due to the
numerous amount of business gained by the externalities surrounding the area.
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