Public Events as Public Bads

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Abstract: Soccer matches, rock concerts and other large-scale events quite often generate negative externalities such as noise, waste, traffic congestion, and riots. If all citizens in a jurisdiction (e.g., a city or region) are affected by such externalities, economists classify them as public bads. While in some settings the organizers of events are required to internalize many of the externalities (e.g., the costs of police operations and waste disposal), there are jurisdictions where the external costs are covered through the public budget (i.e., by the general taxpayer). Using economists’ externality framework and the German soccer industry as an illustrative case study, this paper addresses the governance issue of who should bear the external costs of events. More specifically, we examine whether the main arguments frequently raised by interest groups in Germany and beyond in order to defend the application of the taxpayer-pays principle justify sticking to this status quo.

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Keywords: Externalities, public bads, soccer, policing costs, governance of events.

1. Introduction

It is not uncommon for soccer matches, rock concerts, political demonstrations, and other large-scale events to be accompanied by noise,
waste, traffic congestion, and riots. From an economic perspective, such phenomena are the negative neighborhood effects of events, often also denoted as spillover effects, externalities or external effects (Cornes and Sandler 1996). These effects are external in the sense that not only may the organizers and participants have some costs and benefits from a particular event such as a soccer match or music concert in a stadium – but this event may also impose positive or negative effects on third parties not directly participating in the event, such as citizens living in proximity to a stadium. In economic terminology, such positive or negative effects are the external benefits and costs of an event. And if negative externalities are public in the sense that all citizens in a jurisdiction (e.g., a city or region) are affected by them, economists classify them as public goods (Buchanan 1970; Cornes and Sandler 1996).

In real-world settings, many of the negative externalities of events are not internalized by its organizers and participants. At the time of writing (April 2015), for example, the costs of police operations to cope with riots at professional soccer league matches in Germany are paid out of the public purse, that is, by the general taxpayer. Likewise, the costs of policing soccer matches in Poland and Sweden are socialized. The same holds for a number of major people’s fairs held annually in Germany: the Oktoberfest in Munich (world’s largest funfair with about 6 million visitors), the Cannstatter Volksfest in Stuttgart (about 4.5 million visitors), the Freimarkt in Bremen (about 4 million visitors), or the Schützenfest in Hanover (world’s largest marksmen’s fair with about 1 million visitors). The Formula 1 Australian Grand Prix and the Australian Motorcycle Grand Prix are supported with public money: in 2013, taxpayers had to spend about AU $50 million and AU $11 million on these events, respectively (Iaria 2014). The taxpayers of the state of New Jersey had to pay US $1.35 million for their state’s hosting of the 2014 Super Bowl (Baxter 2014). The taxpayers of Hertfordshire County in England paid £528,000 as part of the bill for policing the 2013 Bilderberg Conference, a private, by-invitation-only meeting of around 140 people (mainly political and business leaders) at a luxury hotel (Ikonen 2014).

Though many citizens may simply take it for granted that (parts of) the external costs of events are socialized, for observers inspired by Coase (1960), Tullock (1970), Friedman and Friedman (1984) and similar.

1 In 2014, one of the 16 German states, Bremen, announced that the 1st league club Werder Bremen would have to take a share of the costs of policing a small number of so-called risk matches (e.g., the derby Bremen vs. Hamburg) in the future (see Schiffbauer 2014, for more details). According to media reports, other German states do not plan to change the status quo (Houben 2014; Fröhling 2014).
politico-economic studies, it is by no means self-evident that the general taxpayer should bear the external costs of soccer matches, rock concerts, and other (commercial) events. For instance, some may question the above-reported practice that even taxpayers who have never visited a soccer stadium, live far away from a stadium, and have zero interest in soccer cannot escape from contributing their share to the public financing of policing these private commercial events. Others, however, may argue that even society members who have zero interest in soccer (but feel harmed by “public bads” such as noise, garbage, crowds, and traffic congestion on match days) may benefit from the potential positive effects of soccer on this society (we return to this issue below). And still others may simply advise citizens who are afraid of the negative neighborhood effects of soccer matches to leave the city on match days or to relocate. This is the reciprocal nature of negative externalities as pointed out by Coase (1960): often, an externality problem is created only by the fact that people feel harmed by something – without a party feeling harmed, there would be no polluter.

Anyway, using economists’ externality framework and the German soccer industry as an illustrative case study, this paper contributes to the literature on externalities and the proper role of government (see Reksulak and Shughart 2012, for a survey) by addressing the governance issue of who should bear the external costs of (sporting) events. Section 2 gives a brief overview of the negative externalities accruing at soccer matches in Germany. Looking at this case through the lens of different economic theories, Section 3 analyzes whether the main arguments raised in the public debate by soccer clubs, associations, and supporters to defend the status quo (i.e., socialization of external costs) can justify sticking to the latter. Finally, Section 4 discusses the relevance of the normative policy recommendations derived from the economic toolbox for public policy makers in Germany and beyond.

**2. Background: Internalizing Negative Externalities of Events**

As with other large-scale events, professional soccer matches quite often produce negative externalities such as noise, waste, and traffic congestion. Moreover, the costs for police operations to cope with riots on match days have to be taken into account. According to the German Police Trade Union (DPolI 2014), the costs of policing professional soccer matches in Germany amounted to €100 million in the season 2012/2013. This figure is a calculation based on the total number of hours worked by police(wo)men in police operations around professional soccer matches (1,756,190 working hours in 2012/2013) as reported by the Central Information
Center Sports Operations (ZIS), a government agency of the German police. The aforementioned figures do not include matches in the 3rd league and in the regional leagues. According to ZIS (2013), in the various tournaments for which data is available, policemen worked a total of 2,672,954 hours (see Table 1). To put its figures in perspective, ZIS (2013) points out that – arithmetically – 1,351 full-time policemen were employed for doing nothing else other than policing the 755 matches that required police operations in 2012/2013. As Table 1 shows, this specific calculation mainly includes 1st and 2nd league matches but excludes the non-negligible amount of policemen’s working hours around matches in the 3rd league and regional leagues.

