

Policy Analysis

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SPORTS PORK ***The Costly Relationship between Major League Sports and Government***

by **Raymond J. Keating**

Executive Summary

During the 20th century, more than \$20 billion has been spent on major league ballparks, stadiums, and arenas. This includes a *minimum* of \$14.7 billion in government subsidies that has gone to the four major league sports—Major League Baseball, the National Football League, the National Basketball Association, and the National Hockey League—including more than \$5.2 billion just since 1989.

These numbers (all in 1997 dollars) exclude the billions of dollars in subsidies provided through the use of tax-free municipal bonds, interest paid on debt, lost property and other tax revenues not paid on facilities, taxpayer dollars placed at risk of being lost if the venture failed, direct government grants to teams, and the billions of dollars spent by taxpayers on minor league facilities.

Looking to the rest of 1999 and the next several years, considering what is already agreed to and what various teams and cities are seeking or proposing, another conservative estimate indicates that at least \$13.5 billion more will be spent on new ballparks, stadiums, and arenas for major league teams. Taxpayers are expected to pay more than \$9 billion of that amount (in nominal terms).

Before the Great Depression, sports subsidies were rare; today, they are the general rule. The economic facts, however, do not support the position that professional sports teams should receive taxpayer subsidies. The lone beneficiaries of sports subsidies are team owners and players. The existence of what economists call the “substitution effect” (in terms of the stadium game, leisure dollars will be spent one way or another whether a stadium exists or not), the dubiousness of the Keynesian multiplier, the offsetting impact of a negative multiplier, the inefficiency of government, and the negatives of higher taxes all argue against government sports subsidies. Indeed, the results of studies on changes in the economy resulting from the presence of stadiums, arenas, and sports teams show no positive economic impact from professional sports—or a possible negative effect.

Unfortunately, many of the proposals for resolving the issue of subsidized stadiums and arenas, such as government ownership of sports teams, only make matters worse. A step in the right direction would be a measure requiring voters to approve any government subsidy for professional sports.

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Introduction

In 1997, the Florida Marlins served up an amazing story on the baseball diamond. Having entered the league just four years earlier as an expansion club, the Marlins gained a wild-card entry into the playoffs and went on to become world champions. Former Marlins owner Wayne Huizenga, of Waste Management and Blockbuster Video fame, paid a \$95 million expansion fee for the franchise, brought in respected manager Jim Leyland to guide his ball club, and rang up a 1997 player payroll of \$53 million (a 77 percent increase over the 1996 payroll of \$30 million).¹ The combination worked as the Marlins beat the Cleveland Indians in an exciting seven-game World Series.

The Marlins' ballpark, Pro Player Stadium (first named Joe Robbie Stadium, for the former owner of the Miami Dolphins who built it), was erected in 1987 and is privately owned, financed with \$115 million from the private sector²—a rare occurrence in this era of taxpayer-subsidized, often government-owned sports venues. Huizenga bought both the Dolphins and the stadium in 1994 from the Robbie family for \$138 million (four years earlier, after Joe Robbie's death, he had purchased 15 percent of the team and 50 percent of the stadium).³ In 1996, he sold the stadium naming rights to Fruit of the Loom for \$20 million over 10 years.⁴ The Marlins' World Series triumph in 1997 seemed to be a victory for the free market.

Off the field, however, the unsavory politics of corporate welfare intruded. The home in which the Dolphins and Marlins swam was not the purely private venture it was said to be. In reality, the original borrowing was done with Dade County industrial revenue bonds, though paid off with private dollars.⁵ In addition, the county forked over almost \$30 million for road and utility improvements,⁶ and in 1991 the state granted a \$60 million sales tax rebate—at \$2 million annually for 30 years—so Huizenga could retrofit the facility for baseball.⁷ He tried to get another \$2 million annu-

al sales tax break for the Dolphins in 1997, but state legislators turned him down.⁸

In 1997, Huizenga complained about losing money on the Marlins (reportedly about \$34 million for the year). The stadium, he said, was a big part of the problem: "Look at the teams that do have stadiums—the Braves, Cleveland, Baltimore, Texas—all of them have a great atmosphere and they're doing well. We play in a football stadium. We hear that all the time."⁹ Before the 1997 season began, the team attempted to rally political support for a new baseball-only stadium. By June, Huizenga put the Marlins up for sale. Many speculated that this was merely another ploy by Huizenga, who had put his National Hockey League (NHL) franchise, the Panthers, up for sale in late 1995, only to take it off the market after politicians agreed to erect a new arena for the team.¹⁰

Speculation continued to run so high regarding Huizenga, a new ballpark, and his future ownership that on the night his team won the World Series, reporters asked as many questions about the controversy as about the game. In fact, after winning the World Series, Huizenga announced he would not sell the team if the taxpayers paid hundreds of millions of dollars for a new ballpark with a retractable roof.¹¹

Huizenga subsequently committed another, and to some more egregious, sports sin: he disassembled his highly paid championship team, giving them no chance to defend their title and turning them into little better than a Triple A minor league team for the 1998 baseball season. The team's payroll plunged by 70 percent to \$16 million.¹² The Marlins lost 108 games in 1998—the worst performance ever for a team that had won the World Series the previous year. They went from champs to chumps because the owner's demands for subsidies went unheeded.

With no subsidized ballpark in sight, Huizenga continued his efforts to sell the Marlins. In November 1998, he finally sold the team for \$150 million to John Henry, who is also seeking taxpayer assistance for a new facility.¹³

Wayne Huizenga's scheming for taxpayer subsidies is by no means unique in the "wide world of sports." Sports teams sometimes pursue taxpayer dollars off the field with greater tenacity than they do victories on the field. And as we shall see, they have been quite successful in picking off taxpayer dollars. Public subsidies pad the bottom lines of team owners and boost player salaries while offering no real economic benefit to the cities involved. They provide another example of government action whereby the few and the influential benefit at the cost of the many.

Federal, state, and local officials have shown themselves more than willing to fork over taxpayer dollars to the sports world. And such willingness knows no political party boundaries: From the most liberal Democrats to the most conservative Republicans, sports pork is a rampant, bipartisan effort, and there is no end in sight.

A Short History of Major League Sports and Government Subsidies

Extensive subsidization of sports by government has been a fairly recent development in U.S. history. Princeton University political scientist Michael Danielson has noted: "Professional sports were . . . a product of the business ethos of the late nineteenth-century city. In cities dominated by private enterprise, sports offered another opportunity for profit seeking. Teams were privately owned; they were organized into private leagues; and they played in private ballparks."¹⁴ Later, Danielson explained: "Prior to the Great Depression, big league playing facilities were private enterprises. Entrepreneurs acquired land, built ballparks and arenas, and operated them. In baseball, teams shifted from grounds rented from other private parties to building their own fields, with all clubs playing in team-owned parks by World War I."¹⁵

Today, all four major league sports—Major League Baseball, the National Football League (NFL), the National Hockey League (NHL),

and the National Basketball Association (NBA)—enthusiastically play the stadium subsidies game.

All the pre-Depression baseball stadiums in use today were originally built with private funds: Wrigley Field, Tiger Stadium, Yankee Stadium, and Fenway Park. In 1912, Tiger Stadium (originally known as Navin Field) opened in Detroit at a cost of \$500,000.¹⁶ That same year, Fenway Park, built at a cost of \$364,500, opened in Boston.¹⁷ Chicago's Wrigley Field was erected in 1914 at a cost of \$250,000.¹⁸ "The House That Ruth Built," a \$2.5 million structure built on land purchased for \$600,000, opened in New York in 1923.¹⁹

Hockey's Toronto Maple Leafs put down roots in Maple Leaf Gardens in 1931 (they had previously played in the Mutual Street Arena). The story of Maple Leaf Gardens shows how, even in the most dire of economic times, the private sector can build sports facilities without government assistance. David Mills explains:

Although money was tight because of the Great Depression, [Conn] Smythe bought land in downtown Toronto for \$350,000 from the T. Eaton Company (which took a second mortgage of \$300,000 and \$25,000 worth of stock). In order to build an arena, Smythe borrowed \$900,000 from the Sun Life Assurance Company, which held the first mortgage, and another \$900,000 from the Bank of Commerce; both institutions had their own men on the board of directors of Smythe's company. They not only provided the capital for the creation of Maple Leaf Gardens, Ltd., they participated in the financial decision making of the company. Maple Leaf Gardens opened on November 12, 1931, with a standing-room-only crowd of 13,542. Moreover, Smythe's company had been able to overcome a financial crisis that had left it short of funds; the construction unions in the Toronto Labour Council had finally agreed to take 20 percent of

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their wages in common stock. C. Smythe, Ltd. also provided the sand for construction of the Gardens.²⁰

The Era of Subsidies

Government's original involvement in large-scale stadium projects quite literally began with Olympian efforts. Los Angeles built the Los Angeles Coliseum in a failed attempt to get the 1924 Olympics. The city did snag the 1932 Olympic Games over Cleveland and Chicago, which had built Municipal Stadium and Soldier Field, respectively.²¹ The Los Angeles Coliseum was completed in 1923 at a cost of \$954,873²² and was refurbished for an added \$951,000 in 1931.²³ Los Angeles, however, got off relatively cheap: Municipal Stadium cost almost \$3 million in 1931;²⁴ Soldier Field, which opened in 1929, \$7.9 million.²⁵

In terms of major league sports teams, the subsidies or welfare game began with Cleveland's Municipal Stadium. "The Mistake by the Lake," as it later became known, was the brainchild of Republican city manager William R. Hopkins.²⁶ In 1928, the city council voted 23 to 1 in favor of placing a \$2.5 million bond issue on the November ballot. The lone dissenter, Democrat F. W. Walz, presciently warned: "Of course, they say the stadium will pay for itself, but we've heard that story before. It's high time we called a halt to this."²⁷ As would happen time and time again in coming decades, the city's elite offered strong support and promised the world—and the voters said "yes."²⁸

The Olympics, as noted, landed elsewhere, but the Cleveland Indians arrived on July 31, 1932. After the 1933 season, however, the team wound up splitting their home games between the cavernous Municipal Stadium and the intimate League Park, which had been their home since 1901. Quite simply, the team-owned League Park offered a chance for the financially strapped Indians to save on rent.²⁹ It was not until 1947 that the Indians finally agreed to play all games in "The Mistake by the Lake." The NFL's Browns took up residence in Municipal Stadium in 1946. They

stayed until 1995, when they left in one of the most controversial moves in sports history.

