ECONOMIC SCORE DEBATED

D.C. and Northern Virginia Vie for Baseball Team

Ahhh! The sound of baseball is in the air. Or at least there's talk of it in Washington, D.C., and the surrounding area.

Washington, D.C., and Northern Virginia are stepping up to the plate to bring major league baseball to their respective areas. But are there economic benefits to bringing a team to town? The debate usually centers around whether such stadiums boost a local economy.

AP PHOTO

Backers of public funding for a baseball stadium in Washington, D.C., point to the role that Camden Yards played in revitalizing Baltimore's Inner Harbor.

Supporters in Northern Virginia argue that a stadium there would be a greater overall benefit than a similar stadium in D.C. because it wouldn't affect the Baltimore Orioles' fan base. Brian Hannigan, communications director of the Virginia Baseball Stadium Authority, says a stadium in Northern Virginia would "draw from a fan base in Northern Virginia and the rest of Virginia, which is out there ready to support a team without harming the Orioles. A major league team in D.C. would draw fans from the Baltimore-Washington corridor."

In a 2000 George Mason University study, Stephen Fuller, professor of public policy, reported that "construction and operation of a $300 million major league ballpark in Northern Virginia would have a substantial positive impact on the region's economy. ..." The study also said the park would have a ripple effect on the area's economy. According to the study, the project would add a total of $100.4 million in new personal earnings and generate 3,384 new jobs in the Commonwealth during construction. A 2003 update reaffirms the earlier conclusions. It further indicates that the 30-year economic impact could be better than originally calculated: an increase of 29.7 percent in total economic impact and 8.8 percent in total personal income generated.

The D.C. contingent sees things differently. Mayor Anthony Williams is proposing approximately $339 million to build a stadium in the nation's capital. Says Harold Brazil, D.C. councilmember at large: "A baseball stadium will create hundreds of jobs for District residents and pump millions of dollars into our restaurants and stores—which means more tax dollars for city services and education." A 1999 study conducted for the District estimated that a new baseball stadium would generate $1.4 billion dollars in direct spending in the first 20 years.

"The current proposal for funding for the stadium is to come from a tax on players' salaries, taxes on goods sold at the stadium, and a new fee imposed on large businesses," Brazil says. "There would be no diversion of current revenue for the stadium."

Brazil also thinks that by placing the new baseball stadium downtown or on the waterfront, Washington can imitate the success of cities like Denver, Baltimore, and Cleveland. "By creating the incentive for ancillary development, these and other cities have generated millions of dollars in revenue for the government and private industry and thousands of jobs for their residents," he says.

Andrew Zimbalist, professor of economics at Smith College, disagrees. "You don't build a public park because you think it's going to raise potential income; you do it because it's going to enrich the social and cultural life in the community. I think that on those grounds, to put public money into it, in the same way that you would put public money into building an art museum or a public park, is not an implausible proposition." But as he points out in his book, *May the Best Team Win*, major league baseball's monopoly status gives it leverage. "That leverage should not be the basis for any of these subsidies."

Allen Sanderson, senior lecturer in economics at the University of Chicago, points out that stadiums bring minor economic benefit. "For every $100,000 you spend, in my judgment, you'd get one full-time equivalent job," he says. "Some people benefit—the sports fan, the owner of a nearby bar. But the subsidy has a negative 'Robin Hood' effect. Sports fans tend to be richer than average. It helps the players, owners, and fans. And the studies forget to subtract out leakages. The money spent doesn't stay in the area: The T-shirts sold are not made [locally], the hotel money goes to the headquarters [in another city]."

Zimbalist and Sanderson say that when people choose a sports event, they forgo another entertainment, a "substitution effect." Sanderson says that when the Chicago Cubs made the playoffs, the event created extra business for some who were directly involved, such as sports writers and parking attendants. But attendance at malls, concerts, and other leisure activities dropped.

—Elaine Mandaleris

CLOSING OPEN DOORS

Tighter Border Rules Slow the Flow of Foreigners

In global markets, moving people is just as important as moving goods. Overseas employees of American firms come to the United States for training, while foreign buyers meet with prospective suppliers here. In addition, travel and tourism is the nation's largest services export. Yet tighter visa regulations have stifled the flow of people, contend both business and travel groups.

Since the Sept. 11, 2001, attacks on the World Trade Center and the Pentagon, consulates have assumed new responsibilities aimed at keeping terrorists off U.S. soil. For example, a greater number of people who request a visa to reach an American point of entry must be interviewed in person. Also, men between the ages of 16 and 45 must provide extra information to determine if an extensive background and security check is warranted.

