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# Crony capitalism and professional sports

*by James Piereson*

Professional athletic leagues have traditionally steered clear of politics in order to emphasize the purity of their entertainment and to avoid dividing fans over partisan controversies. That has changed in the last year. Players in the National Football League have "taken the knee" during playing of the national anthem as a protest against police practices; the National Basketball Association has embraced Black Lives Matter, also as a protest against the police; and now Major League Baseball has taken this year's All-Star game out of Atlanta as a protest against Georgia's new voting law, though baseball executives do not appear to have studied that law. Through these gestures, formerly non-political organizations have allied themselves with explicitly political causes.

These steps are unusual and unprecedented. Business corporations generally prefer to serve inclusive markets while avoiding controversies that might divide customers for or against them. The new corporate alliance with liberals and the Democratic Party is not only new – it is also dangerous. It will politicize the country along new lines, introduce political controversies into the internal operations of corporations, encourage boycotts and assaults on all sides, and much more. Some of this is already happening. As a strategy for dividing America, this one would be hard to beat.

Professional sports leagues, while mostly operating as for-profit enterprises, nevertheless receive generous subsidies from federal, state, and local sources to build and maintain modern stadiums and arenas. Importantly, these subsidies assume that the enterprises are non-political and non-partisan in nature, otherwise they would not be granted. Are professional sports franchises violating the bargains they made with taxpayers and public authorities?

Up until the 1950s, professional stadiums were constructed with private funds provided by owners. Fenway Park in Boston was built in 1913 by the franchise itself, as was Ebbets Field in Brooklyn (1913), Yankee Stadium in New York (1923), Wrigley Field in Chicago (1913), and nearly every other professional ballpark and stadium built in that era. Many professional football franchises leased these stadiums to stage their games. It did not occur to the owners that the public might pay for their facilities. That mindset disappeared in the 1950s when owners began to ask cities and states to pay for their stadiums.

Nearly every professional sports stadium in the United States constructed since 1960 has relied upon public financing, usually at considerable expense to taxpayers. The usual method of public financing is through tax-exempt municipal or county bonds and by specially designated sales taxes. These subsidies are justified under the claim that sports teams provide public benefits by promoting spending and investment in nearby stores and restaurants, attracting tourists, and providing entertainment for residents, though financial benefits accrue to owners and players, not to taxpayers. In order to qualify for tax-exempt status, municipal bonds must be backed by the public entity that issues them, which means that they must be secured by taxpayers.

Today, among thirty Major League Baseball franchises, twenty-seven perform in stadiums constructed with publicly financed loans or taxes (Fenway Park and Wrigley Field are two of the exceptions). Construction costs for new ballparks have ranged between $300 and $600 million in recent years, mostly paid for by public subsidies. Truist Park in Atlanta received $400 million in public loans and subsidies before it opened in 2017. Miller Park in Milwaukee, opened in 2001, was built with nearly $500 million in public bonds; Target Field in Minneapolis was built with $350 million in public funds paid for by a county sales tax. The Yankees' new stadium, said to be built with private funds, actually cost state and city taxpayers more than $800 million in ancillary costs to relocate parks, build parking facilities, and the like. Such expenses are common but rarely factored into the public costs of stadiums. For this reason, all team lean on taxpayers to absorb costs of their operations.

Among thirty-two National Football League franchises, thirty relied on public subsidies to build their stadiums (only the New York Jets and Giants perform in a privately funded stadium). Football stadiums are more expensive to construct than baseball stadiums or basketball arenas, with costs approaching or exceeding $1 billion for some facilities, with an average around $500 million. Football teams play fewer games than their baseball and basketball counterparts, such that they are both more expensive and less attractive to municipal officials and taxpayers. Lucas Oil Stadium in Indianapolis, opened in 2008, at a cost of $720 million, with taxpayers picking up at least $600 million through increased local taxes. Mercedes Benz Stadium in Atlanta cost the taxpayers of Fulton County at least $700 million, mostly in gifts of land, new taxes, and other subsidies. As long as owners can persuade taxpayers to cover their costs, the subsidies will continue.

This is also the case across the National Basketball Association. Twenty-eight of thirty teams in the nba play in publicly supported arenas. The average nba arena cost $210 million as of a decade ago, with the public absorbing between 60 and 70 percent of the costs. Some cities have built even more expensive arenas for their teams. Orlando's Amway Center cost taxpayers some $400 million in loans, taxes, and subsidies, while Federal Express Forum in Memphis received more than $400 million in local subsidies as a means of attracting the Vancouver franchise. Basketball arenas used to last for fifty or sixty years at least, but they are now becoming obsolete every twenty or thirty years as new amenities are required to attract customers to the games. New or renovated arenas will require more taxpayer support, lest owners threaten to move their teams elsewhere.

Why should sports franchises receive public support when they can afford to pay their performers $20 or $30 million (or more) per year? The average salary for NBA players is $7 million per year and for baseball players it is $4 million. League executives are paid more. Could teams pay those salaries absent public subsidies? Local governments will never recoup these subsidies via revenues from stadium operations. Public funds used to support privately owned professional franchises could be put to other and better uses. The claim that spending on pro sports generates more income for local governments has been shown by economists to be false.

There have been calls in Congress to remove the tax exemption for municipal bonds used to fund professional sports facilities. Many legislators in the states have called for an end to these subsidies altogether while others want to link them to future revenues so that they are fully paid for. Those proposals will win additional support in the new environment of politicized sports.

Taxpayer support for sports franchises has long been a favored form of "crony capitalism," the exploitation of public funds to reward private parties. Recent political theatrics by athletes and league officials are calling attention to these undeserved subsidies. Is it good sportsmanship to lecture others while trying to pick their pockets? If they wish to posture for political goals, then it is not too much to ask them to pay their own bills.

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