Cleveland's foray into the stadium business was less than auspicious. Nonetheless, states and cities across the nation followed. The next government major-league stadium ventures involved Milwaukee and Baltimore, the two cities that lit the stadium-hopping, city-hopping fuse that continues to burn brightly today, almost a half-century later. Milwaukee's County Stadium was the first publicly funded ballpark specifically built for a major league baseball team. Taxpayer dollars had already found their way into minor league facilities.

Meanwhile, a team with the deepest of community roots got its own piece of the pie. In 1957, football's vaunted Green Bay Packers moved into now-legendary Lambeau Field, after playing in the 25,000-seat City Stadium since 1925. Lambeau Field was a city venture costing \$969,000.³⁰ During the 1980s and 1990s, Green Bay put \$40 million into upgrades such as sky boxes, club seats, and scoreboards.³¹

The battle among the cities next arrived in the then-indisputable capital of baseball—New York City. From 1947 through 1957, at least one New York team appeared in the World Series, and in seven World Series both teams were from New York. After the 1957 season, however, the New York Giants fled to San Francisco and the Brooklyn Dodgers to Los Angeles.

Democrat Robert F. Wagner, then mayor of New York City, declared in September 1957: "If we began to subsidize baseball teams, all sorts of business enterprises would demand the same things. Our feeling is that professional ball clubs class as private enterprise. They have to carry their own weight. We will not be blackjacked."³² Years later, he observed: "The idea of municipalities building stadiums or helping in the building of stadiums was not really politically possible in New York City in 1957."³³ In just a few short years it surely would be, but in the meantime both the Giants and Dodgers looked to California.

The Giants cashed in big time in terms of taxpayer subsidies. The city of San Francisco

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promised to build the Giants a 40,000- to 50,000-seat stadium with parking for 12,000 cars.³⁴ The \$32 million Candlestick Park opened in 1960³⁵ but was soon deemed a failure because of the cold winds blowing off San Francisco Bay. In a \$24 million upgrade before the 1971 season, minor improvements were made that redirected, but did not eliminate, the harsh winds.³⁶ In 1971, the NFL 49ers moved into Candlestick, after having played in Kezar Stadium since 1946. Another \$30 million in upgrades, mainly for the 49ers, went into the stadium in 1986.³⁷

The deal to erect Dodger Stadium was more complex. Conventional wisdom calls it the last privately financed baseball stadium, but government subsidies certainly were involved. Under the Dodgers' deal with the city of Los Angeles, approved by a narrow 52 percent of the voters,³⁸ the Dodgers spent \$23 million to build Dodger Stadium, which opened in 1962.³⁹ Meanwhile, the Dodgers traded their minor league Wrigley Field to the city in exchange for a far more valuable 300 acres in Chavez Ravine in the Los Angeles basin. The city spent \$2 million to grade Chavez Ravine, and the county spent \$2.74 million for road improvements.⁴⁰

Following the Giants' and Dodgers' moves to California came more city-hopping by existing baseball teams as well as expansion franchises looking for handouts. The Washington Senators had played in Griffith Stadium from 1903 to 1960. Before the 1961 season, however, they left town for Bloomington, Minnesota's Metropolitan Stadium—originally a government-financed minor league ballpark opened in 1956 at a cost of \$4.5 million.⁴¹ Seating in the stadium was expanded from 18,200 to more than 30,000 seats for the major leagues, and eventually to 45,000 seats for the now Minnesota Twins.⁴² They were joined by the NFL expansion Minnesota Vikings in 1961.

Meanwhile, back in the nation's capital, Major League Baseball moved quickly to patch matters up with federal officials by granting an expansion franchise to Washington, D.C. The new Senators played in Griffith Stadium

for 1961 but moved into the District of Columbia Stadium—later renamed RFK Stadium—the next year. That stadium, the only federally owned ballpark used by the major leagues,⁴³ had been paid for with federal and D.C. taxpayer dollars to the tune of \$21.7 million. The final price tag—not including the cost of the land, which was owned by the U.S. Department of the Interior—was more than three times the original estimate.⁴⁴ The NFL Redskins moved into RFK in 1961, and became the facility's anchor for 37 years.

In 1962, the Mets arrived in New York as a baseball expansion team. The stadium subsidies tune had changed considerably in the Big Apple. Although many of the same political players were on the scene, including Mayor Wagner, government funding for the private enterprise of baseball was now favored. After playing in the soon-to-be-demolished Polo Grounds during the 1962 and 1963 seasons, the Mets moved into the \$24 million, city-owned Shea Stadium in 1964.⁴⁵ Football's Jets (originally named the Titans) arrived in New York with the birth of the American Football League (AFL) in 1960. They too played in the Polo Grounds from 1960 through 1963 and then moved into Shea Stadium in 1964.

In the Midwest, baseball's Kansas City Royals played in old Municipal Stadium from 1969 through 1972. Taxpayers paid \$47 million for Royals Stadium—later Kauffman Stadium—which opened in 1973.⁴⁶ At least Royals owner Ewing Kauffman paid for the \$2.7 million, 120-foot-high scoreboard and the \$750,000 waterfalls and fountains beyond the outfield wall.⁴⁷ Meanwhile, in 1972, football's Kansas City Chiefs, who had also played in Municipal Stadium since leaving Dallas after the 1962 season, moved right next door to the Royals in the \$53 million Arrowhead Stadium.⁴⁸ Kansas City has the dubious honor of being the first city with separate public stadiums for baseball and football.⁴⁹ The original estimated cost for the Harry S. Truman Sports Complex was \$43 million;⁵⁰ the final tab turned out to be \$100 million.

The 1970s were a particularly dismal decade for new sports facilities: the new subsi-

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dized structures were not only costly but often quite ugly. Cincinnati, Pittsburgh, and Philadelphia opened the decade with dual-use (i.e., used for football and baseball), sterile, government-financed, AstroTurf stadiums.

There was one exception. In 1971, after playing in college stadiums for five years and the other six in Fenway Park, football's Boston Patriots became the New England Patriots and moved into the new Schaefer Stadium (later Foxboro Stadium). The 60,000-seat stadium cost \$6.7 million to build.⁵¹ As James Quirk and Rodney Fort explain, an important lesson can be learned from this instance:

The Patriots' stadium was a throwback to the stadiums of the far-distant past, a bare bones edifice that was built with private rather than public money, and with infinite care taken to keep costs to a minimum and to exploit every opportunity to pass along to someone else any costs that simply had to be paid. Among other things, the name of the stadium was leased to the Schaefer Co., the stadium scoreboard was acquired for free under another leasing arrangement providing advertising privileges in the stadium for the donor, and the original artificial turf was donated by a company trying to break into the stadium supply field. The cost containment story of the stadium should be studied by anyone who thinks that the free enterprise system and private incentives can't work to keep costs down.⁵²

Though threats by baseball owners to move their teams if taxpayers fail to cough up hundreds of millions of dollars for new ballparks seem as commonplace these days as the rising sun, the last time a baseball club actually up and left town was in 1972. After just 11 seasons, the Senators once again moved out of Washington, D.C.— this time

to become the Texas Rangers. The city of Arlington, Texas, owned Arlington Stadium, built in 1964 at a cost of \$1.9 million by Tarrant County and home to the minor league Dallas Spurs.⁵³ Three subsequent renovations for the major league Rangers cost approximately \$19 million.⁵⁴

Meanwhile, back in New York, the next team to stride up to the plate for handouts was the venerable New York Yankees. Since the Mets had gotten their city-built stadium, the Big Apple had become the nation's welfare capital. City officials were taxing anything and anyone that moved. Of course, the Yankees wanted their share. And the owner at the time, CBS, was not above threatening to move the Yankees out of New York.⁵⁵

So, even as America's once-great city of entrepreneurship and free markets watched its economy and finances crumble under the weight of big government, tax dollars were nonetheless found for the Yankees. In 1971, it was announced that the city would buy and rebuild Yankee Stadium at a cost of \$24 million (\$3 million for the land and \$21 million for the building).⁵⁶ At that time, Rice University owned the stadium and the Knights of Columbus the land.⁵⁷ By April 1973, three months after George Steinbrenner bought the Yankees, cost estimates already had risen to \$30 million.⁵⁸ The Bronx Bombers vacated for Shea Stadium in 1974 and 1975 while the renovations were done—renovations that clearly diminished the once-grandiose "House That Ruth Built." Eventually, it was estimated that the changes set back New York taxpayers more than \$160 million—about seven times the original estimate.⁵⁹

Meanwhile, the New York football Giants, who had played in the Polo Grounds from 1925 to 1955 and in Yankee Stadium from 1956 to 1973, seemed bent on fleeing the Empire State. They played in the Yale Bowl in Connecticut in 1973 and 1974 and then came back to New York's Shea Stadium for the 1975 season. The next season, however, they set down in the New Jersey Meadowlands. The new Giants Stadium,

built by a government authority, cost \$68 million. Just eight years later the Jets would move to Giants Stadium as well.

Eminent Domain and Antitrust Law

The freedom of sports leagues to make their own rules suffered a major blow in 1982 when the NFL Oakland Raiders headed to Los Angeles. After 13 seasons of consecutive sell-outs, Raiders owner Al Davis's eyes wandered from the almost 55,000-seat Oakland-Alameda Coliseum south to the larger Los Angeles Memorial Coliseum. In March 1980, Davis agreed to move his team to Los Angeles, but the NFL voted against the move. At the time, the NFL required a three-fourths vote by NFL owners to relocate, and Davis lost by a vote of 22 to 0, with five abstentions.⁶⁰ As a result, the Los Angeles Memorial Coliseum Commission (LAMCC) and the Raiders both sued the NFL and won on antitrust grounds. With damages trebled, the NFL was to pay \$34.65 million to the Raiders and \$14.58 million to the LAMCC.⁶¹ Eventually, the Raiders settled out of court, but the NFL had been burned badly on the antitrust issue.

