

It's time to rethink the parking problem

Not a lot: Why commuter parking is scarce

You're late for work. It's 8:30 a.m. and you've just arrived at Alewife MBTA Station. There's a line of cars stretching onto Route 2 waiting to park. But you wait 20 minutes, anyway, hoping for a break. Sorry, no luck, the parking lot is full.

It's a bad way to start the day. But it's what hundreds, perhaps thousands, of commuters face each day.

The parking lots adjacent to commuter rail and subway stations are, for the most part, filled to capacity early in the morning. By 7:00 a.m., the MBTA lots at Chestnut Hill, Eliot, Sullivan Square, Waban and Oak Grove are full. The huge (2,378) garage at Quincy Adams Station is full by 8:30 a.m. Despite more than 14,000 parking spaces in 22 garages, (see the table), parking is at a premium.

The new \$30 million parking garage at Route 128 Station, which serves commuter rail passengers, does indeed have plenty of available space. But the reason for this may be that although the \$3-a-day fee is reasonable, commuters are balking at the \$10-an-hour fee that kicks in after 14 hours.

Add to this the strong economy of the past few years which has produced low unemployment and more people in the workforce. This means more commuters seeking a relatively static number of parking spaces.

Commuters to Boston have limited options. For those willing and able, arriving at a parking lot before the fill-up time is a possibility. There are other forms of public transportation, for example, buses or boats, but here too, parking limitations can be a problem.

For those willing to pay \$25 or more to park, driving into the city is an option. But Boston's parking crunch makes even this a dicey proposition. The Clean Air Act of 1975

imposed a parking freeze on parking spaces in the city. There are efforts aimed at easing these restrictions, thus allowing for more parking garages to be built, but these are ongoing and still face opposition from environmental groups.

The economics of parking

Like any economic good, parking spaces are subject to the law of supply and demand. Textbook analysis suggests that if demand for a good is strong, producers of that good will rush more of it to the market.

But why isn't the MBTA or any other public agency building more parking lots? And why aren't entrepreneurs turning unused land into parking lots and shuttling people to T stations?

There are at least three possible explanations.

First, the MBTA is unwilling or unable to charge enough for parking. Most of the satellite parking lots do not cover the costs of providing the parking.

A multi-story garage costs about \$15,000 per space to construct, not including the purchase of the land. To recoup this investment, operators would have to charge

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State of the Household Survey 2001: Growing pessimism about Mass. economy

Some Massachusetts residents think that, in contrast to the sunnier economic times of recent years, the state's economy will worsen in Year 2001. According to the Beacon Hill Institute's 2001 State of the Household survey, more than 57% of respondents believe the Massachusetts economy will worsen.

That's a significant increase over last year's survey; in 2000, only 14% of BHI's respondents believed the economy would worsen. Only 29% believed the state's economy would stay the same compared with 52% last year. This year only 14% thought the state's economy might improve.

The Massachusetts numbers mirrored opinions about the national economy. This year, 53% said the national economy would worsen. Last year only 13% believed that it would happen.

For the third consecutive year, BHI surveyed by mail a select group of Massachusetts fiscal conservatives for their opinions on a variety of economic and public policy issues affecting citizens in the Commonwealth. This informal survey is part of BHI's ongoing State of the Household Project, which includes scientific polling of Massachusetts residents. This year, BHI received almost 300 responses. The survey was con

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From the Executive Director

As the debate over President Bush's proposed tax cut intensifies, consider the major arguments being made by opponents:

- The tax cut goes mainly to the rich.
- The tax cut will prevent us from paying down the debt.
- By not running surpluses (and therefore not paying down the debt), we will drive up interest rates and thus stymie economic activity.

The first point should be a warning sign to anyone who appreciates the dangers of majority rule. That's right, I said *majority rule*. At the heart of any constitutional democracy are certain checks on the power of majorities to run roughshod over minorities. The First Amendment, for example, protects religious minorities, as the Fourteenth protects racial minorities.