<table>
<thead>
<tr>
<th>Type of match</th>
<th>Number of matches*</th>
<th>Working hours total</th>
<th>Working hours state police</th>
<th>Working hours national police</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st league matches (1. Bundesliga)</td>
<td>306</td>
<td>813,534</td>
<td>2,659</td>
<td>575,968</td>
</tr>
<tr>
<td>2nd league matches (2. Bundesliga)</td>
<td>306</td>
<td>610,369</td>
<td>1,995</td>
<td>440,218</td>
</tr>
<tr>
<td>National cup matches** (DFB-Pokal)</td>
<td>30</td>
<td>89,560</td>
<td>2,985</td>
<td>60,710</td>
</tr>
<tr>
<td>UEFA club tournaments (of German teams)</td>
<td>37</td>
<td>145,148</td>
<td>3,923</td>
<td>118,513</td>
</tr>
<tr>
<td>International matches of national teams</td>
<td>9</td>
<td>17,216</td>
<td>1,913</td>
<td>10,247</td>
</tr>
<tr>
<td>Other matches</td>
<td>67</td>
<td>80,363</td>
<td>1,199</td>
<td>68,646</td>
</tr>
<tr>
<td>** subtotal</td>
<td>755</td>
<td>1,756,190</td>
<td>14,674</td>
<td>1,274,302</td>
</tr>
<tr>
<td>3rd league matches</td>
<td>380</td>
<td>566,857</td>
<td>1,492</td>
<td>383,752</td>
</tr>
<tr>
<td>Regional league matches (in 5 Regional leagues)</td>
<td>1,644</td>
<td>349,907</td>
<td>213</td>
<td>272,410</td>
</tr>
<tr>
<td>** total</td>
<td>2,779</td>
<td>2,672,954</td>
<td>962</td>
<td>1,930,464</td>
</tr>
</tbody>
</table>

**Notes**: Own calculations based on ZIS (2013) data.
* Matches that required police operations according to ZIS (2013).
** Data only available for national cup matches with participation of a 1st or 2nd league team.

**Table 1.** Police forces around soccer matches in Germany, season 2012/2013
Journalists often use the data of the ZIS agency as well. For example, it was recently reported that the costs of policing 1st league matches in the 2013/2014 season amounted to €39 million (Fröhlingdorf 2014). This figure includes the policing costs that accrued at the state-government level (i.e., involving state-level policemen). Due to Germany’s federal structure, soccer-related policing costs are borne by the government of the state in which a match takes place. In addition, on match days of the professional soccer leagues, policemen of the National Police Force (Bundespolizei) are on duty around railway stations and in passenger trains to monitor soccer supporters.

In 2012/2013, on average 2,140 national policemen per week were doing this job; the costs for these operations (€27.8 million) were paid out of the central-government budget (Fröhlingdorf 2014). However, some argue that the cost figures reported in the media should be considered with caution as they are only rough calculations based on a self-defined hourly wage of an “average” policeman. Moser (2009), for instance, points out that a calculation of the exact amount of policing costs would have to take into account, among other things, the different ranks and salaries of the policemen involved in a particular operation, transportation costs (e.g., fuel consumption of police cars), injuries of policemen (i.e., medical costs and costs for sick leave), the costs for police dogs and horses, and pre-planning costs for police operations prior to match days.

Admittedly, it may be time-consuming and difficult to quantify the exact costs of policing soccer matches – not to mention other potential costs of internalizing negative externalities such as waste disposal, for which no reliable official figures seem to exist (and therefore will be neglected below). Yet, governmental authorities appear to be able to calculate the policing costs at least approximately. For example, in a response to a written inquiry by a member of the State Parliament of Baden-Wuerttemberg (2009), this state’s government reported that the policing costs of the matches of the four clubs in the 1st and 2nd German soccer league located in this state amounted to about €3.7 million in the year 2008. In addition, about €1.7 million was accrued around matches in the 3rd league and regional leagues. It can be expected that the governments of the other 15 German states would be able to conduct similar cost calculations if necessary (e.g., in order to invoice clubs).

Public policy makers may deal with the negative external effects of events in different ways. One option is to simply ignore such effects in the hope that most of those people not attending a soccer match or another event will tolerate any potential disturbance due to the event. In many cases, however, policy makers do not pursue the laissez-faire principle but try to internalize negative externalities. Governments having to cope with a large-scale event may intervene by means of police operations to manage
crowds and traffic during the event as well as by street-cleaning afterwards. The costs for policing and waste disposal may be borne by the public purse (taxpayer-pays principle), or the event organizer may be forced to bear (parts of) these costs. For example, in Germany the policing costs on match days are socialized, whereas in France, Switzerland, and the UK professional soccer clubs have to pay a part of these costs (Trauthig 2014).

Soccer clubs or the organizers of other commercial events may shift (parts of) governmental fee bills for policing, waste disposal, etc. to attendants (i.e., higher ticket prices) as well as to staff members (i.e., lower salaries for soccer players and coaching staff). Charging the producers and consumers of the good “soccer match” with the external costs of matches gives the parties involved an economic incentive to minimize negative externalities in order to reduce the fees to be paid to government (e.g., policing bills).

Attentive readers may point out that there is an additional internalization strategy. One could simply hold liable those event visitors who cause negative externalities. In our soccer case, for example, it is not uncommon that damages to persons and property in and around the stadia on match days result in police investigations (see ZIS 2013, for more details). In addition to such punishment by the state, some clubs penalize notorious troublemakers by banning them for some time or forever from the stadium.

However, applying the polluter-pays principle used in environmental politics to the context under investigation has its limitations. For instance, in the case of a large-scale event such as a soccer match with 50,000 attendants it may be very difficult or sometimes even impossible to identify and catch each single “polluter” within the crowd of hundreds of supporters (e.g., many hooligans cover their faces and use smoke bombs). And there may be jurisdictions where it is legally possible to punish “polluters” not only by legal penalties but also by additional monetary fines imposed on them by event organizers and/or government authorities – however, especially in the case of large-scale events, the fines to be paid would have to be (very) large if the fines collected from the relatively small number of “polluters” who were caught in the act were to cover the total monetary external costs computed for a particular event (policing, cleaning, etc.). As the application of the polluter-pays principle may internalize some, but most likely not all, of the external costs of an event, a mixture of the above internalization strategies is usually applied.
3. The Taxpayer-Pays Principle on Trial

In this section, we scrutinize the main arguments used by soccer clubs, the German Soccer League (Deutsche Fußball Liga GmbH, DFL), the German Soccer Association (Deutscher Fußball-Bund e.V., DFB), and other defenders of the status quo that German taxpayers cover the costs of policing soccer matches. The DFL is a private for-profit company operating the 1st and 2nd league. The DFB is the umbrella association of all soccer clubs in Germany responsible, among other things, for the national teams. Before proceeding, it should also be noted that previous studies have mentioned the obvious phenomenon of the negative externalities of soccer matches and other (sporting) events (see, among many others, Barget and Gouguet 2007). Moreover, some have injected economic arguments into the public debate to question the socialization of the cost of policing soccer matches in Germany (Moser 2009; Daumann 2012; Pawlowski and Fahrner 2014). Using this specific German setting as an illustrative case study, the present paper supplements previous research by conducting a systematic politico-economic examination of the various arguments used by the defenders of the practice that the general taxpayer has to bear the external costs of (sporting) events.

