Michael Grieco
Case Study 1 - City Stadiums
September 27, 2019

In the United States, the four largest professional sports — hockey, football, baseball, and basketball — contribute about one one-thousandth, or one tenth of one percent of the nation's Gross Domestic Product (Noll, 1989). In other words, it makes up a very minute portion of the United States' economy. Yet in some way, American taxpayers are paying for sports stadiums and arenas that can have price tags upward of one billion dollars. Municipal politicians advocate for sports teams to stay in their cities, even if it puts a large burden on taxpayers. There are no legitimate economic benefits to spending this amount of money on such a project. In most cities, adding a stadium does not seem to encourage economic growth, and often, it can hurt the economy by smoldering out local businesses and other ventures that could have been instituted in place of the franchise. In 2021, the city of Arlington, Texas plans to open a new stadium for the Texas Rangers baseball team, which will cost upward of one billion dollars. And taxpayers will be picking up half of the bill (Rossi, 2018). To put that in context, the national GDP at the end of the second quarter of 2019 was over twenty-one trillion dollars, as reported by the Bureau of Economic Analysis (BEA, 2019). There should be no reason that a stadium in a single city should cost one twentieth of one one-thousandth of the GDP of the entire nation. Especially when the sports industry one makes up one one-thousandth of that GDP. Taxes in the United States should not go to funding sports arenas and stadiums because these projects are not valuable investments at all, specifically when many of these franchises have the ability to privately fund stadiums and most of the revenue that the teams make does not get recycled back into the economy.

Despite all these drawbacks, politicians still find some sense in subsidizing the construction of massive structures. These so-called benefits are either inaccurate statistics or entirely subjective, both of which hold little to no ground with regards to legitimate economic statistics about the actual effects stadiums have on the economy. For example, two studies were performed in the cities of Denver, Colorado, and Cincinnati, Ohio. Both studies concluded that their local teams had added hundreds of millions of dollars to the local annual GDP. However, that was the gross economic effect. On the other side, the net economic effect was actually negative, as the non-taxed spending inside the stadium substitutes for other, taxed spending (Zimbalist, 2016). As a result, cities lose money from the subsidies, letting the franchises keep all the revenue. Many politicians misinterpret those effects as positive externalities to the entire region. However, "subsidies internalize the externalities and can attract or keep a team that would otherwise not stay in a city" (Groothius, 2004). Those are the monetary externalities, but there is a more subjective one that franchises often use to win the hearts of the habitants of cities — civic pride. When appealing for support, these teams use powerful statements that are meant to evoke pride in one's city. But this does not show any sort of economic benefit, especially at the insurmountable costs of these stadiums. These 'benefits' that politicians use to justify the funding are very fragile, and most of the time, these politicians cannot show the ability to reason through them, no matter how easy it is and no matter how much evidence there is against the subsidies.

In the city of Minneapolis, Minnesota, the stadium for the Minnesota Vikings football team cost just under one billion dollars to construct (Rossi, 2018). Like in the case of Arlington, this is an enormous amount, especially for such a small industry, and there is no justification for why half of it should be paid for with subsidies. Especially not when the private funds are available to fund such a project. The Vikings, as of September 2019, are valued at 2.7 billion dollars (Forbes, 2019). They have plenty of money, but since politicians cannot see through the benefits, the Vikings are able to exploit this subsidy, raking in even more revenue for themselves since their loan comes at zero interest and the costs within the stadium are non taxed. In San Francisco, the football team, the 49ers are worth 3.5 billion dollars, and their home, Levi's Stadium, cost around 1.3 billion dollars to build. In this case, however, it was completely funded with private money (Forbes, 2019). This contrast is astounding, and it shows how exploitable the subsidy is. Teams like the Vikings are able to take advantage of something that the taxpayer has no say in. Even if we elect representatives to vote for us, the issue of stadium subsidies rarely arises, especially since the teams have appealed to everyone's patriotic sense of civic pride. But even after the funding, where does all the revenue go, if it doesn't go back into the economy?

Most of the subsidies teams receive come in the form of funding for stadium construction, and then non taxed revenue. One might think that this is good since the teams can pay back the loans to the city. However, most of the revenue goes to the franchise owners and the players and coaches, leading to that loan being paid back very slowly. And there is no consequence for the team since there is no interest. But if one looks at what could have gone in that location instead of the stadium, it becomes unfathomable to think of why any politician would have considered that it makes economic sense to promote the stadium construction. Roger Noll of Stanford University says, “By comparison, other billion dollar facilities – like a major shopping center or large manufacturing plant – will employ many more people and generate substantially more revenue and taxes” (Parker, 2015). The city loses out on so much revenue since nothing is taxed and also because of the interest-free loan that somehow passed through the legislature. Even if the stadium if privately funded, like Levi’s Stadium, there are still many tax breaks to the franchises. Earlier this year, the Santa Clara County cut the taxes on Levi’s in half (Dineen, 2019). Sports stadiums pose no benefit to the economic status of the city. Most of the revenue doesn’t get paid back to the city in a timely manner, it rather gets put into the pockets of wealthy owners and players. It prohibits other activity that could have generated more income for the city. It seems that no matter how the stadium is funded, the city will lose out. So why does this continue to happen?