We protect the rights of religious and racial minorities, not just out of concern for their welfare, but out of concern that a policy of exploiting minorities can do grievous harm to the greater society. The frequent reminders that the greatest share of the benefits of the proposed tax cut would go to another minority – the rich – should raise a similar concern.

The reason that any across-the-board tax cut would benefit mainly the rich is that, by accident or design, the vast majority of the federal income tax burden has been shifted to them. The top 10% of federal taxpayers now pay about 2/3 of all personal income taxes and the top 1% pays 1/3. This is partly due to tax rate hikes under the first Bush administration and the Clinton administration and partly due to economic expansion.

The result is a state of affairs in which a candidate for national office can garner a political majority by the simple expedient of promising increased federal spending on domestic programs. Since the rich, who pay most of the freight for these programs, are in a minority, the same candidate can ignore their welfare and, indeed,

condemn any tax cut redounding to their welfare as "unfair."

This threatens both our economic and our political security. The rich got that way mainly by hard work and saving. Let these same rich begin to see federal tax policy as political exploitation and their willingness to work and save will rapidly disappear, with severe consequences to the

Let the rich see federal tax policy as political exploitation and their willingness to work and save will soon disappear.

very fiscal stability of which tax-cut opponents are the self-appointed guardians.

Which leads to points two and three about the public debt and the supposed economic advantages of surpluses. On these issues, I am compelled to be emphatic: Paying down the debt does little, probably nothing, to strengthen the economy.

The reason for paying down the debt is to increase the rate at which the nation, as a whole, saves – this in order to spur domestic investment and to lower the trade deficit. Yes, in order to pay down the debt, government must increase the rate at which it saves. But the greater the rate at which government saves, the lower the rate at which private businesses and individuals save, so that the rate at which the nation as a whole saves remains unimproved. We might wish to pay down the debt to free up more of the budget for government spending, but we cannot hope, by doing so, to strengthen the economy.

Some would argue that the tax cut will diminish government surpluses and thus drive up interest rates. But the evidence (as well as the foregoing analysis) says otherwise. Tax-cut opponents credit the Bush/Clinton tax hikes with repairing

the damage done by Reagan deficits and, by doing so, bringing down interest rates. But interest rates fell by more than 40% under Reagan and are higher now than they were at the beginning of the Clinton administration.

State of the Household Survey 2001

For those of you who took time to return our State of the Household Survey in January, thank you for your help. You'll find our tabulations beginning on page one.

David G. Tuerck

NewsLink is published quarterly by the Beacon Hill Institute for Public Policy Research at Suffolk University. The Beacon Hill Institute focuses on federal, state and local economic policies as they affect citizens and businesses, particularly in Massachusetts. The institute uses state-of-the-art statistical, mathematical and econometric methods to provide timely and readable analyses that help voters, policy makers and opinion leaders understand today's leading public policy issues.

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T parking

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about \$4 per day; add land costs, taxes and management costs, and the daily rate would be about \$6. The most expensive MBTA garage (Alewife) only charges \$4 per day.

The problem is that as long as parking is subsidized, new parking projects must line up for subsidies and compete with other projects – new buses and light rail vehicles, renovations to stations and expanded service. In this context, parking is seen as a low priority. In addition, the MBTA's new forward funding scheme places limits on capital spending.

Second, zoning issues may prevent the development of additional parking at the local level. In effect, local communities have a veto over the siting of parking facilities, and they have little incentive to agree to facilities that traditionally yield little tax revenue for them yet add to local traffic congestion.

Although the not-in-my-backyard problem has abated somewhat over the years, it is still a significant obstacle to

the siting of new facilities. Some public interest organizations oppose the construction of parking lots altogether, calling them blights on the landscape.

Third, the freeze capping the number of parking spaces allowed in Boston means fewer opportunities for entrepreneurs and fewer options for commuters.

What can be done?

There are a number of options.

Operators of MBTA lots could apply full-cost pricing to all new parking facilities. If new parking facilities pay for themselves, then they can be financed more easily. This makes it possible to build more facilities. Existing parking garages could continue to charge lower fees – as they do now – if that were politically desirable.