3.1 The “Important Taxpayer” Argument

Defenders of the status quo in Germany point out that soccer clubs pay a huge amount of taxes, so any discussion about additional policing fees to be paid by the clubs – from their point of view – is groundless. According to the German Soccer League (2014b), in the season 2012/2013 the 36 clubs in the 1st and 2nd league together paid taxes and social security contributions to the amount of €850 million. Though it is undisputed that the soccer business is an “important taxpayer” (German Soccer League 2014b: 14; German Soccer Association 2010 and 2014), critical observers argue that there are many other more-or-less important taxpayers that also generate negative externalities but – in contrast to the soccer business – have to both pay taxes and internalize the external costs of their activities (by, for instance, paying fees for environmental pollution). In this spirit, journalist Michael Houben (2014) points out that tax-paying clubs or their associations do not have to pay any fees for soccer-related police operations, whereas the “ordinary” citizen pays taxes and has to pay a fee of up to €180 for a night in a drunk tank in a German police station; up to €40 for being carried away by policemen during a sitting blockade; and up to €110 if the police is called to a false alarm at a private property. Likewise, logistics companies pay fees when cargo transports (e.g., heavy,
dangerous or precious goods) are escorted by the police. The tariff rates for these and other police services differ across the 16 German states.

However, it must be made clear that there is a difference between 

a) tax-paying citizens and corporations that have to pay fees for policing activities directly associated with their behavior (see the above examples) and

b) tax-paying soccer clubs. The latter are not the immediate “polluters:” the supporters and not the clubs itself cause waste, noise, and riots that require police operations (see, e.g., Schiffbauer 2014, with further references to German legal scholars who support the same argument). That “soccer clubs and their associations are neither the causers nor the initiators of violence” (German Soccer League 2014a) does not, however, prescribe and justify that tax-paying soccer clubs in Germany or elsewhere should have to pay nothing toward the financial responsibility for the police operations on match days. For example, in France, Switzerland, and the UK professional soccer clubs have to pay taxes and additional security fees covering parts of the policing costs (Trauthig 2014). A classic distinction in public finance, as a subfield of economics, offers an economic argument to justify the latter practice: taxes have to be paid to finance public goods and services which – at least theoretically – are open to and benefit all society members, whereas citizens may have to pay specific fees in return for government services they individually benefit from (see, e.g., Hyman 2014).

In the case at hand, organizers of the commercial event “soccer match” benefit from the government service “police operation.” Enjoying this government service free of charge can be interpreted as a non-cash benefit for clubs because without the taxpayer-funded police presence, clubs that are interested in ticketing revenues would have to find other ways to credibly signal to (potential) stadium visitors that their security is safeguarded (e.g., by paying for private security measures). So, if clubs utilize police services to make matches a safe event then clubs, in this public-finance perspective, should be required to pay a fee for enjoying this government service – and clubs would have to include this fee in their business calculations (e.g., higher ticket prices, lower player salaries). Defenders of the status quo in Germany and elsewhere will most likely not accept this public-finance argument for at least two reasons. First, some argue that ensuring public safety and order on match days, and on any other day, is naturally a public task which – in line with the above public-finance definition – is taxpayer-funded as the whole population benefits from police operations safeguarding soccer matches, demonstrations, and

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Note that this quotation and all following quotations from German-language documents were translated by us.
other events (see Sections 3.3 and 3.4, for a detailed discussion of this argument). Second, clubs and their associations argue that requiring the soccer business to pay additional policing fees on top of their tax payments would be inequitable: because this business’ annual tax payments (€850 million according to German Soccer League 2014b) not only cover but by far exceed the annual soccer-related policing costs (approx. €100 million according to DPoG 2014). In their view, clubs do not enjoy a government service free of charge – they have already paid for this government service through their tax payments.

This reasoning neglects the fact that soccer clubs and their associations benefit from their tax payments in other ways than taxpayer-funded police operations; for instance, by using the public infrastructure in the city where stadiums and offices are located (roads, parks, public transportation, etc.). This infrastructure, to a large extent, is paid for out of the public purse in Germany. In a study commissioned by the German Soccer League, McKinsey (2010: 14) calculates that the public expenditures for professional soccer in Germany (e.g., “police operations,” “public investments in stadiums” and “infrastructure,” “public support of public transport”) amount to €200 million per year (based on 2007/2008 data).

Unfortunately, the subtotals and data sources behind the €200 million are not disclosed. Moreover, this figure does not seem to be based on official public budget data. McKinsey (2010: 14) merely notes that for the calculation of the costs “for police operations the highest amounts mentioned in the public debate were adopted.” We are not able to verify whether the €200 million mirrors the true situation or is possibly understated in order to maximize the gap between the soccer industry’s tax payments and the “relatively low” soccer-related public expenditures. What would be desirable, but is not publicly available, is a detailed and official account for each of the 56 professional soccer clubs in the 1st, 2nd and 3rd league that reveals a) to what extent a club receives public support (taxpayer-funded policing, government subsidies, tax exemptions, public infrastructure expenditures, etc.) from local governments, state governments or the central government; and b) how much tax a club actually pays to which government level.

In light of the best available data, it has to be acknowledged that the soccer industry’s annual tax payments (€850 million according to German Soccer League 2014b) not only cover but by far exceed the annual soccer-related public expenditures (approx. €200 million according to McKinsey 2010). From a public-finance perspective, however, this simple calculation is too simple. Like many other business enterprises, soccer clubs have to pay taxes if they generate revenues with their business activities (e.g., hosting the commercial event “soccer match”). The state uses the soccer industry’s tax payments, together with many other corporations’ and
citizens’ tax payments, not only to finance soccer-related public expenditures (see above) but also for government spending in various other areas (social spending, road building, national defense, and so on).

In the public-finance literature, taxes are usually defined as “compulsory payments that do not necessarily bear any direct relationship to the benefits from government goods and services received” (Hyman 2014: 22). This implies that the soccer industry or any other taxpayer is not in a position to determine for which specific purposes (such as covering the costs for soccer-related police operations) its tax payments should be used for by the state. In sum, the fact that soccer clubs pay a huge amount of taxes – from a public-finance perspective – does not imply that the introduction of an additional “policing-bills regime” would be unjustified.

3.2 The “Private Security Expenses” Argument

German soccer clubs and their associations often argue that it would be inequitable if they had to pay police fees as they already invest a great deal of money in making soccer matches a secure and unforgettable experience for parents and their children, senior citizens, and other stadium spectators. According to the figures published by the German Soccer League (2011), clubs of the 1st and 2nd league invest more than €25 million per year in spectator security: €21 million are paid for private security services, €3 million for club safety officers and supporters’ representatives, and €1.3 million for socio-pedagogic supporter projects.

Given the riots that happen repeatedly in and around stadiums, some observers argue that clubs could invest even more in security measures. Of course, increased private-security expenses would have to be covered somehow (e.g., via higher ticket prices, lower player salaries, lower club profits).