The city of Oakland brought legal action as well, attempting to stop the Raiders' exodus by using its power of eminent domain. California Supreme Court Justice Rose Bird managed to grasp the absurdity of a city condemning and taking over a business like a football team:

If a rock concert impresario, after some years of producing concerts in a municipal stadium, decides to move his productions to another city, may the city condemn his business, including his contracts with the rock stars, in order to keep the concerts at the stadium? If a small business that rents a storefront on land originally taken by the city for a redevelopment project decides to move to another city in order to expand, may the city take the business and force it to stay at its original location? May a city condemn *any* business and force it to stay at its original

location? May a city condemn *any* business that decides to seek greener pastures elsewhere under the unlimited interpretation of eminent domain law that the majority appear to approve?⁶²

Indeed, the California courts initially ruled in favor of Oakland, until the Raiders finally and successfully argued in the state's Supreme Court that the Commerce Clause of the U.S. Constitution barred the exercise of eminent domain over a business involved in interstate commerce.⁶³

The Raiders' move set faulty legal precedents for the future of sports leagues and team movements. First, and most obvious, was the lower courts' outrageous acceptance of eminent domain in the case of sports teams. Second was the eventual establishment by the Ninth Circuit Court of Appeals that antitrust law applies in the case of sports leagues and team movements.

In a 1974 case in which the California Seals sued the NHL, which voted not to approve the team's move to Vancouver, the court found, quite correctly, that a league was a single entity, teams were "not economic competitors," and therefore no restraint of trade can occur under antitrust law.⁶⁴ In effect, the courts in the Raiders case threw the Seals precedent out the window and ruled that antitrust law does apply. Now the genie was completely out of the bottle. Only Major League Baseball, with its long-standing antitrust exemption, had a defense.

In 1984, however, an event occurred that solidified the notion of sports team owners as villains. In the middle of the night on March 28, 1984, Robert Irsay Jr. sent his Baltimore Colts packing in moving vans on a one-way journey to Indianapolis.⁶⁵ Most in Baltimore have never forgiven Irsay or the Colts. In fact, when Irsay died in early 1997, one Baltimore newspaper writer declared: "Irsay, dead at 73, is more unwelcome proof that the good die young."⁶⁶ Baltimore and the state of Maryland had been offering dollars, but Irsay and his Colts stampeded to

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Indianapolis, where the brand new 61,300-seat Hoosierdome, with its ring of luxury boxes, beckoned.⁶⁷ The new Indianapolis stadium had been built with \$48 million from the city and \$30 million from local foundations.⁶⁸ Irsay also received a 10-year, low-interest \$12.5 million loan, a \$2.5 million line of credit, and a brand new \$4 million training facility.⁶⁹

The last major league ballpark to come on line in the 1980s was the Toronto Sky Dome, which opened in 1989. The project was a private-public deal, with private investors chipping in \$120 million, expected to be about half the cost.⁷⁰ But costs skyrocketed and taxpayers wound up with a bill for \$322 million (in U.S. dollars).⁷¹ In a rare instance of privatization, the government's share of Sky Dome was sold to the private sector for \$120 million in 1992, though at a considerable loss.⁷²

The Majors—The 1990s and Beyond

The 1990s have been a decade of hyperactivity regarding new ballparks, stadiums, and arenas for the four major league sports. While Chicago's Comiskey Park II was the first new major league baseball stadium to open during the 1990s, it was the decade's second ballpark that would set the architectural trend. Oriole Park at Camden Yards—combining the look and feel of old-time ballparks with all the modern amenities—opened in 1992 at a taxpayer cost of \$210 million.⁷³

One of the classic signs of the 1990s is the large number of stadiums and fields that are paid for mostly by the taxpayers but named for owners or corporations:

- In 1994, the Cleveland Gateway Complex opened Jacobs Field for baseball's Indians and the Gund Arena for the NBA Cavaliers. Costs for the troubled project rose to \$462 million, with only \$157 million covered by the private sector.⁷⁴

- The taxpayers picked up \$200 million of the \$215 million total cost for Coors Field in Denver.⁷⁵
- Arizona taxpayers are picking up \$238 million of the \$355 million Bank One Ballpark in Phoenix, which boasts a retractable roof, a natural grass field, a throwback dirt path from the pitcher's mound to home plate, and a jacuzzi and swimming pool over the right-center-field wall.⁷⁶
- Taxpayers in St. Petersburg, Florida, spent \$138 million on spec for Tropicana Field (formerly known as the Thunder-Dome)—a domed stadium offering AstroTurf with dirt base paths, an extra-wide warning track to cut down on ground-rule doubles, and various fan amenities including a cigar bar—and fortunately managed to attract the Tampa Bay Devil Rays.⁷⁷ Or maybe not so fortunately, since the Devil Rays proceeded to upgrade it at a cost of \$70 million, with \$62 million from the taxpayers.⁷⁸
- A bit south of St. Petersburg, in September 1998, Wayne Huizenga's Florida Panthers christened the new National Car Rental Arena with a 2-to-1 win over the Boston Bruins.⁷⁹ Broward County built the rink at a cost of \$185 million.⁸⁰

Even today, not all stadiums are built at taxpayer expense, or at least not primarily. The Atlanta Braves moved into the \$232 million Turner Field on Opening Day 1997.⁸¹ The field was originally built for the 1996 Olympic Games and was generally financed with private funds. In fact, the deal included all construction costs, the stadium's conversion to baseball after the Olympics, the demolition of the old ballpark, and the retirement of the debt on that old facility.⁸² The Washington Redskins moved into the new Jack Kent Cooke Stadium in 1997 as well. The stadium project cost \$255 million—\$180 million private and \$75 million public.⁸³ Finally, the new United Center in Chicago gives us another reason to wish that other

athletes were “like Mike.” Starting in 1994, Michael Jordan’s Bulls played in an arena largely financed with private dollars. The total cost for the United Center was \$175 million, including \$10 million from the state for infrastructure improvements.⁸⁴ A new arena for which the private sector picks up 94 percent of the tab isn’t perfect, but in the 1990s it is pretty good.

What’s Ahead?

New ballparks and stadiums will continue to come on line, with politicians ready to offer lavish taxpayer subsidies. For example:

- In July 1999, the Seattle Mariners are scheduled to move into Safeco Field. The retractable-roof, 45,600-seat ballpark is estimated to cost \$498 million, of which taxpayers are on the hook for \$372 million.⁸⁵ But the full story of the Mariners ballpark gets worse. Elected officials specifically ignored the will of the people on the stadium issue. In September 1995, King County taxpayers voted against a hike in the sales tax to pay for a new ballpark, as well as for repairs to the Kingdome. Weeks later, the Mariners were in an exciting playoff series with the New York Yankees, and team and government officials took advantage of the fact to approve a taxpayer-financed facility.
- There is more suffering to come for Seattle taxpayers. The NFL Seahawks will move into a new stadium in 2002, estimated to cost \$430 million. Team owner Paul Allen, co-founder of Microsoft and America’s third-richest man, is kicking in \$130 million.⁸⁶ Costs to the taxpayers are supposedly capped at \$300 million.
- The Super Bowl champion Denver Broncos are scheduled to move into a new stadium in 2001. In November 1998, voters gave the OK to a \$360 million stadium, for which the team would

cough up \$94 million and the taxpayers would be billed \$266 million.⁸⁷ A legislative review of the stadium project, however, found that costs could go as high as \$460 million.⁸⁸

- Opening Day 2000 promises to be busy for new stadiums. The Houston Astros are scheduled to move into a new 42,000-seat, retractable-roof ballpark. Estimates place total costs at \$250 million, with \$180 million from rental car and hotel taxes.⁸⁹ The Milwaukee Brewers will move into Miller Park. Total costs are estimated at \$367 million, of which taxpayers are paying \$277 million.⁹⁰ After four votes against publicly financed ballparks for the San Francisco Giants in recent years, and a failed attempt to move the team to Florida, the Giants will take up residence in the mostly privately financed, \$306 million Pacific Bell Park.⁹¹ However, taxpayers will spend \$26 million for land and infrastructure.⁹²
- Now that the New York Mets have signed all-star catcher Mike Piazza to a seven-year, \$91 million contract, expect the taxpayers’ tab for a new ballpark to increase. The Mets recently announced plans for a new stadium with a retractable roof and a movable grass field.⁹³ The ballpark’s costs are estimated at about \$500 million. It should be open by 2002, with 45,000 seats—including 78 luxury suites, 5,000 club seats—and, to complete the loop in New York, the feel of Ebbets Field.⁹⁴ Though the financing scheme is yet to be announced, New York taxpayers could be on the hook for some \$390 million of the cost.⁹⁵
- Meanwhile, crosstown rival George Steinbrenner has been pining for a new Yankee Stadium for several years. It seems that even though the Yankees carry one of the top payrolls in baseball (second highest average player salary for the 1998 season), are flush with revenues (especially of the television vari-

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ety), and have won two out of the last three World Series, they simply cannot compete with other teams who play in new ballparks. So, since at least 1995, Steinbrenner has been performing the baseball version of Hamlet, trying to decide whether he should keep his team in the Bronx (in a completely refurbished Yankee Stadium) or move to a new facility on the west side of Manhattan. Moving the team to New Jersey is another option.

Republican Mayor Rudy Giuliani has made it clear that he is willing to do anything to make sure the Yankees remain somewhere within the Big Apple's borders. Giuliani even made sure that a November 1998 referendum regarding public tax dollars for a new stadium on the west side was removed from the ballot, so voters will have no direct voice in the Yankee Stadium question.

If the Yankees move to the west side of Manhattan above the rail yards, as originally proposed by Mayor Giuliani, the price tag for a new ballpark is estimated at more than \$1 billion; a refurbished Yankee Stadium in the Bronx is projected to cost \$535 million; and the cost of a New Jersey Meadowlands plan is pegged at \$500 million.⁹⁶ Given New York's ability to underestimate the true costs of such ventures, the actual costs of any of the proposed projects will probably rise considerably: \$1.5 billion for the west side ballpark is well within reason.