Economic theory suggests that pricing should vary with the time of day the space is being used and the location of the space. Generally, operators should charge higher prices for the most convenient spaces and for cars that park during rush hour. Lower prices should apply for less convenient spaces and for parking at times other



Media Mentions

David Tuerck appeared on the David Brudnoy Show (WBZ-AM radio) on February 28 discussing President Bush's tax cuts.

Our February analysis of the cost savings of high-speed Internet access received coverage in *Cahners*, *KCBS.com*, *MSNBC Industry Scan*, *my.accenture.com*, *office.com* and *Zorona.com*. Also covering the analysis were the *Detroit Free Press* (February 5) *Indianapolis Business Journal* (February 12), *The Industry Standard* (February 26), and *Newsbytes* (January 25).

David Tuerck's opinion editorial, "MCAS rating system needs to be fixed," ran in the *Boston Globe* on January 20. BHI's study, *Promoting Good Schools Through Wise Spending*, received coverage in the *Boston Globe* (January 11 & 15), the *Boston Herald* (January 11 & 12), *Daily Hampshire Gazette* (January 15), *Daily News Tribune* and *Gardner News* (January 16), the *Lowell Sun* and the *MetroWest News* (January 11), and *Worcester Telegram & Gazette* (January 22). BHI received radio coverage of the study on WNTN (Newton, MA), WBET-AM radio (Brockton, MA), WHYN (Springfield, MA) and WTAG (Worcester, MA). The *Education Week* (February 14) also covered the story.

Ellen Foley's article, "STAMP: Showing How State Taxes Matter" appeared in the December 2000 issue of *Insider* (a Heritage Foundation publication).

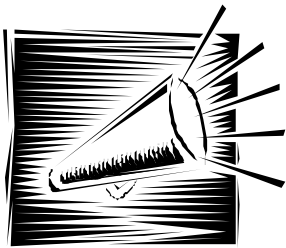
BHI was cited in the Winter 2001 issue of *CommonWealth* magazine on the subject of charitable giving. The *Boston Herald* covered our *BHI FaxSheet* on the Massachusetts charitable tax deduction on November 1. The *Andover Townsman* also covered this story (January 25).

Coverage of the Massachusetts ballot questions citing BHI included: *National Underwriter* (November 27), *Sunday Sun* (Lowell, MA) November 5, *Malden Evening News* (November 2) and *Wellesley Townsman* (November 2). Also, *North Adams Transcript* (November 1) and *Massachusetts News* (November 2000).

A *MetroWest Daily News* (Framingham, MA) article, "Tough road for a divided Congress," quoted David Tuerck on November 16. ❖

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Make them listen!



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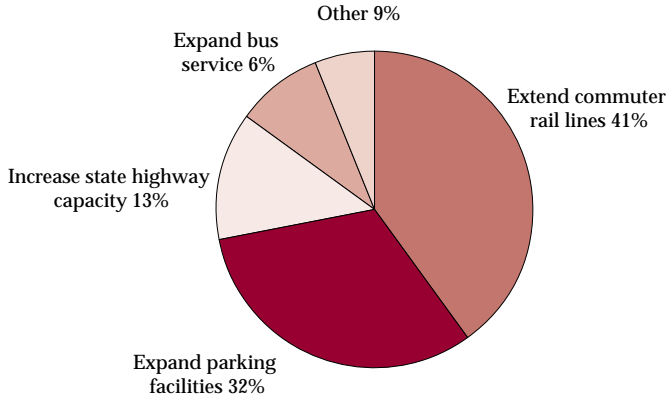
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What is the most effective way to solve the state's commuter transportation problem?



BHI State of the Household Survey, Winter 2001

than rush hour. The purpose of this is to generate as much revenue as possible to be applied to the cost of providing the facility (without deterring drivers from parking and using public transportation). For instance, a commuter who wants to take a train at 7:00 a.m. to make a 7:30 am meeting is willing to pay more for a convenient space than, say, a commuter who wants to take a train at 10:00 a.m. to go shopping in downtown Boston. This is an economically rational if politically unfeasible solution.