To put clubs’ figures in perspective, journalists of the German TV magazine Plusminus report that the 1st league club Werder Bremen has an annual revenue of €89 million (Houben 2014). In terms of revenues, this club ranks somewhere in the middle of this league. About half of Bremen’s revenues are paid as salaries to the club’s players. But only about 1.5% of the annual revenues (€1.3 million) are spent on private security services and supporter projects intended to reduce the external costs of soccer matches. In sum, it is commendable that clubs spend a lot of money on measures to make their matches a safe event for visitors. But highlighting the amount of private security expenses that are already paid by an event organizer does not exclude that things happen that require police operations whose costs could be charged to an organizer’s account.
3.3 The “Public Safety” Argument: The Event Venue

Defenders of the status quo in Germany often argue that “[e]nsuring public safety is, independent of the financial situation of public budgets, alone the task of the state. [...] [S]uch police operation[s] safeguard public security and thus [serve] the public interest” (German Soccer League 2014a; see also German Soccer Association 2014). From an economic perspective, however, the situation is less clear. In this perspective, it is crucial to distinguish between a) policing the event venue (in our case, the stadium grounds) and b) policing the public space. Let us start by analyzing who has to pay for policing the stadium grounds. Stadium guests pay for a commercial event and have a private benefit from consuming a good that fulfils both conditions of a club good (Cornes and Sandler 1996). First, up to a certain number of spectators, the consumption of a soccer match in a stadium is non-rival (i.e., each spectator can see what is happening on the pitch). Second, the exclusion principle applies: the event organizer has the power to deny access to the stadium to certain customers, such as notorious hooligans. In stadiums where each visitor has a seat of his own (with an unobstructed view on the pitch), attending a soccer match could even be classified as a private good: no other person is able to “consume” another visitor’s seat (i.e., rivalrous consumption) and the exclusion principle applies (i.e., access only for a limited number of visitors).

Regardless of whether a match is classified as a club good or private good, to ensure the security of stadium visitors, clubs may hire private security staff and use safety equipment (surveillance cameras, body scanners, etc.). These private security costs may or may not be passed on to stadium visitors via the ticket price. In addition, there is usually police presence inside the stadium and on the stadium grounds at each professional soccer match in Germany (see Section 2 and Table 1). The question now is who has to pay the bill for these police operations. As we have seen above, for clubs and their associations the answer is clear: the general taxpayer has to pay. The classic taxes-vs.-fees distinction in public finance (Hyman 2014), however, suggests that the producers and consumers of the good “soccer match” should pay the policing costs as a fee in return for a government service they benefit from. In practice, clubs would receive invoices – and the clubs, which generate revenues from selling the good “soccer match,” have to decide how to settle these invoices. The clubs may shift (parts of) the policing expenditures, for example, to stadium visitors (via higher ticket prices) as well as to players, coaching staff, and managers (via lower salaries).

At this point, one might object that the clubs are reliant on the police as private security staff are unable to cope with rioting fans. If a riot occurs on the stadium grounds and staff members of private security firms and/or
other persons are attacked (i.e., in the case of a so-called “self-defense situation”), then the private security staff may use their fists, bats, teargas, pepper spray, handcuffs, and the like to overpower troublemakers and remove them from the stadium. On stadium grounds, clubs have a so-called “domestic authority” and may control whether visitors are acting according to the stadium rules – and they have the power to expel people who violate the rules such as drunkards and rioters. In Germany and other countries in which soccer is accompanied by a hooligan “culture,” it may indeed be the case that some soccer fans have no respect for private security staff (in Germany, for example, only policemen are allowed to carry guns, arrest someone, and put them behind bars), so that police presence on the stadium grounds is considered to be inevitable to ensure safety. As argued above, however, from a public-finance perspective socializing these policing costs is not justified.

Furthermore, one might object that the above classification of soccer matches as a club good (or private good) is overly simplistic. If many who do not attend matches in the stadium value soccer, it is not self-evident that soccer matches are a club good (or private good) and policing the stadium grounds should be covered by fees to those organizing and/or attending, rather than by taxes. This objection rests upon the taxes-vs.-fees distinction in public finance (Hyman 2014).

Applied to the question at hand, socializing the policing costs would be justified if all society members benefit from the government service “policing the stadium grounds.” The publicly available data suggest that this is not the case. The 591,100 people who, on an average match day, buy a ticket to watch the nine soccer matches in the 1st, the nine matches in the 2nd, and the 10 matches in the 3rd German league (see Table 2 below), account for 0.74% of more than 80 million citizens. McKinsey (2010) estimates that, on average, in Germany 15 million people (i.e., 18.75% of the population) on a match day watch the matches of the professional soccer leagues on TV. In addition, there may be some citizens who follow the matches only via radio or only read newspaper articles about the matches. Under a policing-bills regime, clubs could pass on (parts of) the policing fees not only to stadium visitors (ticket prices) but also to the indirect beneficiaries of the police operations: namely, TV viewers (television licenses) and radio listeners (radio licenses).

Still, some may claim that not only the aforementioned groups of citizens but many more Germans “value” soccer. According to a representative public-opinion poll conducted by the private, non-partisan polling firm Allensbach, 35% of citizens aged 14 years or older are “exceptionally interested” in soccer, 30% are “interested, but not so much,” and 34% show “little or no interest” (see Allensbach 2012; N=27,104 respondents; 1% “don’t know”). But even if 100% were
interested in soccer, this would not justify the socialization of the policing costs. Though defenders of the taxpayer-pays principle may like this idea, in our view, it would be absurd to add a citizen who expresses a general interest in soccer, but who does not follow the matches either in the stadium or via TV or radio, to the group of direct beneficiaries (i.e., stadium visitors) and indirect beneficiaries (i.e., TV viewers, radio listeners) of the government service “policing the stadium grounds.” In sum, while it is clear that the state and its police are the ultimate guarantors of safety and order in Germany, the economic argumentation above suggests that it is not justified to socialize the costs for policing the stadium grounds.

3.4 The “Public Safety” Argument: The Public Space

There remains the question of who has to pay for policing the area outside the stadium grounds (i.e., the public space) on match days. According to the taxes-vs.-fees distinction in public finance, the answer is clear: the costs of policing the public space have to be paid by the general taxpayer as all members of the society benefit from safety and order in the public space. The case of the Tour de France, however, illustrates that governments may deviate from this public-finance prescription if deemed appropriate. The organizers of this bicycle race, which takes place in the public space, have to pay policing charges in return for the government service received; mainly because a) it is a commercial event and b) the three-week race causes considerable extra work for the French police (Trauthig 2014). Both conditions seem to apply to the case of the matches hosted by the German soccer business as well. Clearly, unlike a road bicycle race, these matches are hosted in a stadium. But they often require police operations in the public space. Yet it should be clear that accepting criteria a) and b) to justify exemptions from the aforementioned public-finance rule gives governments a considerable discretionary leeway. While it may be relatively easy and uncontroversial to classify an event as “commercial” or “non-commercial” (...revenues from ticket sales, sponsors, advertising, for-profit-organizers, etc.), it seems to be far from trivial to calculate the costs of internalizing the negative externalities generated by this event in the public space (e.g., the extra costs of policing).

