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Sports Economics and Finance
Economic Impact of Sports Events

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Introduction

Introduction to the Economic Impact of Sports Events

The economic impact of sports events extends far beyond the realm of athletics, influencing various sectors of the economy and contributing to regional development. Sports events, ranging from local competitions to international spectacles like the Olympics or the FIFA World Cup, can generate significant economic benefits for host cities and countries. These impacts include direct financial gains, job creation, tourism boost, and long-term infrastructure development. Understanding the economic impact of sports events is essential for policymakers, event organizers, and stakeholders who seek to maximize the benefits of hosting such events.

Direct Economic Impact

1. Increased Revenue:

Sports events generate direct revenue through ticket sales, broadcasting rights, sponsorships, and merchandise. Major events can attract large audiences, both in-person and via media, leading to substantial income for organizers and local businesses.

2. Job Creation:

The preparation and execution of sports events create jobs across various sectors, including construction, hospitality, retail, and transportation. From building and renovating

venues to providing services during the event, the demand for labor can significantly boost local employment.

3. Tourism Boost:

Sports events attract visitors from outside the host region, increasing demand for hotels, restaurants, and other tourism-related services. This influx of tourists can lead to a surge in spending, benefiting local businesses and contributing to the overall economic vitality of the area.

Indirect Economic Impact

1. Infrastructure Development:

Hosting sports events often necessitates improvements in infrastructure, such as transportation systems, sports facilities, and public amenities. These developments can have lasting benefits for the host community, improving quality of life and attracting future investments.

2. Urban Regeneration:

Large-scale sports events can stimulate urban regeneration, particularly in underdeveloped areas. Investments in infrastructure and beautification projects can revitalize neighborhoods, increase property values, and attract new businesses.

3. Long-Term Economic Benefits:

The exposure and prestige associated with hosting major sports events can enhance the host city's or country's global profile. This increased visibility can attract future tourism, business opportunities, and international events, creating a lasting economic legacy.

Measuring Economic Impact

1. Economic Impact Studies:

To assess the economic impact of sports events, comprehensive studies are conducted before and after the event. These studies analyze various factors, including spending patterns, job creation, and changes in economic activity. They provide valuable data to quantify the economic benefits and inform future event planning.

2. Multiplier Effect:

The economic impact of sports events is often measured using the multiplier effect, which captures the indirect and induced economic activities generated by the initial spending. For example, money spent by tourists at local businesses circulates through the economy, leading to further economic activity and job creation.

3. Cost-Benefit Analysis:

Cost-benefit analysis compares the total economic benefits of hosting a sports event with the associated costs, including infrastructure investments, operational expenses, and potential negative impacts such as traffic congestion or environmental concerns. This analysis helps determine the overall economic viability and effectiveness of hosting the event.

Challenges and Considerations

1. High Costs and Risks:

While sports events can generate significant economic benefits, they also involve substantial costs and risks. These include the financial burden of infrastructure development, potential for cost overruns, and the risk of insufficient returns on investment.

2. Short-Term vs. Long-Term Impact:

The economic impact of sports events can vary between short-term gains and long-term benefits. While immediate revenue and job creation are valuable, long-term impacts such as sustained tourism growth and infrastructure use are crucial for lasting economic benefits.

3. Distribution of Benefits:

The economic benefits of sports events are not always evenly distributed. Certain sectors and communities may benefit more than others, leading to potential inequalities. Ensuring inclusive economic benefits and addressing potential disparities are important considerations for event planners and policymakers.

Conclusion

The economic impact of sports events is a multifaceted phenomenon that can significantly influence local and regional economies. By generating direct revenue, creating jobs, boosting tourism, and stimulating infrastructure development, sports events offer substantial economic benefits. However, they also present challenges and risks that require careful planning and management. Understanding and measuring the economic impact of sports events is essential for maximizing their benefits and ensuring sustainable economic development for host communities.

Body of Assignment

1.) Measuring Economic Impact of Sports Events

Introduction

Measuring the economic impact of sports events is a complex but essential task for understanding their true value to host cities and regions. Accurate measurement helps stakeholders, including policymakers, event organizers, and investors, to make informed decisions and justify the resources spent on hosting these events. This section explores

the methodologies, tools, and challenges associated with measuring the economic impact of sports events.

Methodologies for Measuring Economic Impact

1. Direct, Indirect, and Induced Effects:

Economic impact studies typically differentiate between direct, indirect, and induced effects.

- **Direct Effects:** These are the immediate economic activities generated by the event, such as spending on tickets, accommodation, food, and transportation.
- **Indirect Effects:** These occur when the initial spending circulates through the economy, leading to further economic activities. For example, a hotel uses revenue from guests to pay for supplies and services.
- **Induced Effects:** These are additional economic activities generated by the increased income of workers who are employed due to the event. They spend their earnings on goods and services, further stimulating the economy.

2. Multiplier Effect:

The multiplier effect measures how initial spending generates additional economic activity. It is calculated using multipliers that estimate the extent of indirect and induced effects based on the direct spending.

3. Input-Output Analysis:

This method uses input-output tables to map out the interactions between different sectors of the economy. It helps estimate how spending in one sector (e.g., hospitality) affects other sectors (e.g., food suppliers).