Another option is to provide shuttle service to MBTA stations from parking lots that are currently underutilized, but are within reasonable driving distance of the T. This is the model used by some privately-owned park-and-ride garages operating at Logan Airport. It could be applicable to the commuter crunch as well and might even encourage the converting of otherwise unused land into parking lots.

A variation of this option is to encourage shopping malls that are located near MBTA facilities and that have spare parking capacity to designate an area for all-day parking on a metered basis. Again, shuttle service could provide transportation to the T.

Finally, apply the equivalent of the Dover Amendment (which allows unduly restrictive local zoning rules to be overturned for religious and educational estab-

lishments) to plans for new parking lots.

Price controls are not the answer.

There are some things that we should not do.

Recently the City of Boston has considered two options to deal with the high cost of inner-city parking.

The first would put a cap on the price that may be charged by parking lots. Such a move would not create any additional parking spaces. Busy drivers who are willing to pay a premium to park would find themselves in line with everyone else waiting for a parking spot to open up.

Airlines charge premium prices for customers that need convenience, and so should parking garages.

The second questionable idea calls for providing subsidies in order to encourage the building of more parking spots in the city. This would surely boost street traffic. If subsidies are to be considered, a much stronger case can be made for encouraging the building of satellite lots in outlying areas around Boston. This would keep Boston cleaner, quieter and safer.

The creation of more parking spaces could encourage the use of public transportation. Since 1970, vehicle miles traveled have increased by 75% in the region, while the population has increased by only 10%, according to the Office of the Secretary of Environmental Affairs. If current trends continue, the number of vehicle miles is expected to grow at a rate five times faster than the population. The expansion of parking facilities near MBTA rail and commuter line stations would help alleviate the externalities caused by more automobiles on congested roads.

Creating more parking lots will not eliminate traffic jams. Nor will it give everyone a quick, smooth and easy commute. But a well-directed effort to expand public transportation-related parking would greatly improve the quality of life for the average resident who must travel to Boston.

That's certainly better than driving around in circles looking for a place to park. ❖

Transit Stops	Time of Full Occupancy (A.M.)	Capacity (No. of Spaces)
Braintree	7-7:15	1278
North Quincy	8:15-8:30	835
Wollaston	7:15-7:30	550
Quincy Center	8:30	872
Quincy Adams	8:30	2378
Alewife	8:30	n/a
Milton	DNFU	41
Mattapan	DNFU	216
Forest Hills	7:15	216
Oak Grove	7:00	788
Riverside	DNFU	925
Malden	8:00	188
Wellington	9:00	1316
Sullivan Square	6:45	222
Wonderland	8:30	962
Beachmont	9:00	413
Suffolk Downs	8:00	110
Lechmere	8:00	328
Chestnut Hill	7:00	70
Eliot	7:00	55
Waban	7:00	54

DNFU - Does not fill up.
Source: MBTA Parking Office

Survey '01

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ducted during January 2001 and has a margin of error of ±7.

Respondents expressed strong support for a proposal now under consideration to privatize the MWRA – 57% approved of the idea while 23% opposed it.

Seventy-eight percent (78%) opposed a proposal that surfaced late last year that would extend unemployment benefits to parents who stay at home with a newborn or newly-adopted child while only 14% supported the so-called Baby UI bill.

BHI respondents continued to support education reform in Massachusetts with 60% favoring current spending levels. Only 19% opposed and 21% neither favored nor opposed a continuation of current funding levels.

Meanwhile, a majority of respondents (53%) expressed a preference for keeping the existing MCAS graduation requirement. And 28% believed this requirement should “be changed to make the graduation requirement tougher.” Only 7% thought the MCAS requirement should be loosened while another 7% favored an outright abolition of the controversial measure.

Even though voters rejected a ballot question last year that would have paved the way for a universal health care mandate, advocates for expanding coverage intend to file new legislation this year. BHI found that 69% oppose a proposal mandating universal health care coverage.

As the new legislative session opens, several legislators are also proposing an increase in the cigarette tax to fund various public health programs. The BHI survey asked respondents if they supported a proposal raising cigarette taxes by \$.50 per pack. The survey found 51% supported an increase, 35% opposed it and 14% were neutral.