It happens because everyone involved is misinformed. Politicians look at basic statistics that have been reported inaccurately and believe they are valid without a second glance. And citizens of cities, even if they don’t have the vote, show misguided support for stadiums through some faux sense of pride and patriotism. People are not necessarily aware of what could exist instead of some massive dome with hundreds of millions of dollars invested into random technology that provides no purpose but to appeal to the sense of wonder. Normal citizens could not care less about how much their taxes are if they are able to go to the stadium and see a massive jumbotron showing live replays with a fish tank in the background, all sitting from a pool in the luxury seats. So it becomes another issue of informing the public on a massive scale and convincing them that this stadium is not the best option. They must be aware that other projects, such as a mall, will lower taxes and produce more revenue, making everyone better off.

Works Cited

Bureau of Economic Analysis (BEA) “National Income and Product Accounts - Gross Domestic Product.” *Bureau of Economic Analysis*, 26 Sept. 2019, <apps.bea.gov/iTable/iTable.cfm?reqid=19&step=2#reqid=19&step=2&isuri=1&1921=survey>.

Dineen, J.K. “49ers win tax dispute — Santa Clara County must refund $36 million.” *San Francisco Chronicle*, Hearst, Jan 24, 2019, <https://www.sfchronicle.com/bayarea/article/49ers-win-tax-dispute-Santa-Clara-County-must-13556817.php>.

Forbes Editors. “Minnesota Vikings on the Forbes NFL Team Valuations List.” *Forbes*, Forbes Magazine, 2019, <www.forbes.com/teams/minnesota-vikings/#5c80421b3406>.

Forbes Editors. “San Francisco 49ers on the Forbes NFL Team Valuations List.” *Forbes*, Forbes Magazine, 2019, <https://www.forbes.com/teams/san-francisco-49ers/#146bdd5a6251>.

Groothius, Peter A, et al. “Public Funding of Professional Sports Stadiums.” *Eastern Economic Journal*, vol. 30, no. 4, 2004, pp. 515–526., <econ.unt.edu/~jhauge/Teaching/Sports/Groothuis.pdf>.

Halbfinger, David M. "Yankee Stadium Subsidy Becomes Mayoral Campaign Issue." *New York Times (1923-Current file)*, Jan 14, 2009, pp. 1. *ProQuest*, <https://search-proquest-swb.orc.scoolaid.net/docview/1030623445/71AA6E5AD5A34EA8PQ/2?accountid=34705>.

Noll, Roger G. “Economic Perspectives on the Athlete's Body.” *Stanford Humanities Review*, Stanford University, 1998, <web.stanford.edu/group/SHR/6-2/html/noll.html>.

Parker, Clifton B. "Sports Stadiums Do Not Generate Significant Local Economic Growth, Stanford Expert Says." *Sports Stadiums Do Not Generate Significant Local Economic Growth, Stanford Expert Says | Stanford News Release*, Stanford University, 30 July 2015, <https://news.stanford.edu/pr/2015/pr-stadium-economics-noll-073015.html>.

Rappaport, Jordan, and Chad Wilkerson. "What are the Benefits of Hosting a Major League Sports Franchise?: Agricultural and Business Conditions, Tenth Federal Reserve District." *Economic Review - Federal Reserve Bank of Kansas City* 86.1 (2001): 55-86. *ProQuest.* <https://search-proquest-swb.orc.scoolaid.net/docview/218422373/87EF658EA4984F68PQ/1?accountid=34705>.

Rossi, Jason. "The 15 Cities Where Taxpayer Money Paid for Billion-Dollar Stadiums." *Showbiz Cheat Sheet*, Showbiz Cheat Sheet, 30 Apr. 2018, <www.cheatsheet.com/culture/taxpayer-money-billion-dollar-stadiums.html/>.

Zimbalist, Andrew, and Roger G. Noll. "Sports, Jobs, & Taxes: Are New Stadiums Worth the Cost?" *Brookings*, Brookings, 28 July 2016, <www.brookings.edu/articles/sports-jobs-taxes-are-new-stadiums-worth-the-cost/>.