Stadium matters remain in flux in New York. In his state-of-the-city address on January 14, 1999, Giuliani appeared to change course on the Yankees while generally growing more ambitious in terms of sports subsidies. His latest scheme calls for new ballparks for the Mets and the Yankees, new minor league stadiums in Brooklyn and Staten Island, a new domed football stadium on Manhattan's west side—perhaps to lure

the Jets back from the swamps of New Jersey—and a new Madison Square Garden for the Knicks and Rangers.⁹⁷ One estimate places the cost of the entire venture at \$5 billion.⁹⁸

- One of the most recent taxpayer gifts to an NFL team came in November 1998. After Massachusetts showed its usual reluctance to hand over large sums of money to the New England Patriots, Connecticut stepped in. Just days after his reelection, Connecticut Republican Governor John Rowland suddenly announced that the state would spend \$375 million⁹⁹ on a 68,000-seat stadium for Patriots owner Robert Kraft. Kraft agreed to build a \$50 million hotel,¹⁰⁰ to invest \$20 million in an entertainment and retail pavilion, and to contribute \$5 million for youth football programs in Connecticut.¹⁰¹ Kraft and the Patriots will manage the stadium facility and receive revenues from most other events; will be paid \$15 million for a new practice facility in Connecticut; will pay no property taxes on the stadium, hotel, or entertainment pavilion; and will pay no rent for the land where Kraft would build his hotel.¹⁰² The state will pay property, casualty, and general insurance on the facility and will pay as much as \$200 million for improvements on the stadium during the lease.¹⁰³ Not included in the project costs are parking facilities and perhaps \$100 million to move the company that currently occupies the site where the stadium is supposed to rise.¹⁰⁴

In addition, the state of Connecticut will guarantee income on premium seating, which could cost taxpayers as much as \$17.5 million annually for 10 years.¹⁰⁵ Specifically, Rowland agreed to pay up to \$10 million annually if the sale of 6,000 club seats fails to bring in more than \$20 million, and up to \$7.5 million if luxury suites fail to bring in more than \$5 million.¹⁰⁶

The stadium the Patriots are vacating was privately built by then-team

owner William H. Sullivan Jr., now deceased. In a recent interview, Sullivan's son Chuck observed: "My dad wouldn't have let the taxpayers of Massachusetts or Connecticut build a stadium for him. He felt the taxpayers shouldn't foot the bill for a private business."¹⁰⁷ Where have you gone, Billy Sullivan?

Adding Up the Costs

During the 20th century, more than \$20

billion (1997 dollars) has been spent on major league ballparks, stadiums, and arenas. This includes, based on a very conservative estimate, a *minimum* of \$14.9 billion in government subsidies (1997 dollars) for the four major league sports—more than \$5.2 billion just since 1989. (See Table 1 below.) Before the Great Depression, no subsidies was the rule. Afterwards, no subsidies clearly was the exception.

The numbers given in Table 1 exclude a great deal: billions of dollars in subsidies through the use of tax-free municipal bonds,

Table 1
Estimated Costs of Major League Sports Facilities

Stadium/Arena	Year Opened/Refurb.	Millions of Nominal Dollars		Millions of Real 1997 Dollars	
		Total	Taxpayers	Total	Taxpayers
Baker Bowl ¹⁰⁸	1887	0.101	0	1.804	0
League Park	1901	NA	0	NA	0
Griffith Stadium	1903	NA	0	NA	0
Shibe Park ¹⁰⁹	1909	0.315	0	5.625	0
Forbes Field ¹¹⁰	1909	2.000	0	35.714	0
Comiskey Park ¹¹¹	1910	0.700	0	12.069	0
Polo Grounds ¹¹²	1911	0.250	0	4.310	0
Tiger Stadium ¹¹³	1912	0.500	0	8.333	0
Fenway Park ¹¹⁴	1912	0.365	0	6.083	0
Crosley Field ¹¹⁵	1912	0.400	0	6.667	0
Ebbets Field ¹¹⁶	1913	0.750	0	12.097	0
Wrigley Field ¹¹⁷	1914	0.250	0	3.968	0
Municipal Stadium-KC ¹¹⁸	1922	0.400	0	3.846	0
Yankee Stadium ¹¹⁹	1923	3.100	0	29.245	0
Los Angeles Coliseum ¹²⁰	1923	0.955	0.955	9.009	9.009
Sportsman's Park (re) ¹²¹	1925	0.500	0	4.587	0
Madison Sq. Garden III	1925	NA	0	NA	0
Olympia Stadium ¹²²	1927	2.500	0	23.148	0
Boston Garden ¹²³	1928	10.000	0	93.458	0
Soldier Field ¹²⁴	1929	7.900	7.900	73.832	73.832
Chicago Stadium ¹²⁵	1929	7.000	0	65.421	0
St. Louis Arena ¹²⁶	1929	2.000	0	18.692	0
Los Angeles Coliseum (re) ¹²⁷	1931	0.951	0.951	10.011	10.011
Maple Leaf Garden ¹²⁸	1931	2.150	0	22.632	0
Municipal Stadium ¹²⁹	1931	3.000	3.000	31.579	31.579
War Memorial Stadium ¹³⁰	1937	3.000	3.000	30.612	30.612

Continued

Table 1 - Continued

Stadium/Arena	Year Opened/Refurb.	<u>Millions of Nominal Dollars</u>		<u>Millions of Real 1997 Dollars</u>	
		Total	Taxpayers	Total	Taxpayers
Sick's Stadium ¹³¹	1938	0.350	0	3.535	0
The Aud	1939	NA	NA	NA	NA
Exhibition Stadium ¹³²	1947	3.000	NA	21.582	NA
Mile High Stadium ¹³³	1948	0.250	0	1.724	0
County Stadium ¹³⁴	1953	5.000	5.000	30.488	30.488
Memorial Stadium ¹³⁵	1953	7.500	7.500	45.732	45.732
Municipal Stadium-KC (re) ¹³⁶	1955	2.500	2.500	14.970	14.970
Winnipeg Arena ¹³⁷	1955	2.000	NA	11.976	NA
Metropolitan Stadium ¹³⁸	1956	4.500	4.500	26.627	26.627
Lambeau Field ¹³⁹	1957	0.969	0.969	5.537	5.537
Sun Devil Stadium ¹⁴⁰	1958	1.000	1.000	5.556	5.556
Los Angeles Sports Arena ¹⁴¹	1959	5.900	5.900	32.597	32.597
Candlestick Park (3Com) ¹⁴²	1960	32.000	32.000	173.913	173.913
War Memorial Stadium (re) ¹⁴³	1960	0.750	0.750	4.076	4.076
Mile High Stadium (re) ¹⁴⁴	1960	0.750	0	4.076	0
Civic Arena ¹⁴⁵	1961	22.000	22.000	118.280	118.280
RFK Stadium ¹⁴⁶	1962	21.700	21.700	115.426	115.426
Dodger Stadium ¹⁴⁷	1962	27.740	4.740	147.553	25.213
Colt Stadium ¹⁴⁸	1962	2.000	0	10.638	0
Shea Stadium ¹⁴⁹	1964	24.000	24.000	124.352	124.352
War Memorial Stadium (re) ¹⁵⁰	1964	1.500	1.500	7.772	7.772
Atlanta-Fulton Stadium ¹⁵¹	1964	18.500	18.500	95.855	95.855
Arlington Stadium ¹⁵²	1964	1.900	1.900	9.854	9.584
Astrodome ¹⁵³	1965	38.000	38.000	193.878	193.878
Oakland-Alameda Coliseum ¹⁵⁴	1965	25.000	25.000	127.551	127.551
Oakland Arena ¹⁵⁵	1966	25.500	25.500	126.238	126.238
Busch Memorial Stadium ¹⁵⁶	1966	24.000	19.000	118.812	94.059
Anaheim Stadium ¹⁵⁷	1966	25.000	24.000	123.762	118.812
Jack Murphy/Qualcomm ¹⁵⁸	1967	27.750	27.750	133.413	133.413
Tampa Stadium ¹⁵⁹	1967	4.600	4.600	22.115	22.115
The Spectrum ¹⁶⁰	1967	12.000	12.000	57.962	57.962
Great Western Forum ¹⁶¹	1967	20.000	0	96.154	0
Met Center ¹⁶²	1967	6.000	6.000	28.846	28.846
Mile High Stadium (re) ¹⁶³	1968	10.000	10.000	46.083	46.083
Madison Sq. Garden IV ¹⁶⁴	1968	133.000	0	612.903	0
Pacific Coliseum ¹⁶⁵	1968	6.000	5.000	27.650	23.041
Salt Palace ¹⁶⁶	1969	17.000	17.000	74.236	74.236
Riverfront Stadium ¹⁶⁷	1970	54.500	54.500	225.207	225.207
Three Rivers Stadium ¹⁶⁸	1970	55.000	55.000	227.273	227.273

