courage team mobility. These subsidies take the form of taxpayer-financed stadiums and arenas.

In essence, the taxpayers pick up the majority of a team's capital costs—usually running anywhere between $100 million and $400 million for a new stadium (though New York City is talking about more than $1 billion for a new Yankee Stadium on the city's West Side). The annual debt-service costs on a new ballpark can run into the tens-of-millions-of-dollars range. Obviously, relieved of such expenses, owners are free to bid player salaries ever higher, while boosting their own bottom lines as well.

Government-built stadiums also transform teams from the status of owners to renters. It's always easier for a renter to up and leave than it is for an owner. So, perversely, government officials who believe that only a taxpayer-built stadium can attract or keep a major league team in their state or city merely ensure that teams will continue issuing threats and moving. Naturally, under this scenario, teams possess every incentive to pit city against city and state against state in a vicious game of corporate welfare.

My fellow fans, in the end, it is not the greed of players and owners that result in skyrocketing salaries and city-hopping by teams, but the actions of government officials.

In a truly free sports market, leagues operate free of antitrust regulation, teams receive no subsidies, owners build their own stadiums, and player salaries stay within the realm of sanity as owners are forced to consider the *full* cost of team operations including stadium or arena financing. Indeed, this is how the pro sports business largely worked until the 1960s and 1970s, when corporate welfare expanded along with all other forms of government activity.

Government needs to deregulate, privatize, and downsize, allowing the market to work. The result will be healthier sports leagues, happier fans, and savings for taxpayers. □

Superstar Athletes Provide Economics Lessons

by K.L. Billingsley

What do former San Francisco 49ers quarterback Joe Montana, L.A. Raiders running back Bo Jackson, and San Diego Chargers quarterback Dan Fouts have in common?

All three are former National Football League stars and all three are multimillionaires—not the sort of status that would rank them with, say, a plasterer in Pasadena or a sheet-metal worker in Santa Ana. Yet, as the *San Diego Union-Tribune* recently reported, all three—along with many other athletes—are tapping into workers' compensation in the state of California.

Since 1990, nearly 200 members of the San Diego Padres and Chargers alone have applied for workers' compensation, a generous $8 billion system—primarily funded through compulsory contributions of employers—to

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January 1997

Welfare Reform

All fashions of this world pass away. The welfare state which came into vogue during the 1930s may be with us for a while yet, but not for long. It is dying by inches, going out with the tide of socialism and its many variations.

Welfarism is bound to die from its innate venom and virus. Sired by the doctrines of labor exploitation and class conflict, born of social and economic conflict, nursed on progressive taxation and confiscation, feasting on deficit spending and monetary depreciation, and saddling its trillion dollar debt on future generations, it embodies all the social ills that men may endure. It is bound to end ignominiously as the growing burden of the welfare state is grinding more and more people into dependence and poverty. With more than $5 trillion in debt, which is expected to rise to $8 trillion in a few years and half a trillion in annual interest costs, with Medicare and Medicaid spending doubling every few years, it is destined to self-destruct. It may implode rather suddenly, like Soviet communism. Or it may disintegrate slowly, perhaps over decades, as is evident in the old industrial countries from France to Germany, Italy, and Britain.

The sweeping federal welfare act of August 22, 1996 is an indication of many more reforms to come. The legislation transfers control of much of the nation's welfare system from the federal government to the states and imposes many new restrictions on aid. It requires workfare for most recipients, imposes strict time limits on benefits, and cuts back on benefits for immigrants. It affects millions of people for whom welfare has become a way of life.

The reform is bound to bring some confusion, pain, and condemnation. The transfer of control from the federal government to the states removes its monolithic structure and introduces a measure of flexibility and competition among the states. In time, it will lead to differences in state legislation and regulation which will give rise to large differences in welfare benefits and tax burdens. Facing economic stagnation and decline, the states most generous in benefits and most severe in tax burdens can be expected to lament the reform and call for an immediate return to the old system.