In our case, some may claim that it is impossible to determine which police operations in the public space on match days are “soccer-related” and should, therefore, be designated as such in an “extra-policing bill.” As noted earlier, many legal scholars and other observers argue that it is illegitimate to hold clubs responsible for the individual actions of soccer
fans somewhere in the public space on match days. Is it justified to force a club to pay, for example, for a police operation outside a pub or in a public park? Or should a club pay for police operations somewhere in the public space which have been caused by people who a) have no interest in soccer (but a strong interest in starting a brawl) and b) have dressed up as soccer fans?

But what could be done is to bill clubs for the police presence in the proximity of the stadium and in areas occupied or used en route by many soccer fans. To calculate the soccer-related extra costs, one could compare the costs of policing the public space on an “ordinary” day with the situation on a match day. For instance, massive police presence (including water cannons, police horses, etc.) seems to be the exception rather than the rule on “non-match days.” If there are other commercial (sporting) events on the same day in a city then the police may try to split the cost of policing important public places (railway stations, town centers, shopping malls, etc.). And in the extraordinary case that important public places have to be policed anyway on a match day due to a large political demonstration (not charged because of its being a non-commercial event), then a soccer club may only be billed for the extra costs of policing the proximity of the stadium.

Given the measurement issues to be solved in practice, some may expect (fiscally-strapped) governments to send inflated bills to the clubs. But, as in the case of other business transactions, if a soccer club or another organizer has the impression that the bill received is too high, then the event organizer has the option to contact the government and publicly complain about the invoice sum – or even take the matter to court. The latter may involve politically independent bodies (such as an audit court and/or a certified accountant) brought in to check the accuracy of the government’s cost calculation. In the case of German soccer, it can be expected that – given the media attention soccer receives in this country – a government cost listing will be as accurate and transparent as possible to prevent public discussions and potential reputational losses for government.

In sum, according to the taxes-vs.-fees distinction in public finance, policing the public space has to be taxpayer-funded as all citizens in a society benefit from this government service. Yet governments may deviate from this rule by charging event organizers additional fees for policing the public space. A government may justify this exception to the rule by arguing, for instance, that a) the organizer intends to generate a private profit with the commercial event, and b) the particular event causes considerable extra work exceeding the “ordinary” level of policing that ensures safety and order on “non-event days.”
This argument has been made by the UK police in the ongoing (legal) debate over whether it is legitimate to charge soccer clubs in the UK not only for the cost of policing their “footprint” (i.e., “usually” the area “inside the stadium and surrounding car parks”; House of Commons 2009: 2) but, in addition to this current practice, also the cost of policing the public space at their commercial events: “Any police presence is ‘on top of the standard of normal policing’ at that time. The service they provide is over and above what the community would normally be paying for. The football match is the source of this extra expense, regardless of whether the police presence is on the club’s ‘footprint’ or not” (ibid.: 3). Current case law and legislation in the UK, however, usually “limit[t] the cost of police services to those areas of land owned or controlled by clubs” (Limbert and Sampson 2013: 2). While it is current practice in the UK and other democracies that the issue under debate is left to governments’ discretion and/or in the hands of judges, in Section 3.6 we will propose that those who are the ultimate owners of the public space (i.e., a jurisdiction’s citizens) should also have a say in this matter.

3.5 The “Societal Importance” Argument

The commercial event “soccer match” generates private costs and benefits for clubs and stadium visitors. Moreover, this event may create external costs (negative externalities) which – together with the private costs of clubs and stadium visitors – add up to the “social cost” (Coase 1960) of the event under study. This event, however, may also create external benefits (positive externalities) which – together with the private benefits of clubs and stadium visitors – add up to the social benefits of this event. Based on this welfare-economic perspective on externalities, one may argue that the decisive criterion to assess the case under investigation is the welfare of society as a whole (social welfare). Instead of merely focusing on negative externalities, in this perspective one has to evaluate whether the event “soccer match” creates a net social benefit (i.e., social benefits outweigh social costs). This seems to be indeed the case in our German setting where – according to the soccer industry and other observers – matches generate not only negative but also considerable positive external effects.

As with other large events such as concerts, festivals or fairs, suppliers of related goods and services benefit from soccer matches. In a study commissioned by the German Soccer League, McKinsey (2010) stresses that many other sectors of the economy benefit (suffer) when the soccer clubs are doing well (badly) economically: for example, the TV and radio stations that broadcast matches; the business firms that deal with media
rights and tickets; the many sports journalists reporting on soccer; the pubs and restaurants that host a) stadium visitors and b) guests who watch the matches on public view TVs; business firms that provide goods and services for soccer clubs (e.g., construction companies, furniture stores, communication service providers, catering companies, hotels, taxi companies, private security firms, staff cars for the players and managers, etc.); the advertising industry around the “product soccer;” the sports betting business; and so on and so forth. Taking all parts of this “value chain” into account, the total value added created by German professional soccer as a subsector of the German economy – based on data for the season 2007/2008 – is estimated to amount to €5.1 billion per year.

The McKinsey (2010) figures have been used by the German Soccer League and the German Soccer Association to highlight the economic importance of professional soccer – and to reject the frequent proposal that soccer clubs should pay (parts of) the policing costs. Yet it must be clarified that the benefits the suppliers of related goods and services obviously derive from soccer matches are not necessarily external benefits in the welfare-economic sense. Many of the suppliers mentioned above have to pay clubs a certain amount of money in return for being part of the “value chain” around the matches (such as companies buying media and marketing rights). That is, many of the positive benefits of the commercial event “soccer match,” which are often classified as positive “external” benefits in the public debate, are already internalized via the various business transactions between the clubs and related suppliers of goods and services.

One may argue, for example, that there are millions of viewers of broadcasts/webcasts of soccer matches who obviously have a benefit from the matches. But some of these benefits are internalized by the fees that these viewers pay to broadcasting companies (e.g., television license fees, pay-TV fees). Others may watch the matches in a pub that has paid a fee to a broadcasting company; with each beer they drink, they more-or-less consciously a) help the pub to cover its broadcasting fee and b) internalize some of the benefits from watching the matches “for free.” In Germany, even the guy who watches the matches “for free” from the balcony of a skyscraper apartment overlooking the stadium, at least to some extent, pays a compensation to the issuer of the positive external effect (i.e., the club): because German households pay a mandatory broadcasting fee which is used, among other things, by the public broadcasting companies to broadcast certain matches on public TV and radio.