Stadium/Arena	Year Opened/Refurb.	<u>Millions of Nominal Dollars</u>		<u>Millions of Real 1997 Dollars</u>	
		Total	Taxpayers	Total	Taxpayers
Candlestick Park (re) ¹⁶⁹	1971	24.000	24.000	95.238	95.238
Veterans Stadium ¹⁷⁰	1971	49.500	49.500	196.429	196.429
Foxboro Stadium ¹⁷¹	1971	6.700	0	26.587	0
Texas Stadium ¹⁷²	1971	25.000	25.000	99.206	99.206
Arrowhead Stadium ¹⁷³	1972	53.000	53.000	203.846	203.846
Arlington Stadium (re) ¹⁷⁴	1972	19.000	19.000	73.077	73.077
The Omni ¹⁷⁵	1972	17.000	17.000	65.385	65.385
Nassau Coliseum ¹⁷⁶	1972	28.000	28.000	107.692	107.692
Rich Stadium ¹⁷⁷	1973	22.000	22.000	79.422	79.422
Kauffman Stadium ¹⁷⁸	1973	50.450	47.000	182.130	169.675
Capital Centre ¹⁷⁹	1973	18.000	0	64.982	0
Market Sq. Arena ¹⁸⁰	1974	16.000	16.000	52.117	52.117
Richfield Coliseum ¹⁸¹	1974	45.000	45.000	146.580	146.580
Edmonton Coliseum ¹⁸²	1974	12.000	12.000	39.088	39.088
Atlanta-Fulton Stadium (re) ¹⁸³	1975	1.500	1.500	4.478	4.478
Pontiac Silverdome ¹⁸⁴	1975	56.000	56.000	167.164	167.164
Louisiana Superdome ¹⁸⁵	1975	168.000	168.000	501.493	501.493
Kemper Arena ¹⁸⁶	1975	22.000	22.000	65.672	65.672
McNichols Arena ¹⁸⁷	1975	13.000	13.000	38.806	38.806
The Summit ¹⁸⁸	1975	18.000	18.000	53.371	53.371
Exhibition Stadium (re) ¹⁸⁹	1976	17.800	17.800	50.141	50.141
Kingdome ¹⁹⁰	1976	67.000	67.000	188.732	188.732
Yankee Stadium (re) ¹⁹¹	1976	160.000	160.000	450.704	450.704
Giants Stadium ¹⁹²	1976	68.000	68.000	191.549	191.549
Olympic Stadium ¹⁹³	1976	770.000	770.000	2,169.014	2,169.014
Tampa Stadium (re) ¹⁹⁴	1976	10.500	10.500	29.577	29.577
Mile High Stadium (re) ¹⁹⁵	1977	75.000	75.000	198.413	198.413
Atlanta-Fulton Stadium (re) ¹⁹⁶	1977	44.100	44.100	116.667	116.667
Palace of Auburn Hills ¹⁹⁷	1977	70.000	0	185.185	0
Tiger Stadium (re) ¹⁹⁸	1978	13.500	13.500	35.714	35.714
Anaheim Stadium (re) ¹⁹⁹	1979	31.000	31.000	68.584	68.584
Joe Louis Arena ²⁰⁰	1979	27.000	27.000	59.735	59.735
Hartford Civic Center II ²⁰¹	1979	35.000	35.000	77.434	77.434
Soldier Field (re) ²⁰²	1980	30.000	30.000	58.480	58.480
Reunion Arena ²⁰³	1980	27.000	27.000	52.632	52.632
Byrne Meadowlands Arena ²⁰⁴	1981	85.000	85.000	150.177	150.177
Tiger Stadium (re) ²⁰⁵	1982	3.600	3.600	5.990	5.990
Metrodome ²⁰⁶	1982	75.000	68.000	124.792	113.145
Jack Murphy/Qualcomm(re) ²⁰⁷	1983	11.000	11.000	17.713	17.713
Arlington Stadium (re) ²⁰⁸	1983	3.000	3.000	4.831	4.831

Continued

Table 1 - Continued

Stadium/Arena	Year Opened/Refurb.	Millions of Nominal Dollars		Millions of Real 1997 Dollars	
		Total	Taxpayers	Total	Taxpayers
Saddledome ²⁰⁹	1983	73.000	73.000	117.552	117.552
RCA/Hoosierdome ²¹⁰	1984	78.000	48.000	120.556	74.189
Charlotte Coliseum ²¹¹	1985	58.000	58.000	86.567	86.567
Candlestick Park (re) ²¹²	1986	30.000	30.000	43.924	43.924
Atlanta-Fulton Stadium (re) ²¹³	1986	14.000	14.000	20.498	20.498
McNichols Arena ²¹⁴	1986	12.500	12.500	18.302	18.302
Pro Player Stadium ²¹⁵	1987	145.000	30.000	204.802	42.373
Astrodome (re) ²¹⁶	1987	67.000	67.000	94.633	94.633
Alamodome ²³³	1993	195.000	195.000	216.667	216.667
Miami Arena ²¹⁷	1987	52.000	52.000	73.446	73.446
ARCO Arena II ²¹⁸	1988	40.000	0	54.274	0
Bradley Center ²¹⁹	1988	53.000	53.000	71.913	71.913
Orlando Arena ²²⁰	1988	110.000	110.000	149.254	149.254
Sun Devil Stadium (re) ²²¹	1989	11.100	8.700	14.360	11.255
Sky Dome ²²²	1989	442.000	322.000	571.798	416.559
Tropicana Field ²²³	1990	138.000	138.000	169.533	169.533
Target Center ²²⁴	1990	104.200	66.000	128.009	81.081
New Comiskey Park ²²⁵	1991	150.000	150.000	176.678	176.678
Delta Center ²²⁶	1991	102.600	24.600	120.848	28.975
Madison Sq. Garden IV(re) ²²⁷	1991	200.000	200.000	235.571	235.571
Camden Yards ²²⁸	1992	210.000	210.000	240.275	240.275
Georgia Dome ²²⁹	1992	210.000	210.000	240.275	240.275
America West Arena ²³⁰	1992	95.000	45.000	108.696	51.487
San Jose Arena ²³¹	1993	168.000	136.000	186.667	151.111
Arrowhead Pond ²³²	1993	100.000	100.000	111.111	111.111
Reunion Arena (re) ²³⁴	1993	5.000	5.000	5.556	5.556
United Center ²³⁵	1994	175.000	10.000	189.599	10.834
Kiel Center ²³⁶	1994	171.500	36.500	185.807	39.545
Cleveland Gateway, Jacobs Field, Gund Arena ²³⁷	1994	462.000	305.000	500.542	330.444
Nashville Arena ²³⁸	1994	143.000	143.000	154.930	154.930
The Summit (re) ²³⁹	1994	6.200	6.200	6.717	6.717
Edmonton Coliseum (re) ²⁴⁰	1994	14.000	14.000	15.168	15.168
Gator Bowl (re) ²⁴¹	1995	136.000	136.000	143.158	143.518
Ice Palace ²⁴²	1995	161.800	102.000	170.316	107.368
Trans World Dome ²⁴³	1995	290.000	290.000	305.263	305.263
Coors Field ²⁴⁴	1995	215.000	200.000	226.316	210.526
Rose Garden ²⁴⁵	1995	262.000	35.000	275.789	36.842
Key Arena II ²⁴⁶	1995	119.000	74.500	125.263	78.421
General Motors Palace ²⁴⁷	1995	160.000	0	168.421	0

Stadium/Arena	Year Opened/Refurb.	Millions of Nominal Dollars		Millions of Real 1997 Dollars	
		Total	Taxpayers	Total	Taxpayers
Molson Centre ²⁵⁴	1996	230.000	0	235.174	0
Corel Center ²⁵⁵	1996	200.000	42.000	204.499	42.945
Turner Field ²⁵⁶	1997	232.000	0	232.000	0
Jack Kent Cooke Stadium ²⁵⁷	1997	255.000	75.000	255.000	75.000
MCI Center ²⁵⁸	1997	255.000	70.000	255.000	70.000
Jack Murphy/ Qualcomm (re) ²⁵⁹	1997	78.000	60.000	78.000	60.000
Oakland Arena (re) ²⁶⁰	1997	130.000	26.000	130.000	26.000
Kemper Arena (re) ²⁶¹	1997	18.100	18.100	18.100	18.100
Civic Arena (re) ²⁶²	1997	13.000	13.000	13.000	13.000
Bank One Ballpark ²⁶³	1998	355.000	238.000	349.409	234.252
Tropicana Field (re) ²⁶⁴	1998	70.000	62.000	68.898	61.023
Anaheim Stadium (re) ²⁶⁵	1998	117.000	30.000	115.157	29.528
National Car Rental Arena ²⁶⁶	1998	185.000	185.000	182.087	182.087
Ravens' Stadium ²⁶⁷	1998	220.000	200.000	216.535	196.850
Raymond James Stadium ²⁶⁸	1998	168.000	168.000	165.354	165.354
Air Canada Centre ²⁶⁹	1999	161.000	0	163.576	0
Total		11,992.016	8,056.215	20,176.911	14,727.868

Sources: See notes. Conversion to 1997 dollars by the author.

NA: Not available. (re): refurbishment.

interest paid on debt, smaller renovations not included in this survey, some major league facilities for which financing information was not available, lost property and other tax revenues not paid on facilities, taxpayer dollars placed at risk of being lost if the venture failed, direct government grants to teams, and the billions of dollars spent by taxpayers on minor league facilities.

As if \$14.9 billion were not enough, taxpayers in the foreseeable future will face even greater demands for subsidies. Looking to the rest of 1999 and over the next several years, considering what is already agreed to, and what various teams and cities are seeking or proposing (See Table 2), another conservative estimate indicates that at least \$13.5 billion more may be spent on new ballparks, stadiums, and arenas for major league teams.

Taxpayers will be expected to pick up more than \$9 billion (in current dollars).

The Dismal Economics and Politics of Sports Subsidies

Is there any justification for such extravagance? Do the lavish handouts to sports teams stand up to economic analysis?

The sports fan is particularly susceptible to pleas from team owners that a new facility is needed in order to compete with other teams that are getting new venues chock full of revenue-generating club seats, luxury suites, and skyboxes. After all, who wants to root for a team that has a minuscule payroll (by the standards of pro sports) and thus, perhaps, little chance of winning a championship?