The new system of state-run workfare builds on the assumption that the recipients can actually be led to forego the dole and return to the labor market. It completely overlooks and ignores the numerous institutional obstacles which the reformers themselves have erected. Surely, some people are lured to the dole by generous benefits which may approach or even exceed the wages they could earn in the labor market. Assistance payments plus housing allowance, food stamps, and free medical care may exceed the wages an unskilled laborer may earn, which is a powerful incentive for shunning employment. But even if all such inducements were removed, real obstacles to gainful employment would remain.

Unskilled workers face formidable barriers to the labor market. Federal and state laws regulating minimum wages, child labor, and working conditions legally bar poor people from securing employment. Minimum wage legislation may be the worst barrier which millions of unskilled workers, old and young, are unable to clear. **It is tragic, and yet so typical of politics, that the very legislators who enacted the workfare reform recently raised the minimum barrier to the labor market.** Lifting it to $5.15 an hour to which the mandated fringe costs must be added, such as Social Security levies on employers, workman's compensation, unemployment taxation, paid holidays, and other mandated employment costs, raising the employment costs to some $8 an hour, government is blocking countless workers from reaching the market. **At $8 an hour, many welfare mothers are searching far and wide without meeting a single employer.**

Other legal barriers stand in their way. The Davis-Bacon Act of 1931 commands contractors performing work for the government or with government assistance to pay their workers "prevailing" wage rates, that is, union rates. Such rates are even higher than an $8 minimum, which makes it rather unlikely that any welfare recipient will ever clear it.

The Employment Retirement Security Act of 1974 (ERISA) and its several supplements erected unsurmountable barriers for many elderly workers. The law made pensions for elderly workers a cause of political concern, prescribing rules of eligibility, vesting portable pension benefits, and giving pension claims the same status as tax exactions. The financial burdens and the bureaucratic hazards cause many employers to be rather reluctant to engage elderly welfare people and soon thereafter pay them a pension.

Similarly, the Equal Employment Opportunity Commission (EEOC) which was created by the civil rights acts of 1964 and 1967 aims to ensure that employers do not discriminate against anyone on the basic of race, age, gender, religion or national origin. It makes the employment of public-assistance people doubly hazardous. Prevented from entering the labor market and unable to clear the obstacles built by government, they are likely to lay the blame on employers. After all, it is they who deny employment. A simple charge of "discrimination" is easily made and rather difficult and costly to refute.

The welfare reformers are laboring to roll the welfare stone up the mountain to the barriers they themselves erected. Their inevitable failure may reinforce the very system they are seeking to abolish. A true welfare reform would eliminate the political barriers to the labor market.

Hans F. Sennholz

> You cannot correct all the evils of the world, nor relieve all the poverty in the world.
> You cannot comfort all in distress, nor support all the underprivileged.
> But you can stand by FEE which brings the light of freedom to the world.

assist workers who are unable to perform their jobs because of injury. Athletes, on the other hand, often enjoy guaranteed contracts that pay them big money even when they are injured, or when they are healthy and don't play at all. And their respective teams pick up the cost of treating their injuries.

Other wealthy athletes dipping into the public purse include basketball great Bill Walton, former Cy Young award-winning pitcher Randy Jones, and legendary receiver Lance Alworth, who began collecting workers' compensation nearly 20 years after he stopped playing football. Walton, Fouts, and Montana declined to discuss their windfalls, which average $50,000 to $70,000 per claim.

Joe Montana was once the highest paid player in the NFL, earning $13 million over four years. Both the stars' salaries and the current workers' compensation caper illustrate key economic realities.

Though some fans are outraged at the high salaries of today's athletes, those salaries are simply a reflection of the willingness of millions of people to pay money to watch them play and perform. They are part of the entertainment business—software if you will—providing vicarious thrills for a mostly sedentary populace. If 80,000 cheering fans were willing to part with $20 apiece to watch accountants add, teachers teach, or window washers wash, then these occupations could command similar salaries, complete with lucrative commercial endorsements.