A proposal to expand the bottle bill to include the redemption of ice tea and juice containers found support from 53% of the respondents with 30% in opposition.

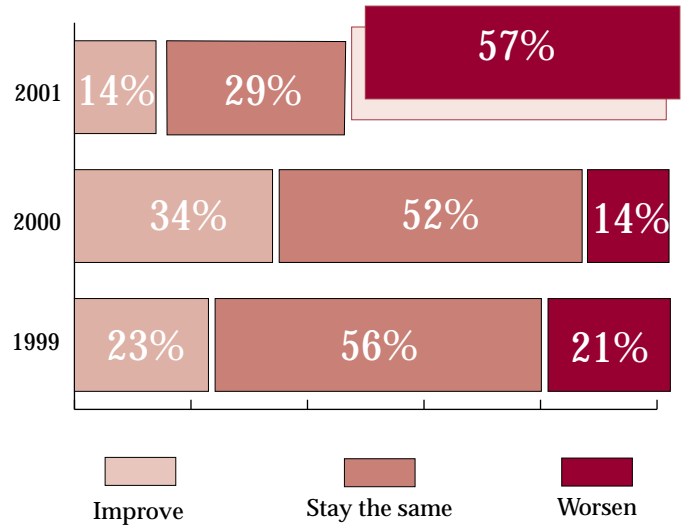
With higher energy costs on the minds of many consumers, some environmental groups are advocating tax credits for households that use renewable energy such as solar and wind power. Sixty-nine percent (69%) favored the establishment of tax credits for such a purpose.

This year’s State of the Household Survey marked the first time BHI asked respondents about the state’s infrastructure system.

Seventy-two percent (72%) favored the building of a new runway at Logan Airport when asked specifically about the proposal now before the Federal Aviation Administration. However when asked which is the most effective way to solve the region’s air travel congestion problems, respondents overwhelmingly chose an option expanding the use of regional airports (54%). In this context, 23% favored building a runway at Logan. Expanding the rail system garnered 11% and peak load pricing, whereby aircraft owners are charged higher user fees during busier times, received 5% support.

The survey also attempted to gauge sentiment on ways to solve the state’s commuter transportation problem. Forty percent said that extending commuter rail lines was the most effective way,

In the coming year do you expect improvement or worsening of the Massachusetts economy?



State of the Household Surveys: 1999, 2000, 2001

while 32% said expanding parking facilities would be effective. Only 13% said increasing the state’s highway capacity would be the optimal way, while 6% favored expanding bus service.

BHI respondents continued to support proposals to redirect funds from government to nonprofit organizations. This year 70% expressed such support while only 19% opposed the idea.

The changing of the guard at 1600 Pennsylvania Avenue provided BHI with an opportunity to measure local expectations on how the Bay State may fare under President George W. Bush’s new administration. Fifty-six percent (56%) believed Massachusetts will fare well while 32% maintained there would be no effect, good or bad. Only 12% believed the state would not do well.



IN BHI’S JOB SHADOW — Two students from Brighton High School visit the Beacon Hill Institute as part of Job Shadow Day 2001. Elvira Hippolite (l) and Ricardo Baez (r) review the *Wall Street Journal’s* content with BHI Manager of Publications Frank Conte (c). BHI was one of approximately 400 organizations that participated in the program conducted by the Boston Private Industry Council on Feb. 2. Hippolite and Baez share an interest in communications arts and learned first-hand what it takes to publish newsletters and maintain web sites for a busy think tank.