Table 2
Cities and/or Major League Teams Planning or Seeking New Facilities or Upgrades
and Reported Cost Estimates

Team or City	Estimated Cost (millions of dollars)		
	Total	Public Dollars	Opening Date
Seattle Mariners ²⁷⁰	498	372	July 1999
Tennessee Titans (Oilers) ²⁷¹	292	227	Sept. 1999
Cleveland Browns ²⁷²	287.5	198	Sept. 1999
Denver Broncos ²⁷³	360	266	2001
San Diego Padres ²⁷⁴	411	296	2002
Houston (new NFL team plan) ²⁷⁵	350	195	2002
San Francisco 49ers ²⁷⁶	525	100	NA
Pittsburgh Pirates ²⁷⁷	228	188	2001
Pittsburgh Steelers ²⁷⁸	233	157.4	2001
Philadelphia Phillies ²⁷⁹	300	185-200	2002
Philadelphia Eagles ²⁸⁰	300	185-200	2002
Cincinnati Bengals ²⁸¹	404	404	2000
Cincinnati Reds ²⁸²	297	267	2003
Chicago Bears ²⁸³	250-465	240-290	NA
Minnesota Twins ²⁸⁴	240-400	170-330	NA
Minnesota Vikings	NA		NA
Buffalo Bills ²⁸⁵	95	95	NA
Detroit Lions, Tigers (two new facilities) ²⁸⁶	505	241	NA
Montreal Expos ²⁸⁷	250	150	NA
Houston Astros ²⁸⁸	266	181	2000
Milwaukee Brewers ²⁸⁹	390	275	2000
San Francisco Giants ²⁹⁰	306	26	2000
Boston Red Sox ²⁹¹	300-350	NA	NA
Oakland A's	NA		NA
Seattle Seahawks ²⁹²	430	300	2002
Florida Marlins ²⁹³	NA		NA
New York Mets ²⁹⁴	500	390	2002
New York Yankees ²⁹⁵	535-1.5 billion	535-1.5 billion	NA
New York City (Jets) ²⁹⁶	1.3-1.5 billion	1.3-1.5 billion	NA
New York City (Rangers, Knicks) ²⁹⁷	500-\$1 billion	500-1 billion	NA
New England Patriots ²⁹⁸	490	490	2002
Houston Rockets ²⁹⁹	175- 225	80	NA
San Antonio Spurs ³⁰⁰	150	150	NA
New York Islanders ³⁰¹	270	180	NA
Atlanta (Thrashers, Hawks) ³⁰²	213	140	1999
Columbus Blue Jackets ³⁰³	125	0	2000
Minnesota Wild ³⁰⁴	130	95	2000
Carolina Hurricanes ³⁰⁵	152	152	1999
Dallas (Mavericks, Stars) ³⁰⁶	230	125	2001
Indiana Pacers ³⁰⁷	175	175	1999
Los Angeles (Kings, Lakers, Clippers) ³⁰⁸	350	12	1999
Miami Heat ³⁰⁹	228	178	1999
New Jersey Devils ³¹⁰	175	NA	NA
New Jersey Nets	300	100	NA
Denver Nuggets, Colorado Avalanche ³¹¹	160	0	1999
Pittsburgh Penguins ³¹²	NA		NA
Green Bay Packers ³¹³	80	50-60	NA

Sources: See notes.

NA: not available.

But surely the competitiveness of a team is a matter to be dealt with by the particular organization or league. Taxpayers—some of whom, oddly enough, are not even sports fans—should not be forced to contribute to a team’s payroll. Indeed, the only people regularly calling for subsidies to keep teams competitive are the team owners and the players—a fact that should surprise no one, since those two groups are the only real beneficiaries of sports subsidies.

Taxpayer funding of new stadiums and arenas provides enormous benefits to teams. First, they are relieved of facility financing costs, which can run from \$10 million to \$20 million or more annually. Second, new and expanded revenues are tapped through luxury suites, club seats, stadium naming rights, signage and other advertising, revenues from other facility events, and higher ticket prices. On the question of ticket prices, sports writer Tom Farrey has noted: “But what goes unsaid during the campaigns to get public money approved is the facilities are largely for *new* fans—wealthier individuals and corporations that can afford the seats in these often, ironically, smaller stadiums and arenas. Cheap seats remain at these facilities, but not that many and not as close to the action as they used to be. The net effect is long-time fans and middle-income families are increasingly driven from the games, replaced by corporations that can buy larger blocks of tickets and use them as tax writeoffs.”³¹⁴ Third, teams often do not have to pay property taxes on new facilities. For example, no property taxes are paid to New York City on Madison Square Garden so long as the Knicks and Rangers use it as their home.³¹⁵ The new revenues or alleviated costs mean more dollars are available to boost owners’ bottom lines and players’ salaries. Professors Roger Noll and Andrew Zimbalist have asserted: “Professional athletes receive salaries that are roughly proportional to the revenues that they generate, so that much of the revenue enhancement from a new stadium inevitably goes to players.”³¹⁶ Indiana University’s Mark Rosentraub, author of *Major League Losers*,

has estimated that the players garner about 55 percent of the gains from subsidies and the owners get 45 percent.³¹⁷ It doesn’t take a math degree to see what that leaves for everyone else.

According to annual data from *Financial World* magazine, new venues meant skyrocketing valuations for major league teams between 1991 and 1997. The average valuation for baseball teams with new parks rose by 79 percent, compared with a league average of just 11 percent. Teams claiming a new football stadium rose 156 percent in value, compared with the NFL average of 111 percent. In the NBA, teams with new courts jumped 70 percent in value, compared with 55 percent for league teams overall. And NHL clubs skating in new rinks increased in value 133 percent, compared with a league average of 105 percent.

Forbes magazine provided new team valuations in December 1998.³¹⁸ Of the 10 highest valued Major League Baseball teams, 6 moved into new ballparks in the 1990s and 1 will see a new stadium open this year. In the NBA, 7 of the top 10 now dribble on courts opened in the 1990s and another will play in a new one in 1999. Five of the top 10 valued NFL teams play in 1990s stadiums, and three others have new facilities under construction. And in the NHL, 7 of the top 10 skate in new rinks opened during this decade.

The average voter or taxpayer may be tempted by the glitz of taxpayer-funded sports facilities. After all, the image of a shiny new stadium or arena jammed with cheering fans is quite seductive. Voters and taxpayers may also be tempted to support big subsidies for sports teams after hearing grand assertions that a new facility will “pay for itself” and act as an “economic engine.”

In judging the economic-engine claims, one must view the entire economic landscape, not just a small portion. For any given period, a family has only so much time and income it can dedicate to leisure activities. The amount of those resources will not be changed much due to the existence or nonexistence of a stadium or arena. Leisure dollars

Players garner about 55 percent of the gains from subsidies and the owners get 45 percent. It doesn’t take a math degree to see what that leaves for everyone else.

The resources gobbled up by the government and spent on a stadium are not created out of thin air.

will be spent one way or another. So, if no ballpark existed in a city, a family might go bowling, take in a concert, go to the movies, or undertake some other recreational activity. Economists dub this the substitution effect. Stanford University economist Roger Noll has noted that the majority of fans attending games come from within a 20-mile radius of the facility, so money spent at the ballpark would have been spent on some form of local entertainment or recreation in any case.³¹⁹ In that light, government-subsidized stadiums tend, at best, to be zero-sum endeavors—a shifting around of resources.

Ah, but how can that be? Team owners and politicians seeking new sports facilities always present analyses showing significant gains for the local economy if only the taxpayers will build a new ballpark, stadium, or arena. Their studies rely on the venerable Keynesian multiplier: The money spent on building facilities, the dollars laid out by fans, and other revenues are multiplied by some estimated multiplier to come up with a guess at the total amount of economic activity generated by such venues. The multipliers are based on input-output models, which have only a tenuous relationship to what happens in the real economy. In addition, such analyses assume that everything earned by players, owners, and concessionaires is repatriated to the local economy—a grossly unrealistic assumption. For example, the local community receives little benefit from skyrocketing sports salaries since few, if any of the players live around the facility.

Nonetheless, this is the shaky foundation undergirding most studies that claim big gains from sports teams and facilities. So the New York City Comptroller's Office can claim that the Yankees, Mets, Rangers, Islanders, Devils, Knicks, Nets, Giants, and Jets account for \$1.15 billion in annual economic activity in the New York City region, based on multipliers ranging from 1.85 to 2.11. Although those estimates are wildly optimistic, it is interesting to note that, even if they are accurate, they mean that the nine major league sports teams account for only

0.3 percent of the New York City regional economy.³²⁰

Arthur Andersen analyzed the potential economic impact of a new ballpark for the Minnesota Twins.³²¹ Their report says that merely moving the Twins from the Metrodome to a new ballpark will boost ballpark-related spending—direct and indirect—by 74 percent, from \$97.6 million to \$169.4 million (1996 dollars) annually, as well as provide an added jolt of \$369.6 million over the four-year construction period. Although this is one of the more conservative advocacy reports in the realm of sports venues, substitution effects and opportunity costs are not included in the study.

Again, Roger Noll sheds some light on such studies: “For most teams, five to 10 percent of the people who attend the game don’t actually live in that area. So what you do then is assume that these people came to town for the purpose of seeing the game and staying the average duration of a tourist visit. Then you multiply those days by the total expenditures that people spend on vacation. That means one person buying a \$25 ticket to a game causes you to add \$1,000 to the economic impact of the team.”³²² Of course, the reality is quite different. Very few people set up entire vacations around a ballpark. Many out-of-town spectators are on business trips, for example, and happen to take in a game.

Such analyses also ignore the other side of the multiplier effect. After all, the resources gobbled up by the government and spent on a stadium are not created out of thin air. Edwin S. Mills, an economist at Northwestern University's Kellogg Graduate School of Management, argues that the negative multiplier effect of taxing citizens largely offsets any positive multiplier: “Everybody who pays a dollar in taxes to support the facility must reduce his or her spending. . . . The diminished spending goes round and round, just like the . . . positive multiplier effect.”³²³ Mills notes that the studies supporting stadium plans “never mention” that countereffect, assuming that “the cost of capital is free.”

In fact, the negative impact of higher taxes resulting from government funding of new stadiums and arenas is completely ignored by the pro-public funding forces. Not only is there an offsetting negative multiplier, but a complete economic analysis must consider the disincentive effects for working, saving, investing, risk-taking, and other economic activity.

In addition, government is less efficient than the private sector. Private market incentives mean that resources are allocated to their most productive uses, whereas incentives in government lead to politically determined allocations. Government bureaucrats lack the incentives, knowledge, and experience to control costs or to pick winners and losers in the marketplace. When government makes decisions best left to the marketplace, the opportunity costs are likely to be substantial. So no sound reason exists for politicians to place taxpayer dollars at risk on ventures like stadiums, ballparks, and arenas, which can and should be handled by private investors.

Melvin L. Burstein and Arthur J. Rolnick of the Federal Reserve Bank of Minneapolis have cited these and other reasons for why it is a bad idea for states and localities to provide subsidies and special tax breaks to keep or attract specific businesses.³²⁴ They point out that states lack the knowledge and information “to understand the businesses they are courting; that is, their willingness to move, how long they will stay in existence and how much tax revenues they will generate.” The economy will be less efficient “because output will be lost as businesses are enticed to move from their optimal locations,” which means a loss of output, less tax revenue, and fewer private and public goods. Burstein and Rolnick note that if no business actually moves, the state has simply given away a portion of its tax revenue to local businesses, and even if businesses do relocate, in the aggregate, states will still have less revenue than before, thereby reducing public goods. And, of course, subsidies to certain businesses can mean higher taxes for others. Burstein and Rolnick state that business becomes less productive overall because

“states may increase taxes on those firms that are less likely to move to offset the lost revenue from firms that have moved (or have threatened to move). It is a well-known proposition in economics that taxes generally distort economic decisions and at an increasing rate.” The optimal tax “is the one that is uniformly applied to all businesses.”