Critics of the new standards acknowledge the importance of secure borders, but they argue federal agencies aren't equipped to do the job. For example, the U.S. Department of State says that most requests for security checks are processed in less than three weeks, but the FBI and other agencies have been receiving so many additional requests that there have been backlogs. Coupled with backlogs in conducting interviews and assessing high-risk applicants, this has resulted in months of delays for approving some visas.

Tourism to landmarks like the Smithsonian Institution has been affected by tighter visa regulations.

A majority of foreign travelers aren't subject to these delays, though. In 2002, 70 percent of America's visitors, mostly from Western Europe, didn't need a visa. But by October 2004, travelers from the 27 "visa waiver" nations will need a machine-readable passport. Moreover, all travel documents will have to contain a fingerprint or facial scan in addition to a photograph.

Many travelers have built in extra time for entering the United States. Still, visa applicants from certain countries like China and Russia have experienced lengthy delays. A sales executive from a West Virginia manufacturing company recently told his horror story to a congressional committee. One of the company's engineers in China was rejected twice for a visa on the grounds that he was an "immigration threat."

No wonder some blame the new visa policies for the current decline in foreign visitation. After international arrivals peaked at 51 million in 2000, they dropped 12 percent in 2001 and 7 percent in 2002. A 4-percent drop is projected for 2003.

However, other factors could have prompted some foreigners to curtail their travel. "Because growth abroad has been relatively weak over the last two years, people don't have the disposable income that they once had to travel," surmises Jay Bryson, global economist at Wachovia Corp. Also, the dollar was strong compared to the Euro from 1999 to 2001.

In the Fifth District, many tourism markets haven't been significantly affected by changes in foreign visitation because they depend on domestic travel within or near the region. However, states with a significant presence of foreign operations have faced some difficulties.

"Ten percent of South Carolina's work force works for an international company, the second highest percentage in the country," notes Mark Condon, executive director of the South Carolina World Trade Center. "A lot of these companies have been suffering, but they have learned to plan further out for their international visitors."

Bryson adds that tougher security measures post-Sept. 11 have probably discouraged only a few foreign firms from coming to America. "If there are good business reasons for someone to build a plant in South Carolina and have German nationals staff it, companies will continue to do that."

—Charles Gerena

HEY Y'ALL

The Disappearing Southerner

Ever since the end of the Civil War, writers have pronounced the South as dead as a deer strapped to a grill guard.

In a 2003 study, Larry J. Griffin and Ashley B. Thompson of Vanderbilt University in Nashville, Tenn., ask another question: "Enough About the Disappearing South, What About the Disappearing Southerner?" The purpose of the study is to better understand the pervasiveness of Southern identity.

The researchers use data from the University of North Carolina Southern Focus Poll, conducted between 1991 and 2001. Callers telephoned a random sample of people living in the South—defined as the 11 states of the Confederacy plus Kentucky and Oklahoma—and asked them if they considered themselves Southerners. Griffin and Thompson analyzed the results to study changes in the responses since the poll was first conducted in 1991.

The study estimates a 7.4 percent decline since 1991 in the proportion of people who called themselves Southern. This downward trend was evident across ethnic groups, income levels, and in both rural and urban locations. The researchers attribute this decline to the shrinking of "Southern identity's core constituencies" and a diminished interest in being a Southerner. Overall, 70 percent of those polled said they were Southerners in 2001 (compared to 82 percent in 1991) prompting Griffin and Thompson to conclude: "Self-defined Southerners are not a dying breed… But, proportionately, there are visibly fewer of them."

According to the 2000 Census, just over five million people moved from the Northeast, the Midwest, and the West to the South between 1995 and 2000. This influx of non-Southerners could have contributed to the fall in Southern identity, researchers say.

The study also found that Southern identification is diminishing more slowly for African Americans than for white people. Griffin is proud of that, and says the South's cultural, political, and economic changes have created a more comfortable environment for African Americans than existed before the Civil Rights movement.

John Shelton Reed, a sociologist at the University of North Carolina at Chapel Hill and the man who designed the Southern Focus Poll, says that being Southern "doesn't mean what it did 100 years ago."

Being Southern is nothing to be ashamed of, Griffin cautions. "If we lose our Southerness we may also forget some of those extraordinary accomplishments of the sixties and seventies," he says, referring to the Civil Rights movement. "That would be sad indeed."

—Amanda White Gibson

THE BRAIN GAME

South Carolina Invests Big Money in Research Facility

South Carolina is laying groundwork that may enhance the state's reputation for research by bringing in top talent.

On a 400-acre campus near Greenville, Clemson University broke ground in November on the Clemson University International Center for Automotive Research. The center, set to open in 2005, aims to build on Clemson's engineering expertise and support the state's automotive manufacturing niche through a new graduate engineering center and research facilities.

