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Book Review: Major League Losers: The Real Cost of Sports and Who's Paying for It

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MAJOR LEAGUE LOSERS: THE REAL COST OF SPORTS AND WHO'S PAYING FOR IT
Mark Rosentraub
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The business of professional sports is one of the most financially lucrative enterprises in America, and consequently, a majority of team owners have used their influential power to accumulate significant dollars. Similar to other businessmen that conducted their organizations as cartels, many of today's sports franchise owners have built their wealth through government largess and monopolistic control of the industry. Thus, why do taxpayers continue to subsidize the billion-dollar sports industry through corporate welfare? Rosentraub addresses this underlying question mark in his work *Major League Losers*. Rosentraub's work, although thoroughly exhaustive in content, clearly has one major objective: To put an end to the existing "welfare" system in which taxpayers subsidize some of the wealthiest people (athletes and owners) in the country. However, this ambitious goal is not without existing roadblocks. First, the four major professional sport leagues control the number of existing teams. Next, the leagues control the number of teams in any market including the continent's largest urban areas. Finally, most professional sport leagues have adopted revenue sharing guidelines.

Chapter one serves as an introduction and sets the parameters for the subsequent chapters with brief summaries of their focus. An excellent table describing the facility demands for over one hundred professional sports teams is included to privy the reader on how these stadiums provide both owners and players with opportunities to garner substantial revenues. In addition to facility designs, a brief overview summarizing how the four sport leagues have adopted different revenue sharing guidelines to ensure that the sports welfare system will be maintained is included. For example, while the National Football League (NFL) shares their lucrative media contracts among league teams, income derived from luxury seating, stadium concessions, and parking fees is excluded. Thus, the Miami Dolphins and Dallas Cowboys have individually raised a substantial amount of money that is exempt from being shared with other league members. Chapter two details how the welfare system attributed to professional sports teams is a result of two factors: (1) the importance placed on sports by our society; and (2) the artificial scarcity and control owners have on the number of existing teams. Rosentraub details how sports have become part of the American culture by citing a number of specific examples. These include Friday night high school football and the number of sporting events showcased on holidays, including the Indianapolis 500. Furthermore, he describes how sports continue to appeal to fans through six dimensions: (1) there is a level of competition with a defined winner and loser; (2) no two games are identical; (3) frequent upsets; (4) most games end with a winner; (5) there is always hope for the losers in the form of new seasons; and (6) events which include athletes overcoming injuries become badges of courage.

Sports continue to impact the political sector as well. For example, mandated boycotts, the Olympic games, and the subliminal messages that can be conveyed thorough competition have all contributed to countries achieving certain statuses. Moreover, the role of college athletics is also debated in chapter two with questions regarding their purpose, impact on the academic reputation of the university, and the fact that a majority of athletic programs are a financial drain to their university. The chapter concludes with the author admitting that although sports are a fixture in our society, and they do provide various forms of entertainment, no justification offered by the owners' warrants a public subsidy for these stadiums.

Chapter three illustrates how professional franchises in the four major sport leagues functionally operate as cartels which are insulated from the competitive pressures of the world's most powerful open market economy. To succeed, these four organizations believe that league members agree on three fundamental principles. First, members would only compete against league members. Second, no owner would move a franchise into a market occupied by another league member. Third, no new team would be admitted to the league without the majority agreement of the existing clubs. Realistically, the formation of league cartels was spearheaded by the Supreme Court in its 1922 landmark legal decision which exempted Major League Baseball (MLB) from anti-trust regulations.

Interestingly, multiple financial comparisons including the distribution of revenues are presented in relationship to select city populations. Over the past 75 years, the number of players participating in the Major Leagues compared to the total population has diminished, despite concerns that baseball expansion has "watered down" the existing talent. All four professional sport leagues have been extraordinarily successful in establishing uniform rules and procedures, maintaining the integrity of their sport, and developing a structure for the designation of a champion. Rosentraub also provides a historical overview of the economic uncertainty associated with the four leagues and how the leagues allocate various revenues (television, media, and licensed merchandise).

In chapter four, the author asks, "What Do Teams Really Mean for a City's Economy?" In addition, he states that sports may be the "icing on a region's or city's economic cake" but it is certainly not the "engine" that drives any economy. In this sense, if economic activity (spending money on food and others sources of entertainment) would still have taken place in the absence of a sports team, then there is no overall economic impact, just a transfer of economic activity. Rosentraub also attempts to clarify the broad interpretation of the "multiplier effect" and how projections are often times misleading. For example, one common mistake in determining the appropriate multiplier is that multipliers are dependent upon the area in question. That is, goods that were purchased in New York City will undoubtedly have a different economic impact than products that were purchased in a rural Indiana town. Although the data examined was dated 1992, when Rosentraub analyzed 161 counties with at least 300,000 residents, there was not a single county where the number of jobs with professional sports teams accounted for more than 1 percent of all jobs. Clearly, these types of results contradict the assumption that professional sport franchises create significant employment opportunities for local community residents. Even after a calculation adjustment, which includes all hotel and restaurant payrolls, this segment is minuscule in terms of the overall economy. Simply stated, sports are too small to propel a large city's economy.