Instead of giving rise to the impression that the €5.1 billion calculated by McKinsey (2010) are positive external benefits of soccer matches, the soccer industry would have to demonstrate a bit more thoroughly to what extent certain business companies and other society members benefit from
soccer matches without somehow compensating the clubs for the benefits received. Focusing on the local economy, for example, there may indeed be pubs, restaurants, shopping centers, and other companies which have no business relation to the local soccer club, but have a positive external benefit from the matches due to the stadium visitors and other soccer fans visiting the city and buying these companies’ goods and services. Furthermore, a thriving soccer culture may increase the quality of life of many citizens and improve the image of cities and regions – at the same time, however, cities, regions, and many of its citizens may suffer from noise, waste, crowds, traffic congestion, and other negative externalities on match days. The examples illustrate the difficulties of quantifying the external benefits of soccer matches or other events – and we are not aware of any empirical study which has convincingly demonstrated that the clubs (or certain clubs) in Germany’s professional soccer leagues create a net social benefit (i.e., social benefits outweigh social costs) for the city, region or German state in which the commercial events are hosted.

Instead of focusing on the issue of which benefits and costs are external to the business transaction between the organizer and the visitors of an event (i.e., social benefits/costs in the welfare-economic sense; Coase 1960), one may conduct a so-called economic impact study. Such studies try to measure as accurately as possible before or after an event (e.g., the Football World Cup, the Olympic Games) whether the event is expected to have (ex-ante study) or in fact had (ex-post study) a positive economic impact on the city, region or country in which the event takes/took place; for instance, in terms of an increase in the level of employment, value added, household income, wages, house prices, or property values (see Davies et al. 2013, for a survey of this vast literature). The aforementioned study by McKinsey (2010) is a case in point. In addition to the estimated value added created by the German soccer business (see above), McKinsey (2010: 13) points out that more than 110,000 people – equaling 70,000 full-time employees (adjusted for part-time employees and temporary staff) – were employed in this business in the 2007/2008 season.

For this calculation, the soccer business was broadly defined and consists of the employees of professional soccer clubs and their associations (called "direct effect"); employees working in the soccer business that are employed by other companies such as the media, sponsors, marketers or betting firms ("indirect effect"); as well as jobs "outside professional soccer, which are created by the consumption activities of employees of the [soccer] system (e.g., a car purchase or restaurant visit of a club’s employee)" (so-called “induced effect;” McKinsey 2010: 7). While the direct employment effects seem to be relatively easy to identify through contacting clubs and their associations
<table>
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<tr>
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<th>1st league</th>
<th>2nd league</th>
<th>3rd league</th>
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<tr>
<td>(1. Bundesliga)</td>
<td>18</td>
<td>18</td>
<td>20</td>
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<tr>
<td>Total revenue (EUR)</td>
<td>2,172,588,000</td>
<td>419,415,000</td>
<td>126,054,000</td>
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<tr>
<td>Taxes + social security contributions (EUR)</td>
<td>711,946,029</td>
<td>138,914,049</td>
<td>n.a.</td>
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<tr>
<td>Total profit (EUR, after taxes)</td>
<td>62,641,000</td>
<td>–16,778,000</td>
<td>–9,774,000</td>
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<tr>
<td>Clubs that made a profit</td>
<td>12 of 18 (67%)</td>
<td>9 of 18 (50%)</td>
<td>8 of 18* (44%)</td>
</tr>
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<td>Matches</td>
<td>306</td>
<td>306</td>
<td>380</td>
</tr>
<tr>
<td>Stadium attendants</td>
<td>12,825,813</td>
<td>5,179,395</td>
<td>2,338,620</td>
</tr>
<tr>
<td>Average attendance per match</td>
<td>41,914</td>
<td>16,926</td>
<td>6,154</td>
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<td>Employees of Clubs</td>
<td>7,928</td>
<td>4,197</td>
<td>n.a.</td>
</tr>
<tr>
<td>-- full-time employees</td>
<td>2,705</td>
<td>1,441</td>
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</tr>
<tr>
<td>-- apprentices</td>
<td>69</td>
<td>26</td>
<td></td>
</tr>
<tr>
<td>-- part-time employees</td>
<td>873</td>
<td>588</td>
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<td>-- temporary staff</td>
<td>4,281</td>
<td>2,142</td>
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<tr>
<td>Employees in Clubs’ associated companies</td>
<td>2,345</td>
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<td>n.a.</td>
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<tr>
<td>-- full-time employees</td>
<td>556</td>
<td>132</td>
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<tr>
<td>-- apprentices</td>
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<td>-- part-time employees</td>
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<td>-- temporary staff</td>
<td>1,602</td>
<td>837</td>
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<td>Employees working for Clubs’ contractors</td>
<td>20,274</td>
<td>9,394</td>
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<td>-- employees in security firms</td>
<td>7,535</td>
<td>4,538</td>
<td></td>
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<tr>
<td>-- employees in catering firms</td>
<td>9,067</td>
<td>2,721</td>
<td></td>
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<tr>
<td>-- ambulance (wo)men</td>
<td>1,127</td>
<td>576</td>
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</tr>
<tr>
<td>-- other employees</td>
<td>2,545</td>
<td>1,559</td>
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Notes: Own illustration based on data from German Soccer League (2014b; 1st and 2nd league) and German Soccer Association (2013; 3rd league).

* Two B teams of 1st league clubs played in 3rd league (Borussia Dortmund II and VfB Stuttgart II); these B teams’ revenues/expenses are included in their 1st league clubs’ accounts.

Table 2. The German soccer business, season 2012/2013

(see the employment data in Table 2), the figures on the indirect and induced employment effects of professional soccer should be considered with caution as how these effects were computed remains unclear. Readers of McKinsey (2010: 8) are only made aware that the presented aggregate
employment figures are based on “publicly available sources such as annual company reports. This information has been validated in around 100 interviews with relevant experts from the parties involved (clubs, suppliers, licensees, etc.) based on internal company data.”

In sum, it is undisputed that soccer in Germany is “big business” and feeds many people. Moreover, the German Soccer League (2014a) and many other observers stress the non-market value of the matches hosted by the clubs: “the social value of soccer – being a collective experience – is undisputed. This was impressively underlined at the 2014 FIFA World Cup with the players from the Bundesliga (i.e., 1st German league) and professional players who were trained in the clubs’ youth centers.” All in all, the publicly available data considered in the present paper suggest that the matches hosted by the soccer business have a positive net effect on the welfare of German society as a whole – however, we are not aware of any empirical social-benefit/cost analysis that has convincingly demonstrated that the (non-)monetary benefits (sales revenues, employment, tax receipts, publicity, etc.) accruing in a certain jurisdiction (e.g., city, region or nation) due to the matches indeed exceed the (non-)monetary costs (taxpayer-funded policing, waste disposal, and traffic management; government subsidies for stadiums, parking space, passenger transport; etc.) accruing in the respective jurisdiction.3

Nevertheless, many policy makers and citizens may be convinced by the welfare-economic benefit-cost argument that the Germans should leave their soccer business alone as the cost of policing soccer matches are a quantité négligeable compared to the enormous positive net effect of this business on the welfare of this society (in terms of employment, value added, tax revenues, etc.) as computed by McKinsey (2010). Others, however, may question the incentive logic behind this argument, according to which polluters are permitted to continue to pollute the environment as long as they, on aggregate, do more good than harm to society. And citizens who have read Barget and Gouguet (2007) or Zimbalist (2015) may be skeptical toward any somehow computed “positive net social benefit” or “positive net economic impact” of an event – and may demand that the producers and consumers of the good “soccer match” have to take the policing costs on match days into account in their private cost-benefit calculus.