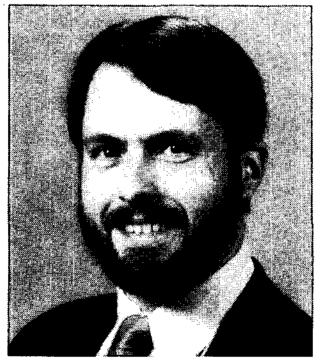
Besides illustrating market forces, athletics shows how a nearly pure meritocracy works. Nobody starts at quarterback for the Dallas Cowboys or guard for the Los Angeles Lakers because his father once played or happens to own the team. If a misguided urban youth can run, pass, kick, and play defense better than those raised in the wealthy suburbs, he will get the job, whatever his race, nationality, or religion. In sports, nepotism is a guarantee of failure, something that government needs to learn. But the attempt of some stars to gain money by other means is also illuminating.

A key player in the scheme is lawyer Ron Mix, a former NFL lineman. Along with a squad of attorneys working with the NFL Players Association, Mix pushes the envelope. He even urged former Baltimore Colts quarterback Johnny Unitas, now 63, to file a claim in California. It was one of the few turned down. Word quickly spread that California's system is an easy mark. Even those living in other states, and who played for non-California teams, have cashed in.

The superstars' compensation game confirms that those willing to exploit such programs need not be low-income people. Indeed, in recent years, the wealthy from Mexico, Central America, and as far as Sri Lanka, have had elaborate surgeries such as quadruple bypasses performed under Medi-Cal, the Golden State's health-care system for low-income people. Word has spread worldwide that this is the place to go for free care, courtesy of taxpayers ineligible to use the system themselves.

If a welfare, workers' compensation, or medical-aid system exists, it will be exploited, with the exploitation abetted by professionals who get a piece of the action. Such systems, by their very nature, will always be inefficient and corrupt, however noble the intentions and rhetoric of their political creators.

For policymakers, the rule would seem to be that it is better not to establish such a system in the first place. It is always easier to set up a system than to reform it, much less shut it down. To paraphrase the baseball fantasy *Field of Dreams*: if you build it, even the millionaires will come. □



Replace the Monopoly, Not the Superintendent

There's a lot wrong and not much right with the Washington, D.C., public schools: Buildings aren't safe, kids are gunned down in front of their classmates, money is wasted, and precious little learning occurs. So the financial control board, created by Congress in effect to govern the city, engaged in a very public debate over firing the local superintendent. But blame for the failure of the D.C. system, and for government schools elsewhere around the nation, doesn't lie with a particular administrator. It lies with the public nature of education, and especially the monopoly enjoyed by the public school system.

After all, the District's problems merely reflect a larger national crisis. Average SAT scores dropped from 980 to 899 between 1963 and 1992, a period during which real per-pupil spending rose 160 percent. Over the last 20 years the number of top scorers on the SAT has dropped in half. And nothing has changed during the 1990s despite even more money and a panoply of "reforms." The 1994 National Assessment of Education Progress test found that 36 percent of 4th-graders, 39 percent of 8th-graders, and 57 percent of 12th-graders failed to meet basic standards in history. Students' ignorance of geography, math, and other subjects is legendary. The only thing American children excel at internationally is self-esteem: While scoring at the bottom compared to students in other countries, they rate themselves at the top.

But if suburban kids aren't learning as much as they should, city children aren't learning much at all. In 1988 the Carnegie Foundation declared: "The failure to educate adequately urban children is a shortcoming of such magnitude that many people have simply written off city schools as little more than human storehouses to keep young people off the streets." Half of urban kids typically fail to graduate. Those who do find their diplomas to be about as valuable as Czarist bonds. Unfortunately, the District's diplomas probably aren't even worth that much: Student scores on the Comprehensive Test of Basic Skills dropped again in 1996.

The tragedy is not simply that we are losing ground in education. We are losing ground at a time when companies elsewhere in the economy routinely provide us with better quality for less cost. Consider the advances in banking, communication, computers, and transportation. To merely stand still today is to be falling behind.

Money, of course, is not the answer to failed public schools. Inflation-adjusted per-pupil spending has been rising 40 percent a decade since World War II, without obvious effect on the quality of education. Washington's expenditure per student of $9,400 is higher than that at elite Gonzaga preparatory school. Nationwide, private schools cost less (averaging less than half the per-pupil spending of public schools) and achieve better results. The late sociologist James Coleman's extensive re-

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