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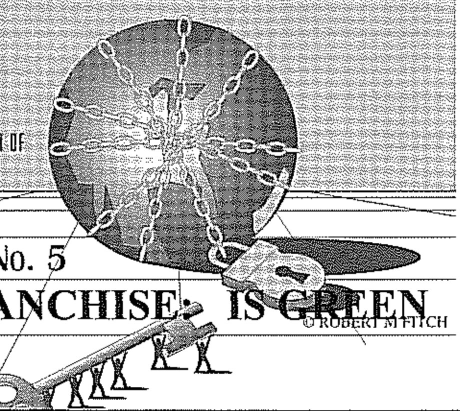

WHEN THE COMMUNITY OWNS AN NFL FRANCHISE: IS GREEN BAY'S STORY UNIQUE?

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(The following presentation was made at the conference of the Council of Georgist Organizations, in Bloomington, MN, August 3, 2011. Joseph Bast is President of The Heartland Institute, http://heartland.org/)

Georgists understand that rent reduces the amount of wealth available to pay wages to labor or interest to capital. If used to finance public goods, the collection of rent benefits society, but unearned rent if not returned to society is a deadweight loss that causes economic distortions and raises genuine questions of justice.

One solution is to repeal the privileges that generate rent. In the case of land, this expands popular ownership of land or access of land rent. This can be done with taxation – Henry George's land value tax – or outside of government through the creation of land trusts, as famously demonstrated by the community of Arden, Delaware.

While the Georgist critique of unearned rent focuses on land, economists find unearned rent to be widespread. It is created whenever private individuals use force or fraud to restrict competition. This often involves using government to erect barriers to entry into professions or businesses. Economists call this rent-seeking. The solution, once again, is to remove the privileges that lead to the creation of cartels that are able to generate and keep unearned rent.

Professional sports are rife with rent seeking. Many billions of dollars a year are generated and kept by team owners and professional athletes, a practice that generates enormous deadweight losses to society. The solution is to remove the privilege – in this case, public subsidies used to build or renovate the sports stadiums and arenas used by professional sports teams – and to expand popular ownership of the sports franchises themselves.

In these remarks, I will endeavor to show that changing the ownership of sports franchises may be the best way to end the practice of taxpayers subsidizing sports stadiums. The Green Bay Packers illustrate one way to do this, offering a model for other communities to follow.

I know something about this topic because starting in 1990, I edited or wrote several policy studies for The Heartland Institute on the subject, culminating with a report titled "Sports Stadium Madness: How it Started, How to Stop It," in 1998. During those years, and for a few years afterwards, I traveled to more than a dozen cities debating the issue with advocates of sports stadium subsidies.

I also know something about the ideas of Henry George. In 2006, I wrote with Fred Foldvary, an economist and noted Georgist, a policy study titled "Ultimate Tax Reform: Public Revenue from Land Rent." Like "Sports Stadium Madness," it can be found online by simply searching for the title.

Subsidy Madness

Subsidies to professional sports franchises total approximately $1 billion a year directly and much more indirectly. The construction of stadiums and arenas for professional sports franchises is a big business in the U.S.

According to a 2008 report by Dennis Coates for the American Enterprise Institute, since 1990, Major League Baseball (with 30 teams) had opened 19 new stadiums and three more were under construction. The National Football League (32 teams) had opened 17 new stadiums, done major renovations to four others, had three under construction, and four more at various stages of planning and negotiations. The National Basketball Association (30 teams) had opened more than two-thirds of its 30 arenas since 1990, and at least three NBA franchises were actively seeking new arenas.

That's 67 new or renovated facilities in 17 years. The subsidy per facility ranged from $249 million to $280 million. Do the math and this comes to about $1 billion a year.

These subsidies...

divert money from schools, police, recreational facilities, and from the pockets of individual taxpayers who probably had better ideas on how to use it;

are profoundly unfair, since they amount to taxing families that may never attend a single sports game to subsidize the construction of luxury sky boxes and the salaries of millionaire athletes and multi-millionaire team owners;

are unfair to other businesses such as restaurants, movie theaters, and bowling allies that compete for people's entertainment budget and for labor and capital; and these subsidies

impose a deadweight loss on society by distorting investors decisions and causing massive amounts of waste and fraud.

Every day, somewhere in the country the owners of a professional sports franchise are trying to extort more money from taxpayers. Yesterday, voters in Long Island, NY, rejected a proposal to issue $400 million in bonds for a new arena for the Islanders, an ice hockey franchise. A news release from "Vision Long Island" contains all the arguments that are typically used by advocates of stadium subsidies:

> A yes vote will allow us to build a sports entertainment destination center that includes a new Nassau Veteran's Memorial Coliseum, minor league ball park and multi-purpose facility that hosts conventions and track & field events.
>
> Revitalizing the Nassau Coliseum will not only create a regional high-quality entertainment hub that caters to a wide demographic range from the very young to seniors, it will (continued on page 12)