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Politicians and Team Owners Snooker Sports Fans and Taxpayers

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Minnesota governor Mark Dayton just signed the midnight deal that state lawmakers struck with the owners of the Minnesota Vikings to build the team a new stadium. Players and management shook hands. Fans breathed a sigh of relief that their beloved football team would remain in the Gopher State. But some important parties were missing from the celebration: the taxpayers who are stuck with the check.

Both of us are sports fans -- one a born-and-bred Vikings supporter, the other a Washington Capitals season-ticket holder who wrote his master's thesis on the Olympics -- but we recognize that most fans are hurt by such deals. That's because they lead to increased taxes and higher prices, squeezing the average fan for the benefit of owners and sponsors. And that's not even counting the overwhelming majority of taxpayers, regardless of fandom, who never set foot in these gladiatorial arenas.

Let's look at this particular deal. The stadium costs $975 million on paper, with over half coming from public funds, $348 million from the state and $150 million from Minneapolis -- not through parking taxes or other stadium-related user fees, but with a new city sales tax. In return, the public gets an annual $13 million fee and the right to rent out the stadium on non-game-days.

Vikings ownership, NFL commissioner Roger Goodell, and local politicians make a typical pitch for the deal: the stadium will attract investment to the area; local establishments will see a rise in game day sales of $145 million; jobs will be created, including 1,600 in construction worth $300 million ($187,500 per job?!); tax revenues will increase $26 million; property values will rise; and, of course, the perennially underachieving team's fortunes will improve.

Such arguments are always trotted out for these sweetheart deals, but the evidence regarding the economic effects of publicly financed stadiums consistently tells a different story. For example, Dennis Coates and Brad Humphreys performed an exhaustive study of sports franchises in 37 cities between 1969 and 1996 and found no measurable impact on per-capita income. The only statistically significant effects were negative ones because revenue gains were overshadowed by opportunity costs that politicians inevitably ignore.

An older study looked at 12 stadium areas between 1958 and 1987 and found that professional sports don't drive economic growth. A shorter-term study looked at job growth in 46 cities from 1990 to 1994 and found that cities with major league teams grew more slowly. Even worse, taxpayers still service debt on now-demolished stadiums, including the $110 million that New Jersey still owes on the old Meadowlands and the $80 million that Seattle's King County owes on the Kingdome. And we shouldn't forget that local governments often employ property-rights-trampling eminent domain to facilitate these money-squandering projects.

Other evidence casts doubt on whether whatever revenue stadiums attract actually constitutes an economic plus. Stanford economist Roger Noll has noted that the majority of attending fans come from within a 20-mile radius, such that money they spend would otherwise have gone to another form of local entertainment or recreation. In that light, publicly subsidized stadiums are at best zero-sum endeavors -- a shift of resources called the "substitution effect."

Moreover, any real benefits go to ownership and players. A 1999 Cato Institute report found that 55% of the gains from subsidies to pro sports teams go to players and 45% to owners. It is thus unsurprising that a more recent study suggests that teams and their stadiums are valued much less by the public than commonly perceived.

The reality of the Vikings deal is that the owners will gain the most, not taxpayers or fans. Taxpayers will bear most of the risk, while the expected increase in the franchise's value will accrue wholly to the owners -- who will also be free from facility-financing costs. The owners will also have new revenue opportunities in the form of higher ticket prices, club seats, stadium-naming rights, and advertising. With all these luxury goodies, the only fans who will be able to actually attend the games are those with luxury incomes, many of whom will surely be writing the cost off their taxes as a business expense.

Keith Olbermann, in his previous incarnation as a sportscaster, once suggested that government officials who support stadium subsidies should "be sentenced to a life of hard labor in a federal penitentiary." While that seems excessive, fans should at least stop letting politicians buy their loyalty for a shiny, new stadium.

The issue is not ideological, but fiscal common sense: If stadiums pay for themselves, why would the savvy businessmen who own the teams let local governments in on the profits?

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