Playing the MCAS expectations game

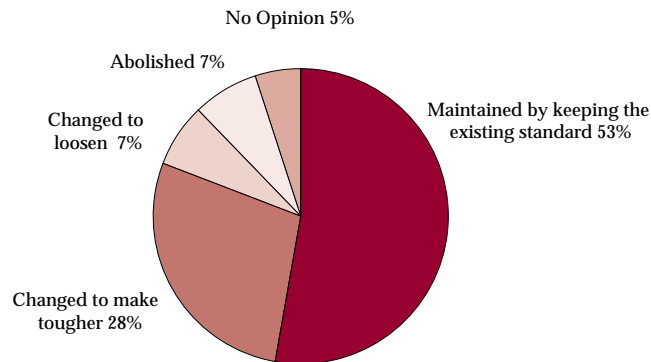
Not without some anxiety, parents, teachers and administrators will leaf through the state's new public school performance rating system trying to make sense of the data. They will glean test scores from 4th, 8th and 10th grades to see if their neighborhood schools are among the 56% that failed to meet the higher standards set for them as part of the Education Reform Act of 1993. Unfortunately, they will be getting only part of the story.

The rating system released by the Department of Education in January offers a window to the new world of accountability placed upon every school district in the Commonwealth. Only 44% of the schools reviewed by DOE managed to exceed, meet or approach the higher expectations established since 1998.

Taxpayers, who have poured more than \$6 billion in education reform money into the state's schools, are ex-

pecting improvement in performance. The 2003 requirement that students pass the MCAS test in order to graduate is proving controversial. Critics maintain that the MCAS is a flawed, one-size-fits-all test conducted at the expense of "real" learning. They believe there should be multiple measures of achievement.

Beginning in 2003, Massachusetts will require that all high school students pass the MCAS test in order to graduate. Should this requirement be:



BHI State of the Household Survey, Winter 2001

One thing is clear. The new MCAS rating system gives no consideration to the widely divergent but highly important socioeconomic factors with which schools and communities must contend. Thus, by looking only at raw scores, the DOE rating system may be overlooking the real performance not only of teachers and administrators, but of parents as well. And by focusing on raw scores alone, the rating system ignores spending levels, computer usage, class size and demographics, which are key ingredients to any measure.

There are other underlying factors to be considered as well. These include student-teacher ratios, a community's crime rate, the number of professionals living in a district and the number of single-parent households.

Two years ago, the Beacon Hill Institute began a study of school performance based on MCAS results. BHI's Massachusetts Education Assessment Model, built as part of the project, measures how well or how poorly a school performs relative to

what can be predicted based on a statistical analysis. The BHI model takes into account a broad range of socioeconomic factors that are unaccounted for in the DOE ratings. By including these factors, the model does a better job of assessing and determining what make one school succeed while another fails.

Insights like these can be invaluable to educators seeking to improve their school's performance.

Consider the Everett school district. An urban district, Everett might be expected to underperform when compared to a suburban town such as Sudbury. Part of that explanation may

be that Sudbury historically spends more of its own source revenues on its public schools. But Everett actually fares better under the BHI rating system.

A rating system based on 1998 MCAS raw scores would rank Everett 4th graders 130th out of 216, substantially below Sudbury, which ranked 13th. In fact, when socioeconomic and other factors are taken into account, Everett did a much better job of teaching its students than Sudbury.

Another example is the Hadley school district. According to the DOE ratings, Hadley 10th graders failed to meet performance standards. But the BHI model tells a different story for this Western Massachusetts town. Hadley 10th graders ranked 3rd out of 220 school districts.

Devising a rating system is not easy. But to be effective, the system must identify schools that achieve high performance with the resources and socioeconomic factors of the communities they serve. To do otherwise misleads educators and parents. It also shortchanges our children. That is the best reason of all for getting the rating system right in the first place. ❖

Promoting Good Schools Through Wise Spending	Achieving Good Performance Rating (G Rating)			Reducing Poor Performance (P Rating)		
	4th	8th	10th	4th	8th	10th
District (number of ratings in which district fell in the top 10)						
Hadley (5)	√	√	√		√	√
Clinton (3)	√	√		√		
Methuen	√			√	√	
Stoneham (3)		√	√			√
Tyngsborough (3)	√		√			√
Nantucket (2)		√			√	
Chelsea (2)				√		√
Dighton-Rehoboth (2)		√			√	
Eastham (2)	√			√		
Everett (2)	√			√		
Hanover (2)		√			√	
Oxford (2)	√			√		
Provincetown (2)			√			√
Shrewsbury (2)			√			√
Sutton (2)	√			√		

Beyond spectators and stats: Economists in the box seats



The Economics of Sports

William S. Kern, Ed., W.E. Upjohn Institute for Employment Research, 2000, 146 pages.

