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## A Tale of Two Sporting Goods Stores

By [Michael D. LaFaive](#)

Imagine for a moment that you own the Detroit Tigers. You and your spouse made great sacrifices to purchase and develop the team, but with luck and pluck managed to build the Tigers into a popular and beloved institution among sports enthusiasts.

Now imagine that prior to the championship game, the baseball commissioner makes an announcement that astonishes you. He says that, to make up for the home team advantage, the team coming from out of state to play in Detroit will have a few "perks" just so they'll feel like coming back. What he means is that the rules will be altered, just for their side. He says, for example, that the other team's batters will be walked on three balls instead of four, and will be awarded a home run if they hit the ball into the outfield.

Would you sit still for this as the owner of the team-or even as a fan? I wouldn't. So why does the state of Michigan consent to a similar changing of "the rules of the game"-one that involves not just a game, but real economic life out there, in which people's livelihoods are at stake?

State and local officials right here in Michigan have created a taxpayer funded entity-the Michigan Economic Development Corporation (MEDC)-that uses taxpayer dollars to entice out-of-state businesses to locate and compete in our state. Ostensibly, the goal is to "create jobs." What it actually does is shift jobs and create an unfair playing field, which increases the relative startup costs of rival, taxpaying, homegrown businesses.

### Case in Point: Jay's Sporting Goods

Jay Poet, a lifelong Michigander and avid outdoorsman, opened Jay's Sporting Goods in 1968 in Clare, Mich. His dream was to create a world-class sporting goods store that both locals and out-of-towners could visit on their way up north. He and his wife, Arlene, worked more than 80 hours a week in the early years, and grew the store into what would become "Michigan's outdoor superstore." By 1989, when Jay died of cancer, he had firmly established his dream, leaving his widow and sons to carry on the family tradition of helping outdoorsmen obtain the products they desired.

It was difficult to operate the business without the founder, father, and husband at the helm, but the family found strength in each other and soldiered on. Today, the family operates Jay's from two locations with over 100,000 square feet of shopping space. For more than three decades, through good times and bad, Jay's has served outdoorsmen from across the state and nation, and the store has done it *without a dime of taxpayer money*.

### Enter Cabela's Retail Inc.

The same cannot be said for Jay's new competition, Cabela's Retail Inc. In 1999, the MEDC informed Cabela's that it would offer a package of incentives worth up to \$27.8 million for locating a new, 200,000-square-foot store in Dundee, Mich.

Cabela's is a mammoth catalog and retail outlet for everything related to outfitting the outdoor sports enthusiast. It ships over 60 million catalogs to all 50 states and 120 countries every year and maintains seven retail outlets. Cabela's took the offer and opened its Dundee store in October 2000.

The total incentive package that was promised by the MEDC would include funds from federal, state, and local sources. Of course, some of the investments made by officials are more reasonable than others. For instance, \$26

million was dedicated to road improvements leading up to the off ramp near the store. As long as government is in the road business, this is a perfectly legitimate expenditure.

In addition, off-ramp improvements worth \$11.1 million were made and effectively financed by Cabela's-but these expenses will be deducted from their local tax obligations. Another \$1.3 million was earmarked for such things as storm drain construction through the federal government's Community Development Block Grant program, which is designed to assist in local development priorities such as infrastructure improvement.

Unfortunately, the state did not stop at assisting Cabela's with convenient access to a highway and new sewers. It also offered to:

- Purchase \$300,000 in catalog advertising from Cabela's over a three-year period;
- Dedicate one full-page ad in the state's tourism publication, "Michigan Travel Ideas," to Cabela's (a \$100,000 value);
- Provide Cabela's with full access to the "Travel Michigan" database, which contains the names and addresses of over a million people seeking information about travel in Michigan (an \$80,000 value);
- Provide marketing and publicity assistance surrounding the official grand opening ceremony of Cabela's in Dundee (a \$25,000 value);
- Give Cabela's free membership in the state's "Circle Michigan" tour promotional organization (a \$4,500 value). Circle Michigan is an association that works with bus operators to help increase tours for groups to attend trade shows and other special events.
- Obtain "workforce development" assistance, which would help the retailer hire new employees.

It is important to note that all of these perks and the programs through which they are offered are administered by a host of government employees. These bureaucrats don't work for free, nor do they raise funds by selling Girl Scout cookies. From fiscal year (FY) 1999 through FY 2001-02, the MEDC has received \$244 million in General Fund/General Purpose dollars-tax money from the citizens of Michigan. It may receive another \$46 million in FY 2002-03, depending on how budget negotiations work out. In other words, it costs money to maintain bureaucracies whose staffs are paid to take money from one person or group and give it to another.

If a thief stole money from a bank in Lansing and spent all the cash at the local mall, the MEDC wouldn't issue a press release celebrating how many jobs were "retained" or "created" at the mall. Officials would recognize that someone had to lose in order for the mall merchants to gain. Yet, for some reason, when central planners offer "incentives" to companies to locate to Michigan, they forget they're hurting businesses like Jay's Sporting Goods. The former Mrs. Poet (now Yost) and her children want to see their businesses grow further but are stymied by bureaucrats who reach into Jay's cash registers and "invest" the loot in firms like Cabela's.

"When I first learned that our competition would get state assistance, I was flabbergasted," recalls Yost. "It sometimes makes you wonder who you are working for." Yost isn't complaining because she knows that her business will thrive despite MEDC's intervention, but she wonders about others. "Will the 'mom-and-pop' outfitters near Dundee survive?" she asks.

Unfortunately, Jay's is not the only sporting goods store that has to watch its competition get an unfair leg up. According to American Business Directories, there are more than 1,000 other Michigan-based businesses with which Cabela's competes in our own state. American Business Directories sells data about businesses from across North America and categorizes businesses by type. How many of these have received favors from state government?

It is doubtful whether any of the MEDC bureaucrats issuing business-related edicts have ever run a successful business. Yet they operate as if they had knowledge every businessman struggles to find out every day, and never completely grasps: Which businesses will flourish and which will not.

There is simply no sound reason to hurt widows like Arlene Yost so companies like Cabela's can fatten their bottom lines. State programs that directly subsidize one business at the expense of their in-state rivals should be privatized to see if there is an actual demand for their services.

*Michael LaFaive is an economist and senior managing editor of Michigan Privatization Report.*

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This text is part of the larger publication:

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