3 See Barget and Gouguet (2007) and Crompton and Howard (2013) for critical reflections of the possibilities and limitations of social-benefit/cost and economic-impact analyses of events.
3.6 The Right to Riot: Taking Citizens’ Preferences Seriously

Up to this point, we have reviewed what event organizers, public policy makers, legal scholars, and economists think about the issue of who should bear the external costs of soccer matches and other events. In this section we would like to present an approach inspired by Buchanan and Vanberg (1988) which a) evaluates the internalization of externalities through the lens of constitutional political economy and b) respects society members’ (dis)agreement of the practice that the external costs of an event are socialized. So far, we have implicitly assumed that many citizens feel disturbed by the negative externalities surrounding events such as the matches hosted by the soccer business in Germany. But there might be a state, let us call it “Hooliganland,” in which no citizen feels disturbed by massive police presence and riots happening each weekend at soccer stadiums, railway stations, shopping malls, and other public places.

The citizens of “Hooliganland,” by contrast, are proud of their idiosyncratic football culture (including brawls, drunkards, property damage, riot police, etc.) and perceive it as self-evident that the costs of policing the stadium grounds and the public space on match days are paid out of the public purse. In this jurisdiction it is obviously in the public interest that the societal group “Soccer-Match Enthusiast” (SocMad, including clubs and stadium visitors) is not held responsible for negative externalities accruing on match days. There is an (implicit) consensus among society members that SocMad has the right to produce negative externalities but does not need to worry about their internalization.

However, some recent public-opinion polls based on – according to the pollsters – representative samples of the population, suggest that Germany is not “Hooliganland.” According to an August 2014 poll conducted by the private, non-partisan polling firm Emnid, a mere 18% of Germans prefer the status quo (i.e., “the state, and thus the taxpayer, [should] continue to bear the costs of police operations at soccer matches”), whereas 79% prefer a cost-sharing regime (i.e., “soccer clubs [should] contribute to the costs”; see BamS 2014; N=504 respondents; 3% “don’t know”). Interestingly, even among soccer supporters 76% were in favor of such a regime. In another August 2014 poll by the private, non-partisan polling firm Forschungsgruppe Wahlen, 77% of the voting age population were in favor of a cost-sharing by the clubs (see ZDF 2014; N=1,264 respondents). And in December 2014 the private, non-partisan polling firm Allensbach asked citizens (aged 16 and over) who should bear the cost of police operations at 1st league matches: 6% of respondents preferred the status quo (i.e., “as hitherto, government should pay”); 50% supported the statement that the clubs and the German Soccer League should pay; 33% preferred that both parties cost-share; and 11% were classified as
“undecided/don’t wish to answer” (see Allensbach 2015; N=1,564 respondents). Note that even among respondents that frequently attend a stadium only 12% preferred the status quo.

Some public policy makers may not agree with statements by constitutional economists whereby “the legitimacy of social-organizational structures is to be judged against the voluntary agreement of those who are to live or are living under the arrangements that are judged” (Buchanan 1991: 227). However, policy makers working with “the normative premise that individuals are the ultimate sovereigns in matters of social organization” (ibid., emphasis in the original) could follow the will of the majority of citizens in a jurisdiction (as expressed in opinion polls like the ones above) and charge soccer clubs as well as other event organizers – in line with the public-finance rule discussed in Section 3.3 – the cost of policing the event venue. Moreover, policy makers may even go one step further and ask citizens, who are the ultimate owners of the public space, whether they agree with the current practice that the societal group SocMad (as defined above) has the right to produce negative externalities in the public space on match days.

If the majority of citizens are against granting SocMad this right, then the members of the latter group should have to somehow internalize these externalities. In our case this may result in requiring the clubs to pay a) the potential cost of policing the stadium grounds and b) the potential soccer-related extra costs of policing the public space on match days. As explained above, “extra” in this context means “police presence ... above what the community would normally be paying for” (House of Commons 2009: 3; see our discussion in Section 3.4).

Policy makers who distrust the results of public-opinion polls for methodological reasons, may host a referendum in the respective jurisdiction (in our case, for example, in each of the 16 German states) in order to give citizens the possibility “to choose the organizational-institutional structur[e] under which they will live” (Buchanan 1991: 227). While it may indeed be too costly to run a referendum prior to each

4 To illustrate, in a March 2014 poll adults in Great Britain were asked “Who do you think should pay for the extra policing outside of the grounds?” 72% of the 2,008 respondents said “the football club” should pay vis-à-vis 9% “the police,” 8% “the local council where the club is located,” 1% “someone else,” and 9% “don’t know” (percentages do not total 100 due to rounding; source: Greenhalgh and Gibbs 2014: 41). Note that respondents received the information that “[c]urrently organizers of large sporting events, like football clubs, pay for extra policing inside the stadium on match days, but they do not pay for any extra policing outside of the grounds. However, additional police officers are often needed to control large crowds going to and from a big sporting event.”
(sporting) event, this direct-democratic tool could be applied by politicians in cases of particular social significance – as indicated, for instance, by representative public-opinion polls. For example, it should be clear that the issue of whether it is legitimate to socialize the soccer-related policing costs on match days is a hotly debated issue in Germany and affects/annoys many citizens. And there are several cases from Germany and other democracies which illustrate that it is not utopian to make the decision on how to deal with a specific event (e.g., hosting 2022 Olympic Winter Games in Munich/Germany or St. Moritz/Switzerland) dependent on the (dis)agreement of the affected citizens (see, e.g., Zimbalist 2015).

To avoid misunderstandings, we do not argue that citizens should be given the power to decide in a “policing-costs referendum” which areas of the public space shall (not) be policed – and whether or not they prefer to pay taxes to fund the policing activities they deem necessary. Neglecting libertarian views, we take it for granted that ensuring safety and order in the public space is a public task that is taxpayer-funded. Our direct-democratic approach only gives citizens under specific conditions (discussed above) the opportunity to decide whether or not the organizers and attendants of an event should bear the event-induced extra cost of policing the public space. Also note that it is beyond the scope of this paper to discuss the potential problems and dangers of referenda and public-opinion polls discussed in the vast literature on direct democracy and survey research. For instance, in our setting the societal group SocMad (as defined above) will most likely speak of a “tyranny of the majority” if it is forced via a referendum to pay the soccer-related extra costs of policing the public space on match days.