Reviewed by Frank Conte

If you are within earshot of sports talk radio WEEI-850 in Boston, you might hear, beyond banter of box scores and line-ups, a passionate discussion of the business of sports. Beyond ruminations of the Curse of the Bambino or Rick Pitino's failure as a Celtics coach brews a fascination with the economics of sports.

This is more than bottom-line gazing about the seemingly exorbitant salaries paid to young athletes. It's about whether the enthusiasm for sports justifies the dedication of scarce public resources away from education, housing and health care to private business.

From a larger perspective, the sports industry is not as crucial as manufacturing. As large as the old pastime looms in American culture, baseball, for example, is dwarfed by other mundane industries. In 1994, the noted economist Henry Aaron (not to be confused with the great home run king) told Congress that the cardboard box industry generated three times as much economic activity as the \$2 billion created by baseball. But the phenomenal growth of sports is prompting economists to apply their models in new, engaging ways.

As William S. Kern notes in his introduction to his collection of essays, *The Economics of Sports*, economists should be very comfortable in the box seats.

To be sure, much of the public's complaints about professional sports today – the high ticket prices, high player salaries, rent-seeking team owners – are pure fodder for economic analysis. Particularly since the demand for sports appears to be endless and impervious to price increases and labor lockouts.

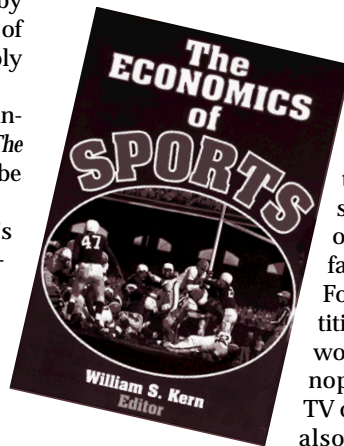
However, economists have long been drawn to study questions of industrial organizations and to judge productivity through salary caps and statistics. "The development of free agency in sports, the behavior of the National Collegiate Athletic Association in regulating collegiate sports and the growing use of 'personal seat licenses' by the National Football League teams, have provided additional opportunities to measure the effects of monopsony power, the behavior of cartels, and the practice of price discrimination," observes Kern.

Kern may have a hard time applying the theory of monopsony power – the ability of a buyer to force prices down by restricting purchases – in an industry in

which player compensation is out of this world. But he's clearly rounding third base.

In his study, "Market Power in Pro Sports: Problems and Solutions," Rodney Fort examines the special legal status of sports leagues. Exempt from anti-trust rules, sports leagues operate as cartels, restricting the supply of franchises and stifling competition. As Fort notes, this state of affairs is compounded by the fact that sports leagues are allowed to act jointly in the sale of rights to broadcast their games, a practice that would be outlawed in any other industry. It is tempting to blame player unions such as the NBA Players Association and its 1998 lockout, for ruining the game but the truth lies elsewhere.

"According to economic theory, it is demand that drives the result. Besides, if players didn't take their share, would anyone reasonably suggest that owners would rebate the balance to fans?"



wasteful expansion and relocation tactics used by franchises to extract public subsidies for stadiums."

But to get that point requires not only new thinking in Congress, but also a public education effort that might just be too overwhelming.

In his contribution to the book, Andrew Zimbalist takes this one step further. Some smaller cities are oversubscribed to professional franchises and big cities tend to have wealthier franchises. He proposes legislation that creates two leagues in big cities for each sport. It is not an idea endearing to current owners, nor to the fans who have already invested emotionally in their home teams.

Critics of corporate welfare to profes-

sional sports team owners have long hitched their mast to the empirical research of Robert Baade. Baade has often disputed claims that new sports stadiums contribute to regional economies. Nonetheless, the view that sports stadiums are centrifugal to urban renewal strategy (reversing an exodus of capital and labor to the suburbs) is now fashionable. But revisiting

earlier research, Baade, examining the central business district of Pioneer Square in Seattle and its new Kingdome, found that stadiums generated little new economic activity.

