

## Guest column: Corporate welfare for new Red Wings arena won't spur economic development

By Christopher Douglas

The idea that the proposed new Red Wings arena will revitalize midtown Detroit is the reason given for the \$260 million in corporate welfare that will help finance the project. The idea that a new sports arena will spur economic development, however, lacks credibility.



An NHL season only has 41 home games, meaning the arena is closed for the most of the other 324 days of the year with the exception of some concerts or other special events. Not much development can take place around a facility that is closed nearly 90 percent of the year.

Take the Palace of Auburn Hills, where the Detroit Pistons play, as an example. An NBA season also consists of 41 home games. If sports arenas really spurred additional economic development, there would be bars and restaurants surrounding the Palace. Yet, there are not.

Backers claim the new arena will create 440 new jobs above those that already exist at Joe Louis Arena. This means that taxpayers are providing a subsidy of approximately \$600,000 per new job created. Given how sports arenas are only open a handful of days of the year, jobs created at them tend to be temporary, low-paying food service jobs.

Sports teams are simply too small a component of the local economy to serve as an engine of economic development. According to Forbes, the Red Wings earned \$96 million in total revenue in 2013. According to the U.S. Bureau of Economic Analysis, total income in the metro Detroit area was \$208 billion in the same time period.

This means that the Red Wings comprise 0.05 percent of the metro Detroit economy. The Red Wings could move to a new state tomorrow and it would not cause a blip on

Michigan's economic radar, especially since studies find that consumers would shift their entertainment spending to other local options.

Surveying the literature on sports stadia and economic development, economists Dennis Coates and Brad Humphreys find "the overwhelming preponderance of evidence [is] that no tangible economic benefits are generated by these heavily subsidized professional sports facilities."

Under the guise of economic development, state taxpayers simply trade one set of empty lots for another. The building of Comerica Park resulted in a vacant lot on the corner of Michigan and Trumbull where Tiger Stadium once stood. The Silverdome sits empty with a destroyed roof in Pontiac now that the Lions play at Ford Field. A combined \$335 million in taxpayer dollars was used to finance the two new facilities.

If a new Red Wings arena is built, Joe Louis will be demolished. It is unclear how taxpayers benefit from having vacant lots in one part of Detroit (and Pontiac) over others at a cost of over a half a billion dollars.

Instead of subsidizing the construction the Red Wings arena, \$260 million would finance the repair of all of Detroit's streetlights with money to spare. It would be enough to resurface I-75 from Saginaw to Mackinaw City. It could be used to hire 100 police officers in the city of Detroit for more than 25 years.

Though less flashy, these projects would result in more bang for the taxpayer buck than extending yet more corporate welfare to another billionaire.

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