4. Conclusion

In this paper, we examined the governance issue of who should bear the external costs of (sporting) events. Following similar studies in the politico-economic literature on the proper role of government (see the survey by Reksulak and Shughart 2012) the above analysis was obviously a normative endeavor leading to policy recommendations regarding what government should (not) do in the considered context. Taking a public-finance perspective to examine the commercial event “soccer match” suggests that the organizer of this event, that is, the clubs and/or their associations, has to pay the cost of policing the stadium grounds, whereas the costs of policing the public space on match days have to be paid out of the public budget, that is, by the general taxpayer. This allocation of cost is also appropriate in the case of other events which a) are organized by a certain host and b) take place at venues separated from the public space (e.g., a rock concert in a hall, or a music festival at an enclosed site).
To be sure, public policy makers in Germany and other democracies are free to deviate from the cost-allocation rule suggested by public finance. For instance, a government may apply this rule to certain commercial events (e.g., a music concert, an industrial fair, or a company’s stockholders’ meeting) but it may have specific reasons to exempt other organizers from the duty to pay for policing the event venue: for example, a play hosted by a charitable association, a music concert by a church, or an evening lecture hosted by a non-governmental organization. Likewise, a government may exempt its soccer industry using the arguments scrutinized in Section 3 of this paper (important taxpayer, public safety, net social benefit, etc.). Moreover, a government may argue that the administrative costs for billing clubs would be prohibitively high (however, Section 2 demonstrates that German authorities already have soccer-related policing-cost data), or that billing clubs would not help to reduce the level of violence on match days (which would have to be tested empirically).

Clearly, many of the negative externalities of soccer matches and other large-scale events occur in the public space. Political demonstrations, road bicycle racing, or carnival processions do not take place in a stadium or at an enclosed site but happen entirely in the public space. Again, the responsible government may deviate from the above cost-allocation rule suggested by public finance. Although all citizens benefit from safety and order in the public space (justifying/requiring taxpayer-funding of the police), a government may justify its decision to require the organizers of, for example, commercial soccer matches and road bicycle races to pay additional policing fees on the grounds that their events cause substantial extra work for the police – compared to the cost of policing the public space on “normal” days.

Instead of leaving the issue under debate to governments’ discretion, in Section 3.6 we used insights from constitutional political economy to propose that those who are “the ultimate sovereigns” (Buchanan 1991: 227) and owners of the public space – namely, the citizens in a jurisdiction who possibly feel harmed by the negative externalities of particular events – should have a say in this matter. In Germany, for example, public-opinion polls suggest that a majority of citizens do not agree with the practice that the costs of policing the stadium grounds and the public space on match days of the professional soccer leagues are fully socialized. Elected politicians could incorporate citizens’ preferences into their decisions. Alternatively, citizens could get the opportunity to directly vote on this issue in a referendum. In any event, this paper should have made clear that it is by no means self-evident – at least from an economic perspective – that the external costs of commercial soccer matches and other events should simply be socialized.
Acknowledgements: The authors would like to thank Friedrich Gröteke, Jennifer Rontganger, Tsjalle van der Burg, Ludger Wortmann, participants of the 2014 Interdisciplinary Workshop “Institutional Economics” at Walter Eucken Institute Freiburg (Germany), and three anonymous reviewers for their helpful comments and suggestions.

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Editorial

Starting in 2016, HOMO OECONOMICUS (HOEC) will be published by SPRINGER Verlag. The Journal has come a long way since Manfred J. Holler edited the first issue that was published in 1983. At the time there was no plan for it to become an international quarterly journal. The early issues were entirely in German, and as the name of the Journal suggests, its scope was narrowly defined as the interdisciplinary reflection and discussion of that conceptual entity that we call homo oeconomicus. The Journal as conceived as an occasional series aimed at economists, sociologists, philosophers, and management scientists. But, since there was a volume I, there had to be a volume II, III, and so on and so forth. Indeed Holler edited two further volumes on homo oeconomicus which was then followed by volumes encompassing a broader range of cognate topics such as ecology and economics, medicine and rationality. HOEC evolved into a thematic journal that collected together reflection on themes that at the time were fairly peripheral to mainstream economics. The most popular issues of this period – and actually still in moderate demand – were “Kunst und Ökonomie” edited by Manfred Tietzel, and “Maynard Keynes. Ein moderner Klassiker?” edited by Jörg Bibow und Laszlo Goerke. There were also two issues on game theory (“Ein halbes Jahrhundert Spieltheorie”) edited by Holler himself.

HOEC began the switch to English with the publication of volume XIV(3) in 1997. Two years down the line in 1999, the publication of volume XVI(3) heralded the complete switch to English. And along the way the Journal emerged as a quarterly with both Holler and Hartmut Kliemt serving as managing editors. And to facilitate referencing and counting the number switched from Roman to Arabic numerals. (It is not really surprising that the Romans did not contribute very much to the development of mathematics.) From 2005 to 2009, I served as managing editor, before other professional burdens took their toll on my scarce time. One of the highlights of this period was the 2008 publication of “A Festival Issue: 25 volumes of HOMO OECONOMICUS”. After I stepped down, Holler resumed the managing editorship supported by John Hudson, Hartmut Kliemt, and Martin Leroch as editors.

Over a period of more than 30 years, HOEC has published many exceptional papers and some of them have found their way into the international discourse. It would be inappropriate to give a selection here. But what I can say is that it was very much on the
back of the thematic issues that the reputation of the Journal grew. Among these were the four issues of “Making Choices”, edited by Joachim Frohn, Werner Guth, Hartmut Kliemt and Reinhard Selten; the four issues on “Power Measures”, edited by Gianfranco Gambarelli and Holler, as well as several symposia on the same topic; and then there were the two issues “Scandal and its Theory”, also edited by Holler and was followed up by “The Bright Side of Scandals,” edited by Alain Marciano and Nathalie Moureau. HOEC was the umbrella of six volumes of the EURAS Yearbook of Standardization. Special issues on “Desires” and “Secrets,” edited by Timo Airaksinen, gave HOEC a philosophical twist, which reflected the hopes that were born with the publication of the first volumes.

HOEC will continue to be a “journal devoted to the study of classical and neo-classical economics, public choice, collective decision-making, and law & economics, and philosophy & economics.” Some readers will miss the arty covers that Katharina Kohl contributed and which gave HOEC a distinct identity. The cover of this issue is of a pub with the two names “Dieze” and “Köpi”. This is a meeting place very near the University of Hamburg campus and an important place for the founder of HOEC. Many authors visited this pub and it was here that ideas were born or fell by the wayside in creative discussions with the editors.

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