Rather than simply speculating on the possible future economic impact of a new stadium or arena, sound economic analysis should examine the empirical evidence. It should look at what has actually happened. And as would be expected from the economic factors touched upon here—namely, the lone beneficiaries of sports subsidies being team owners and players, the existence of the substitution effect, the dubiousness of the Keynesian multiplier, the offsetting impact of a negative multiplier, the inefficiency of government, and the negatives of higher taxes—the results of studies that look at changes in the actual economy resulting from the presence of stadiums, arenas, and sports teams do not bolster the views of those who support sports subsidies. Those studies either show no positive impact from professional sports or a possible negative effect.³²⁵

For example, Robert Baade of Lake Forest College examined the evidence from 36 U.S. metropolitan statistical areas (MSAs) that hosted pro sports teams in one of the major league sports and 12 areas that did not host such teams between 1958 and 1987. Baade found that pro sports is not statistically significant in determining economic growth rates.³²⁶ Baade and University of Chicago economist Allen R. Sanderson looked at the employment impact of adding a pro sports team or stadium. Based on evidence from 10 MSAs over the period of 1958 to 1993, they found that leisure spending was realigned, not increased, and an insufficient number of fans were attracted from beyond the area to significantly contribute to the city’s economy—hence, no new net job creation occurred.³²⁷ Michael Walden, a North Carolina State University economics professor, looked at the determinants of growth in

Cities with major league sports teams have grown more slowly in the 1990s.

Politicians are attracted to sports subsidies like moths to a flame. Unfortunately, the taxpayers get burned.

jobs from 1990 to 1994 in 46 cities and found that cities with major league sports teams have grown more slowly in the 1990s.³²⁸ Indeed, a study from University of Maryland economists Denis Coates and Brad Humphreys found that new stadiums and teams actually make cities poorer: their results show a \$100 drop in per capita income for cities with new ballparks and a \$400 decline in income for cities with new baseball teams.³²⁹

Another major downside to government-built and -owned ballparks is that teams are transformed from owners to renters. It is always easier for a renter to move to get a better deal. So government officials who advocate taxpayer-funded sports facilities to attract or keep a team merely ensure that teams will continue issuing threats and moving. Teams have every incentive to pit city against city and state against state. And when somebody else is footing part or all of the bill, teams can jack up their demands for accoutrements in new facilities. Indeed, facilities are becoming “obsolete” at a faster and faster rate. Donald J. Lonegran, a vice president at Legg Mason Real Estate Services, has noted that from the owners’ standpoint, NBA and NHL arenas less than 10 years old are already economically obsolete.³³⁰

The Heartland Institute’s Joseph Bast recently offered three reasons that stadiums are subsidized.³³¹ First, he noted bidding among cities for teams: “The number of professional sports franchises is kept below the number of cities that could support a team, thereby *forcing* cities to bid against one another for the privilege of hosting a team” (emphasis added). The word “forcing” is an exaggeration, leading one to believe that elected officials have no choice but to dole out tax dollars for sports. Second, Bast correctly cites the financing arrangements within leagues, particularly that each league allows teams to keep all nonticket revenues generated by a facility—like luxury suites, advertising, concessions, signage, and so on. Those opportunities lead teams to seek ever more elaborate means of generating revenues. But again,

that does not mean that taxpayers have to pay for such amenities. Lastly, Bast points out that subsidy backers often win because they have more at stake than taxpayers do.

The final point is the critical one. Subsidy seekers are determined, well organized, well financed, and politically connected; those opposed to subsidies are usually not well organized, are underfunded, and work outside the world of politics. For the subsidy seekers, the potential windfall is huge; on the other hand, the cost per taxpayer for a new sports venue may not be enough to mobilize most voters or taxpayers against such pork projects. That, of course, is the fundamental problem with excessive government in all areas.

Finally, one should remember that federal taxpayers also are paying some of the cost of subsidies on most government-financed sports facilities. No matter what arguments proponents put forth, absolutely no benefits accrue to federal taxpayers from the construction of a new ballpark, stadium, or arena. What benefit does a taxpayer in Los Angeles receive from a new ballpark in Boston? Dennis Zimmerman, a specialist in public finance for the Congressional Research Service, explains the federal subsidy angle as follows:

Users of publicly owned stadiums receive subsidies from both state-local and federal taxpayers. The federal subsidy arises when the stadium is financed with state-local bonds issued at below-market interest rates paid for by exemption of the bonds’ interest income from federal income taxes. A \$225 million stadium built today and financed 100% with tax-exempt bonds might receive a lifetime federal tax subsidy as high as \$75 million, 34% of construction costs. The total public subsidy for one year, 1989, of 21 stadiums with average construction cost of \$50 million is estimated to have been \$146.4 million, with \$24.3 million, 17%,

being federal subsidy. The federal subsidy will be at least quadrupled for the \$200 million-plus stadiums now being built. . . .

Almost all stadium spending is spending that would have been made on other activities within the United States, which means benefits to the Nation as a whole are near zero. Non-economic benefits are sometimes used by state-local officials to support the political decision to provide subsidies. Such benefits might be of value to state-local taxpayers, but are less likely to be of value to federal taxpayers.³³²

In the end, sports subsidies are not about economic benefits—they are all about politics. Despite the fact that few, if any, politicians have ever been tossed out of office for *not* building a new ballpark, stadium, or arena, several have suffered politically for supporting such plans. One famous example is former Wisconsin state senator George Petak. After twice voting against a tax hike for a new ballpark for the Brewers, Petak changed his vote for the stadium. Angry citizens mounted a recall petition drive. Petak later lost his reelection bid, and the GOP lost its narrow state senate majority.³³³

Nonetheless, few politicians—conservative or liberal—can resist the impulse to spend tax dollars on sports. Maybe it's the "edifice complex," or the sheer enjoyment of cutting ribbons and sticking shovels in the ground. Or, like Rudy Giuliani when it comes to the Yankees, maybe these folks are just rabid sports fans. Whatever the reason, politicians are attracted to sports subsidies like moths to a flame. Unfortunately, the taxpayers get burned.

Get Government Out of the Sports Business—But How?

The big question remains: how to stop taxpayer subsidies for professional sports?

Given the fact that such government activism continues to roll on, it is not a problem with an easy solution. Let's first dispose of the so-called "solutions" that promise only to make matters worse.

Solutions That Aren't

There is actually a movement afoot for government ownership of sports teams. State legislators in New York have suggested using eminent domain to seize teams that try to move out of state. That was attempted in Oakland, but it mercifully failed in the end. Such an idea takes the already bad situation of government subsidizing pro sports teams and makes it worse by having government actually buy sports teams. Imagine the taxpayer expenses and losses, the patronage opportunities, and the constant "investing" in facilities. As poorly as sports leagues and teams may be managed today, things would certainly get worse under government, which has no incentive to control costs, be efficient, or serve the customer. The answer to government involvement in sports is not more government involvement in sports.

The Heartland Institute has done some fine work over the years exposing the myths underlying taxpayer funding of sports facilities. But Joseph Bast weighed in recently calling for community ownership of teams, along the lines of the Green Bay Packers' private, not-for-profit business arrangement.³³⁴ This is the sort of warm and fuzzy idea so many people love, especially after seeing the nonprofit Packers win Super Bowl XXXI. Bast asserts: "Fan-owned teams are extremely unlikely to threaten to move to another city if they do not receive taxpayer subsidies. Fan ownership also gives a franchise a reservoir of popular support that cannot be matched by any other ownership models." It is open to debate whether the Packers receive more popular support than the Vikings or the Bears. But the Packers certainly are popular, and have sought to tap that popularity by recently floating the idea of state taxpayer subsidies for an upgraded "Frozen Tundra," otherwise known as Lambeau Field.³³⁵

Rosentraub says that governors and mayors should form a pact not to dole out tax dollars for sports. But somebody always breaks cartel-like pacts.

Make sure the voters at least have the final say about public investment in sports facilities through a referendum.

To make his case, Bast claims that the Green Bay Packers “are the least subsidized professional sports team in the country.” That, unfortunately, is not the case. Lambeau Field was built completely with taxpayer dollars, while several other stadiums, ballparks, and arenas, as noted in this study, received partial, small, or in the rarest of cases, no subsidies. Bast notes that passing a law to force leagues to allow community ownership would not be right. He says that it can come about instead through a fan coalition making phone calls and sending letters to the leagues involved—along with radio and television ads—asking the leagues to roll back their rules against community ownership. In the end, such an effort would fail, and it would eventually be transformed into an effort to force the leagues to comply through legislation.

Another proposal along these lines is the “municipal capitalism” idea floated by Mark Rosentraub in his book *Major League Losers*. After doing impressive work revealing the evils of sports welfare, Rosentraub gives up and writes favorably of public/private partnerships in sports facilities whereby the public gets a cut of the profits. He offers several “solutions” to the current subsidies game, each one amounting to little more than a white flag raised in surrender.

First, Rosentraub says that governors and mayors should form a pact not to dole out tax dollars for sports. That would be fine, but as we all know, somebody always breaks cartel-like pacts. Next, he calls for a federal law forcing the majors to expand the number of teams in their respective leagues if investors in a community have sufficient resources to pay a franchise fee. That would be an unwarranted and unconstitutional intrusion by government into the operations of a private business. In effect, the federal government would dictate where particular businesses—i.e., Major League Baseball, the NFL, the NBA, and the NHL—must do business and who must be admitted into their business. It is also likely to lead to taxpayers’ having to build even more stadiums and arenas.

Rosenraub’s next recommendation follows along similar lines in that he would require the league to supply an expansion franchise if a team leaves a stadium that was in any way publicly subsidized. Once again, that would be government managing a business. Rosentraub also proposes that if a team leaves a government-subsidized stadium, the government providing the subsidies should be entitled to that portion of the team’s wealth that is tied to the subsidy. Calculating such shares would be a monumental task, likely plagued by politics. And, such a requirement would only provide states and cities with *added* incentives to tap taxpayers for sports venue—a costly proposition indeed.