Chapter five examines the predicaments of Indianapolis and Cleveland and their efforts to revitalize their image and downtown areas. Specifically, details of the downtown developments are presented along with information on the addition of several state of the art facilities including Conseco Fieldhouse, Gund Arena, and Jacobs Field. Rosentraub examines the Gateway project and conducts a present value analysis on the financial agreements between Gateway, the Cavaliers, and the Indians. Although the author recognizes that sports can help maintain, and in some instances, improve coalitions among groups, they generally do not significantly contribute to enhancing the economic development of cities, regions, or typical downtown renovations.

Cities, sports, and their images are the focal points of chapter six. Specifically, the city of St. Louis is identified as the city that has experienced and contributed to the shaping of two legitimate strains on the world of sport economics, escalating salaries and excessive subsidies of sports. In addition, Rosentraub enumerates the parameters that led to the agreement reached between the city of St. Louis and the Rams that was heavily dependent upon the sale of personal seat licenses (PSLs). In fact, the $74 million received through the sale of PSLs provided the necessary funds to pay the costs associated with the termination of the Rams' lease, relocation expenses, fees paid to the NFL, and a new practice facility. Another focal point of the chapter addresses the concern over whether major league baseball can prosper in non-traditional cultures. That is, will players on non-American teams like the Montreal Expos successfully adapt to lifestyles that often times are unfamiliar to their traditional values?

In chapter seven, Rosentraub explores the financial battles that exist within center cities and surrounding suburbs using the Dallas/Ft. Worth metroplex as an example. In this comparison, a number of trends began to emerge. One, investor cities including Dallas (Mavericks and Stars), Arlington (Rangers), and Irving (Cowboys) do have statistically higher levels of per capita debt than non-investor cities. Comparatively, non-investor cities had higher per capita assessed property valuations than investor cities. Overall, these fiscal comparisons lend additional empirical support to the proposition that investor cities cannot prevent the leakage of public tax and revenue benefits of sports investments to other cities in the region. The author concludes chapter seven with a statement that perhaps now is the time to see if other investments in sectors including public schools, public safety, and family recreation could enhance a city's welfare while simultaneously producing the same or higher level of tangible benefits to the community.

Chapter eight raises the often-debated question; "Can small regions afford professional sports?" While attempts to answer this question are complicated by a number of factors (league revenue sharing policies, salary caps, and other financial concerns) Rosentraub illustrates one cities struggle to remain competitive under these conditions. Specifically, the Pittsburgh Pirates financial issues are addressed. Despite being one of the most represented franchises in baseball postseason play since 1970, the Pirates have unfortunately had limited available revenues. Similarly, they have lost a number of key players to other teams in the league due to the teams limited revenues. Based on conservative population estimates, Rosentraub calculates a number of per person costs that reflect how much money each person in the city of Pittsburgh would need to contribute in order to keep the team in the city.

The final chapter discusses Rosentraub's five reforms to serve as catalysts to end the existing sports welfare system associated with the four major professional sport leagues.

First, there needs to be an increase in the number of teams. While many opposed to this suggestion will argue that the addition of more teams continues to "water down" the talent level, this platform is just not valid. For example, there are actually fewer players per 100,000 people than there were in the 1940s and 1950s.

Second, allow state and local governments the opportunity to receive a portion of the anticipated revenues that would be generated from teams to be shared with the taxpayers. For example, many investors interested in establishing gaming facilities, such as a casino, offer the state and local communities impressive payments in exchange for the right to host a casino. Similar actions could be taken with professional sports.

Third, taxpayers should share equally in the profits made from the sale of a team, given their substantial investment in the team and the facility. One example cites the tremendous profit that was generated when the Texas Rangers were sold after moving into their new ballpark. However, this proposal would only apply to those communities where the franchise was sold as a net gain.

Fourth, if a team threatens to leave a community where the public sector has paid at least fifty percent of the cost for the playing facility, they in turn should be entitled the right of first refusal to purchase the team. The team would then be managed by professionals in a similar manner as many public assets including airports, utility companies, and the Green Bay Packers.

Fifth, facilities should be financed without broad-based taxes. Moreover, when financing a facility, two simple questions should be asked: (1) who benefits from a team's presence? and (2) can these people be assessed a fee to pay for the costs of a stadium or arena? Rosentraub believes that the answer to both of these questions is yes. Invariably, it is time for cities, taxpayers, and their civic leaders to recognize the professional sport leagues for what they are. These leagues are cartels that ensure profits and salaries at the public's expense.

While Rosentraub provides numerous data and cases to substantiate his viewpoints, there is little information that addresses some of the historical developments that have directly led to how today's stadiums are financed. Further discussion on the processes that lead to public subsidies of stadiums is recommended. Grammatically, *Major League Losers* is well written and chapters appear to be sequenced in a logical progression. However, there do appear to be a number of commas omitted throughout the book, particularly in several instances where sentences begin with a specific year. Rosentraub addresses the essential components of the costs of professional sport, provides informative tables, and offers potential solutions to address the issues that are raised. Because the book's specialization is targeted towards professional sports, it may not be suitable as the primary textbook for an undergraduate or graduate sport management/sport finance course. Nevertheless, *Major League Losers* does contribute to the growing sport economic literature and would be an excellent supplemental resource in the aforementioned courses, as few topics today are generating as much interest as those addressed in this book.

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