

POLICY BRIEF

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These Naysayers Wish to Renew Their Offensive

It certainly doesn't take much to satisfy Post-Gazette editorial writers. The September 7 editorial: "Black and Gold = Green" trumpeted the news that Pittsburgh's new stadiums were actually generating tax revenues. This news, they say, should silence the "naysayers". How wrong they are. Objections to taxpayer funded stadiums are as valid today as they were before the money was spent.

Our principal objection to this attempted PR effort is the propensity of those who pushed for taxpayer support of stadiums to focus exclusively on benefits and ignore costs. The alleged favorable statistics--\$1 million to \$2 million in increased tax receipts--only cover the additional revenue from amusement and parking taxes, which by the way go exclusively to the City of Pittsburgh. There is no discussion of the revenue lost to the City, the Pittsburgh School District and the County caused by the removal of tens of millions of dollars in property value from the real estate tax rolls. Nor is there any consideration of lost wage taxes from those who previously worked at enterprises displaced at the site of the new stadiums and parking facilities. The additional tax revenues over and above what would have been generated without the projects represent a paltry return on taxpayer investments.

The added amusement and parking taxes may be a small net benefit to City government; but County taxpayers who are paying most of the RAD taxes diverted to the stadiums are not sharing in the amusement or parking tax revenues. Add to that the \$150 million our state's taxpayers ponied up for stadiums and the federal and state monies expended on street rerouting, and one must ask what return can be expected on that "investment"? Moreover, there is no accounting for the opportunity cost of the resources displaced or the resources used to build the stadiums.

There is only one reasonable measure of the worth of any publicly funded development, and that is what is generated in real value to society as measured by economic output and job creation. That the Post Gazette and others trumpet miniscule increases in tax collections betrays the superficiality of their judgment. For this region to survive economically, much less prosper, we must create goods and services of value to people outside the region. We used to do this in abundance, producing steel and a plethora of manufactured goods shipped elsewhere in return for wealth. The fact that this region

continues to lose manufacturing base, and attempts to replace that with retail and amusements, is not reassuring.

Those of us with longer memories are asking, "When will all the development we were promised would result from the new stadiums begin to materialize?" Given the budget realities of the City and County, it is obvious that no major increase in economic activity, in new business startups, or the attraction of new firms into the City and County has happened, or is even on the horizon.

It is time to face reality. Subsidizing entertainment in the form of sports teams does not generate significant multiplier development effects. The evidence is overwhelming, yet we are treated to nonsensical arguments that because amusement and parking taxes are up slightly from last year that all is well. We need a media and public officials sufficiently grounded in economics to understand the importance of opportunity costs and to make some effort at meaningful cost-benefit analysis if we are to have serious public policy discussions. Self-serving cheerleading based on a one-sided and Pollyannaish view of the world will no longer suffice.

Jake Haulk, Ph.D. President

Paul Stifflemire, Senior Policy Analyst

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Note: On September 26, the Allegheny Institute will host a luncheon featuring Victoria Hughes. Ms. Hughes is the founder and president of the Bill Of Rights Institute, and organization dedicated to educating students about the power and importance of the Bill of Rights. Contact the Allegheny Institute for details.

<p>Allegheny Institute for Public Policy 835 Western Avenue* Suite 300* Pittsburgh PA 15233 Phone (412) 231-6020 * Fax (412) 231-6037 E-mail: aipp@alleghenyinstitute.org</p>
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