Lastly, Rosentraub makes the big plunge into sports socialism. If a team threatened to leave a community where the public sector paid at least half the costs of building or reconstructing a facility, the government could buy the team.

Real Solutions?

The following proposed remedies to the sports subsidies mess deal more directly with the real problem—i.e., government taking money from the many and handing it over to professional sports team owners and player—but face perhaps insurmountable political obstacles.

Elect the Right People. The first solution is to elect individuals to office who oppose corporate welfare for sports teams and will privatize sports venues currently owned by the public sector, as in St. Louis and Toronto. However, this is a daunting task. Politicians often fail to take stands on such issues, and even when they do, they sometimes later change their minds.

For example, in 1994, the newly elected governor of New Jersey, Christine Todd Whitman, put a stop to her predecessor’s plan to bring the Philadelphia 76ers to a new \$135 million arena in Camden.³³⁶ She also speculated about privatizing the Meadowlands Sports Complex. Now, however, privatization talk has given way to the possibility that the state may

push ahead with new sports ventures, including a possible ballpark for the Yankees.

Voters care about a range of issues. For example, a voter with free-market leanings will probably still vote for a candidate who favors sports subsidies if that candidate also advocates cutting taxes, deregulating business, and restraining overall spending, especially if his opponent is a tax-and-spend liberal who just happens to oppose sports welfare. A liberal who opposes corporate welfare is not likely to vote for a conservative with whom he disagrees on a wide range of other issues.

Employ Direct Democracy. Another option is to make sure the voters at least have the final say about public investment in sports facilities through a referendum. In his book *Home Team*, Michael Danielson notes that voters were friendly to new ballparks in the optimistic 1950s and 1960s, rejecting just two of nine stadium referendums, but turned more skeptical in the sometimes austere 1970s and 1980s, voting down 13 of 15 stadium proposals. In the early 1990s, voters once again looked with favor on millionaire team owners, voting for 12 of 17 proposals between 1990 and 1996.³³⁷ (It should be noted that the 1996 vote in favor of the new San Francisco Giants ballpark involved no public dollars, just an exemption from building restrictions.³³⁸) In 1997-98 results were more mixed: 7 votes for public funding, 6 against, with 4 of the victories coming in the November 1998 elections. So, over the years, the results have been mixed when stadium issues have been placed on the ballot, but at least voters' voices have been heard.

Extend Baseball's Antitrust Exemption to the Other Leagues. Although state or local governmental solutions are almost always preferable to distant federal action, there may be some limited role for the federal government when it comes to stadium and arena subsidies. Given the endless, destructive bidding between states and localities for professional sports teams, it is difficult to imagine a lasting solution coming at those levels of government. However, rather than emphasizing federal micromanagement of sports leagues,

as others have, the following proposals are properly focused on reducing the destructive intervention of government.

First it must be understood that Major League Baseball, the NFL, the NBA, and the NHL are in no legitimate economic sense monopolies. In reality, they are more like partnerships. In *North American Soccer League v. NFL*, Justice William Rehnquist observed:

The NFL owners are joint venturers who produce a product, professional football, which competes with other sports and other forms of entertainment in the entertainment marketplace. Although individual NFL teams compete on the playing field, they rarely compete in the marketplace. . . . The league competes as a unit against other forms of entertainment.³³⁹

In *The Antitrust Paradox* Judge Robert Bork has noted:

Some activities can only be carried out jointly. Perhaps the leading example is league sports. When a league of professional lacrosse teams is formed, it would be pointless to declare their cooperation illegal on the ground that there are no other professional lacrosse teams. In this case the league is best viewed as being the firm, and horizontal merger limitations are inappropriate.³⁴⁰

Bork also provides some insights for those looking to force leagues to accept whatever teams that might come along:

Agreements to refuse to deal are essential to the effectiveness and sometimes to the existence of many wholly beneficial economic activities. All league sports from the Ivy League to the National Football League, an increasingly wider spectrum, rest entirely upon the right to boycott.

The NFL, the NBA, and the NHL are in no legitimate economic sense monopolies. They are more like partnerships.

Without government subsidies pro sports would still exist and thrive, as they did in the past. Owners and players, though, would have to adjust their financial expectations downward a bit.

Members of the league agree not to play with nonmembers or to limit the number of games with nonmembers. Were leagues denied the power to enforce such agreements, they would have to admit any and all applicants, regardless of qualifications or the manageable size of the league. No court is likely to hold that every sandlot team in America is given a right by the Sherman Act to play baseball in the American League.³⁴¹

Rehnquist and Bork are right on the mark. Sports leagues are merely part of the larger entertainment industry. They compete for consumer dollars with movies, participatory sports and recreation, television, concerts, books, games, and so on. Antitrust regulation of sports leagues does not rest on sound economics and should be ended.

Most important, ending federal antitrust regulation of sports will restore to the leagues the power to set rules guiding franchise locations. Leagues obviously should have control over their own business decisions—including location of teams—to promote league growth, competitiveness, and stability. Major League Baseball is by far the most stable league in terms of team movements (the last time a baseball team switched cities was in 1972) in part because it enjoys a general antitrust exemption that allows the league to stop a team from moving if such a move is deemed not to be in the league's best interests. The other major league sports—particularly the NFL, which has had its decisions restricted by antitrust threats—would clearly benefit from baseball's antitrust exemption, and gain some stability.

But an antitrust exemption will not be enough. In recent years even Major League Baseball has once again appeared to look favorably on teams' threatening to leave their home cities if new ballparks are not built. Since former Milwaukee Brewers owner Bud Selig, a recipient of taxpayer subsidies, is now the full-time baseball commissioner, expect

more threats and possibly a move by one or two baseball teams in the next few years. The Expos, A's, and Twins are likely candidates.

Eliminate the Federal Tax Break on Financing Sports Facilities. Eliminating the federal tax exemption for public financing of sports venues would raise costs for cities and states and might have the impact of killing some subsidies. Sen. Daniel Patrick Moynihan (D-N.Y.) has proposed legislation to vastly limit tax-exempt financing by restricting such debt to \$5 million or 5 percent of total stadium costs, whichever is less. Actually, it would make even more sense to prohibit any stadium and arena costs from being financed with federally tax-exempt debt.

In fact, the federal tax exemption for all state and local borrowing creates unwarranted economic distortions. From an economic perspective, it makes no sense to provide tax exemptions for politically driven projects, which often have little or no relationship to the nation's economic well-being. Such subsidies merely provide an incentive to expand government at the state and local levels. Meanwhile, returns from productive private-sector venture—including those that compete directly with government-funded projects, such as privately financed stadiums—are fully taxed through levies on interest income, corporate profits, dividends, capital gains, and personal income.

Even though a Moynihan-style bill would raise project costs, the fact that politicians are spending other people's money will probably lead them to continue handouts for sports ventures. In addition, when closing tax loopholes, such as a federal tax exemption for interest on state and local debt, it is always preferable to lower overall tax rates commensurately so as not to increase the tax burden and in order to move to a flatter, simpler, growth-oriented tax code.

A Constitutional Amendment Prohibiting Corporate Welfare. Contributing to Mike Lupica's book *Mad As Hell*, Keith Olbermann, formerly with ESPN and MSNBC and now with Fox Sports, served up an amusing slam dunk for taxpayers. Olbermann called for a constitu-

tional amendment whereby any official of any government “who pays, suggests his government should pay, or promises a sports franchise or any single voters that it will pay, money towards building a stadium or refurbishing an existing one, that official will be sentenced to a life of hard labor in a federal penitentiary.”³⁴² A bit extreme, perhaps—but the sentiment is appealing. A constitutional amendment prohibiting any kind of federal, state, or local corporate welfare would be a solid policy change, though perhaps nearly impossible to turn into political reality.

Conclusion

The economics of sports subsidies is dismal, as large taxpayer expenditures for new stadiums, ballparks, and arenas fail to generate economic growth and new jobs, despite the grand assertions by team owners and countless politicians. And while the politics of sports pork can be high profile and glitzy, it amounts to the same pathetic special-interest politics we see every day in government, whereby the many are taxed for the benefit of an elite few. In this case, the few happen to be millionaire sports team owners and players.

Seemingly running contrary to the facts, however, are fans buying tickets, merchandise, hot dogs, peanuts, and Cracker Jacks, as they cheer home runs, touchdowns, three-point shots, and stick saves by the home teams. It is the grand seduction of the sports subsidies game. It is easy to be seduced when one can envision a glistening new facility jammed with fans. One is therefore worthy of subsidies. Of course, lost among the glitz is the fact that nothing is actually added to the area’s economy; instead, leisure spending and activity are merely shifted around.

Obviously, there is economic value to professional sports. However, it should be left to the marketplace, not politicians, to determine that value. Without government subsidies, pro sports would still exist and thrive, as they did in the past. Owners and players,

though, would have to adjust their financial expectations downward a bit.

Unfortunately, it does not look as if the sports subsidies game will be ending any time soon. No political party is leading a charge to “end sports welfare as we know it.” Instead, the sports pork game promises to be played out city by city, year after year, with underdog taxpayer activists pitted against high-powered extortionists. Let’s root for a few more upsets along the way.

Notes

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In "Sports Pork: The Costly Relationship between Major League Sports and Government," Raymond Keating finds: The lone beneficiaries of sports subsidies are team owners and players. The existence of what economists call the "substitution effect" (in terms of the stadium game, leisure dollars will be spent one way or another whether a stadium exists or not), the dubiousness of the Keynesian multiplier, the offsetting impact of a negative multiplier, the inefficiency of government, and the negatives of higher taxes all argue against government sports subsidies. Indeed, the results of studies on c The stadium would cost an estimated \$175 million, and Smith has asked that local governments assume some of that expense. He originally asked the city and the county to put up \$43.75 million each, with a plan to finance the other \$87.5 million himself. Of Smith's share, \$12.5 million would be paid up front. In 1999, economist Raymond Keating published an analysis called "Sports Pork: The Costly Relationship between Major League Sports and Government" for the Cato Institute. In it, looking back over the 20th century, he calculated that nearly \$15 billion in government subsidies had been spent on arenas for the MLB, NFL, NBA, and NHL. (MLS was too new to be included.) He concluded