The project currently is estimated at about $90 million, some $69 million of which will be paid for through state funds. However, the center also has generated private support, including $15 million from BMW Manufacturing Corp. and its suppliers and $1 million from IBM in products and services.

The state will pay for a $15 million technology center at the research facility, which BMW will lease from Clemson. State funding for that facility was part of a state incentive package when BMW announced a $400-million expansion, worth 400 new jobs, in 2002.

The research center is an aggressive attempt to drive economic growth through nurturing human capital, according to Curtis Simon, associate professor at the John E. Walker Department of Economics at Clemson.

South Carolina, struggling financially like most states, has faced debilitating losses in the manufacturing sector during the past two decades. Even jobs in the state's high-tech automotive parts sector have declined, from 19,200 at the end of 2000 to 18,100 at the end of September 2003. This massive infusion of state money into the research center, it is hoped, will reverberate throughout the state in a positive way. The center will not depend solely on the automotive industry, Simon believes. The campus' location, along the Interstate 85 corridor between Charlotte, N.C., and Atlanta, Ga., is home to a cluster of automotive-related businesses.

"One would not be surprised that the research useful to BMW might be useful elsewhere," he comments. "So, for example, advances in materials, or if they study fuel efficiency— those kinds of things are going to find applications outside the industry." Though the center supports the automotive industry, its intent is to draw tenants in need of technology and highly educated people.

It's critical to nourish "intellectual inputs," not just "material inputs," Simon notes. Firms outside the automotive industry that can use the research will locate in South Carolina to be near the center. "Am I thrilled about the prospect of using state money for it? I don't know… it might work and, if it does, well, my goodness."

—Betty Joyce Nash

REPORT RANKS CITIES

Sunbelt Metro Areas Score Well

When you think of dynamic economic growth, Arkansas typically doesn't pop into your head. But a recent report from the California-based Milken Institute says the "Natural State" is home to the nation's best performing city: Fayetteville. The report analyzed the economic performance of the nation's 200 largest metro areas.

Two cities in the Fifth District made the top 20. Raleigh-Durham, N.C., came in at No. 12 and Washington, D.C., placed 19th. "For an economy with an IT hardware cluster, Raleigh-Durham's 12th ranking is extraordinary," write the report's authors Ross DeVol and Frank Fogelbach. Helping to stabilize Raleigh-Durham's economy in recent years were a contingent of life science firms and the area's major universities. Raleigh is also the state capital and home to a large number of secure, well-paying government jobs.

Increased spending on homeland security boosted D.C.'s status, making it the strongest economy in its region. It even outpaced the southern Maryland and Northern Virginia suburbs.

The report's authors used a variety of components, such as job and wage growth, to rank cities. The rankings include a one-year score to provide a sense of the relative momentum of metropolitan economies. They also used a five-year score to smooth out business-cycle effects.

The rankings are exclusively outcome-based. For instance, they do not incorporate cost-of-living measures or quality-of-life factors. "All of these static measures are important, but can be highly subjective in nature. If a metro has a high quality of life, it should be reflected in its firms' ability to create jobs and attract human capital," DeVol and Fogelbach write.

Nineteen of the top 20 metro areas are located in the South or West. Only one—Monmouth-Ocean, N.J.—is from the Northeast or Midwest. Seven of the top 20 metro areas were in California.

Getting back to Arkansas, why does Fayetteville score so well? The answer almost can be summed up in one name: Wal-Mart. The recession caused Americans to shift spending to discounters and away from upscale retailers, a trend that Wal-Mart capitalized on, while competitors such as Kmart faltered. Wal-Mart also has attracted a "wide agglomeration of suppliers, partner firms, and IT intensive logistic firms such as J.B. Hunt," write DeVol and Fogelbach. In addition, Fayetteville is home to the main campus of the growing University of Arkansas and poultry processor Tyson Foods Inc. "Despite a greater-than-average concentration of manufacturing there, it has a low dependence on durable goods, which aided its performance during the recent recession," the report's authors write.

The full text of the report, titled "Best Performing Cities: Where America's Jobs Are Created," can be found on the Milken Institute's Web site at www.milkeninstitute.org.

—Aaron Steelman

Economic Excellence

The following cities ranked highest in an analysis of economic performance among the nation's 200 largest metropolitan areas.

1. Fayetteville, Ark.
2. Las Vegas, Nev.
3. Fort Myers, Fla.
4. West Palm Beach, Fla.
5. San Diego, Calif.
6. San Luis Obispo, Calif.
7. Laredo, Texas
8. Brownsville, Texas
9. McAllen, Texas
10. Monmouth, N.J.

12. Raleigh-Durham, N.C.

19. Washington, D.C.

SOURCE: Milken Institute