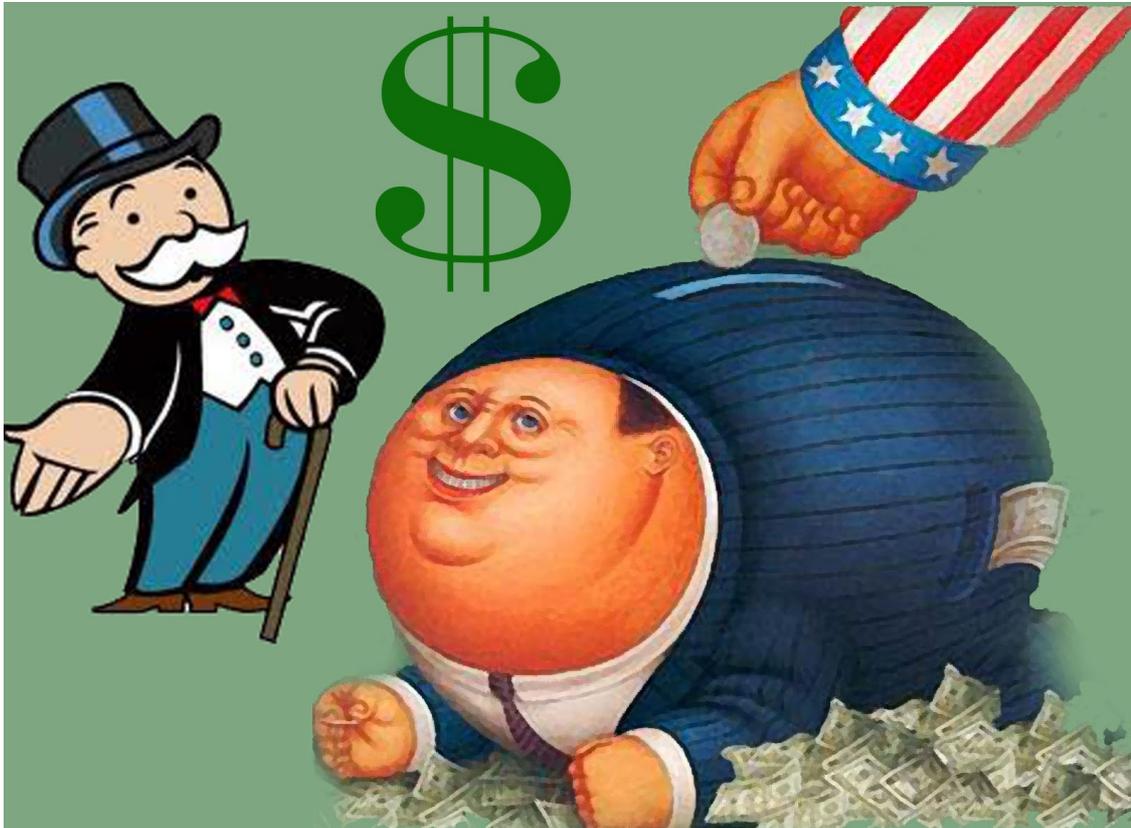




# Sales Taxes will Not Save the Saint Louis Stadium Plan

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By: Michael Rathbone

This past week, the *Post-Dispatch* spilled some electronic ink touting a [new study](#) authored by a group of Harvard MBA students regarding the proposed new stadium development on the North Riverfront. The study claims that the new development will be financial plus and that the city will see millions in additional tax revenue. Their claim, for lack of a better word, is bogus.

My colleague Joe Miller and I found so many things wrong with this study that our critique required more than one blog post. In the first post, Joe addressed the study's faulty reasoning in regards to property taxes. This post covers the authors' overestimation of additional sales taxes the city would be set to collect due to a new stadium.

In their study, the authors' anticipate the new stadium will generate an additional \$1.4 million in sales tax revenue annually. Actually, a new stadium will most likely generate very little if any additional sales tax revenue.

The authors overestimate new sales tax revenue because they fail to take into account substitution effects. Substitution in the context of entertainment spending is when consumers spend their money on one entertainment option instead of another. For

example, instead of spending \$20 dollars at a bar in Washington Avenue, someone instead spends that \$20 dollars at the new football stadium. Overall spending does not go up; the money is just shifted from one place to another. When the authors calculate that the stadium and the developments around it will generate \$1.4 million in revenue, they do not subtract out the tax revenue lost from other businesses decreased revenues due to the stadium.

There is a lot to say about this Harvard study, and this post only scratches the surface. The key takeaway, though, is that nothing in this study challenges the [conclusion](#) held almost universally among economists: that there is [no economic justification](#) for public financing of sports stadiums.

## About the Author



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