In fact, his survey indicated that Seattle Mariners' baseball games actually frustrated non-

sports related business in the area – offsetting any gains from the spending made by visiting sports fans.

While Fort and Baade examine more topical issues in sports economics, John J. Siegfried and Timothy Peterson ask a fundamental question about sports fans themselves: "Who is sitting in the stands? The income levels of sports fans." Thus the issue becomes one not only of efficiency (what happens when you use tax dollars for sports?) but also one of equity (who bears the burden of such decisions?). It is clear that owners benefit directly from public tax dollars, but what about fans and which ones? Consumers of sporting events clearly enjoy higher incomes than the nation's average income earner. The trend toward public subsidy further skews this redistribution upward.

In what may turn out to be the most controversial essay, Lawrence Kahn's, "A Level Playing Field? Sports and Discrimination" challenges the prevailing view that racial bias has been eliminated in the world of sports. He argues that while parity exists in the pay scales between white and black athletes, in the National Basketball Association, for example, the data suggest that customers, i.e. fans, reveal some preference for teams with white star players. This may be difficult to believe in a world transformed by Michael Jordan but Kahn's work is very thorough.

While it may be slightly academic for the general reader, "The Economics of Sports" is a worthy contribution to this growing field of study.

Does the enthusiasm for sports justify the dedication of scarce public resources away from other uses?

In Point of Fact

N

ot going for the gold.

Despite a \$45 million ad campaign, of the \$1.1 billion worth of Sacagawea dollar coins produced through September 30, 2000, approximately half of the new gold-colored coins remained in the vaults of the Federal Reserve Bank and the U.S. Mint as of October 20, 2000. The other half are in circulation. It appears, however, that many of these are being hoarded, because few coins are observed in day-to-day transactions. The fact that, to date, the new dollar coin has not been widely used in day-to-day transactions – even though it avoids the physical impediments to the success of previous dollar coins – suggests that, given a choice, the public prefers dollar notes to dollar coins.

Daniel L. Thornton, *Monetary Trends*, a publication of the Federal Reserve Bank of St. Louis, December 2000.

The competitive edge goes to smaller firms.

Years ago, John Kenneth Galbraith's books *The Affluent Society* and *The New Industrial State*, presented a terrifying view of an

American economy. Galbraith predicted that powerful industrial concerns would essentially abolish the market, controlling not only the supply of goods and capital, but through manipulative advertising, the demand for their own products. But the evidence has proven Galbraith wrong. [This group's] percentage share has fallen from 59.3% in 1980 to 36.1% in 1993. The competitive edge has shifted overwhelmingly to smaller firms.

James Rolph Edwards, *Liberty*, January 2001.

The tax man never sleeps.

Some governors and lawmakers plan to push legislation to standardize tax codes across the states to secure sales taxes on purchases over the Internet. Currently it is up to buyers to pay sales taxes by reporting such transactions on their tax returns. The National Governors Association says states will lose \$20 billion in unpaid online sales taxes by 2003. If the new legislation were to pass, states would embrace similar sales tax terminology and classifications. New software would be developed to allow e-tailers to determine and collect the sales tax on a transaction, depending on where the buyer lives. However, even if states choose to follow this approach, they

will depend on e-sellers to collect taxes and send them to the states.

Associated Press, January 31, 2001.

We told you so!

Economy.com is a major source of economic information on the Internet. Recently it conducted a survey that found that Northeastern business centers, New York and Boston, rank as the highest cost metropolitan areas in the U.S. ... Upon initial inspection it would appear that relative business costs have little impact on regional economic performance, as many of the strongest economies in the Northeast and West also have the highest business costs. This conclusion is deceptive, however: business costs are instrumental in determining long-term regional economic performance, as they play a central role in the relocation and expansion decisions of firms. Indeed, approximately one-third of the differences between state employment growth over the past decade can be explained by differences in the cost of doing business.

Francis X. Markey and Michael Burt, *dismal.com*, January 9, 2001.



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