4. Cost-Benefit Analysis:

This approach compares the total economic benefits of hosting a sports event with the associated costs. It includes both tangible costs (e.g., infrastructure investments) and intangible benefits (e.g., increased global visibility).

5. Surveys and Data Collection:

Surveys of event attendees, businesses, and local residents are used to gather data on spending patterns, visitor demographics, and perceptions of the event. This data is crucial for accurate economic impact analysis.

Tools for Measuring Economic Impact

1. Economic Impact Models:

Various models are used to estimate the economic impact of sports events, including:

- IMPLAN (Impact Analysis for Planning): A widely used economic impact modeling system that provides detailed input-output tables for regional economies.
- REMPLAN (Regional Economic Modeling and Planning): Another popular tool for analyzing the economic impact at a regional level.
 - *RIMS II (Regional Input-Output Modeling System): Developed by the U.S. Bureau of Economic Analysis, this tool helps estimate the regional economic impact of spending.

2. Geographic Information Systems (GIS):

GIS tools help visualize the spatial distribution of economic impacts, showing how different areas benefit from the event. This can highlight disparities and target areas for further investment.

3. Econometric Models:

These models use statistical methods to analyze the relationship between economic variables and the presence of sports events. They help control for external factors and provide more accurate estimates of the event's impact.

Challenges in Measuring Economic Impact

1. Attribution:

One of the main challenges is attributing economic changes directly to the sports event. It is difficult to isolate the impact of the event from other concurrent economic activities and trends.

2. Overestimation and Underestimation:

Economic impact studies are prone to biases, which can lead to overestimating or underestimating the true impact. Overestimation often occurs due to optimistic assumptions about spending and multipliers, while underestimation can result from failing to capture all economic activities.

3. Time Frame:

The economic impact can vary significantly over different time frames. While immediate impacts are easier to measure, long-term benefits such as infrastructure improvements and increased tourism are harder to quantify.

4. Leakage:

Not all spending remains in the local economy. Money spent on imported goods or by visitors staying outside the region can leak out of the local economy, reducing the overall impact.

5. Intangible Benefits:

Intangible benefits like enhanced community pride, increased global visibility, and improved quality of life are difficult to quantify but are important components of the overall impact.

Case Study Examples

1. The Olympics:

Economic impact studies of the Olympics often highlight substantial short-term economic boosts from tourism and construction. However, they also reveal challenges such as the high costs of infrastructure and potential long-term underutilization of facilities.

2. FIFA World Cup:

Hosting the FIFA World Cup can lead to significant economic benefits through tourism and global exposure. Studies often use input-output analysis to measure these effects and assess the long-term impacts on the host country's economy.

3. Super Bowl:

The Super Bowl generates immediate economic activity in the host city, particularly in the hospitality and retail sectors. Economic impact models and surveys help estimate the total economic contribution, considering both direct and indirect effects.

Conclusion

Measuring the economic impact of sports events is crucial for understanding their value and justifying investments. Despite the challenges, using a combination of methodologies, tools, and data collection techniques can provide a comprehensive picture of the economic benefits. Accurate measurement helps ensure that sports events are leveraged effectively to promote economic development, enhance community well-being, and achieve long-term strategic goals.

2.) Short-term vs. Long-term Effects of Hosting Sports Events

Introduction

Hosting sports events can have significant economic, social, and infrastructural impacts on host cities and countries. These impacts can be broadly categorized into short-term and long-term effects. While the immediate benefits are often more visible and easier to measure, the long-term effects can offer substantial value, albeit with more complexity in assessment. Understanding both short-term and long-term impacts is essential for policymakers, event organizers, and stakeholders to maximize the benefits of hosting such events.

Short-term Effects

1. Economic Boost:

- **Tourism Revenue:** Major sports events attract a large number of visitors, leading to increased spending on accommodation, food, transportation, and entertainment.
- **Job Creation:** Temporary jobs are created in sectors such as construction, hospitality, security, and event management, providing a short-term employment boost.
- **Local Business Sales:** Local businesses experience a surge in sales due to the influx of visitors and heightened local consumption.

2. Infrastructure Use:

- **Facility Utilization:** Sports venues, hotels, and transportation systems see heightened usage during the event period, maximizing their immediate utility.
- **Public Transportation:** There is an increased use of public transportation systems as attendees and participants travel to and from event venues.

3. Media and Global Exposure:

- **Brand Promotion:** Host cities and countries receive global media exposure, enhancing their image and attractiveness as tourist destinations.
- **Sponsor Visibility:** Sponsors and partners benefit from heightened visibility and engagement with a broad audience.

4. Community Engagement:

- **Civic Pride:** Hosting a prestigious event fosters a sense of pride and unity among local residents.
- **Volunteer Opportunities:** Community members often engage as volunteers, creating a sense of involvement and ownership.

Long-term Effects

1. Infrastructure Development:

- **Permanent Facilities:** Investments in sports venues, roads, airports, and public transport systems leave a lasting legacy, improving the host city's infrastructure.
- **Urban Regeneration:** Events can stimulate the revitalization of underdeveloped areas, leading to long-term urban improvements and increased property values.

2. Economic Growth:

- **Sustained Tourism:** Enhanced global visibility can lead to sustained increases in tourism, benefiting the local economy long after the event.

- Investment Attraction: Improved infrastructure and global exposure can attract future investments and international events, fostering economic growth.

3. Social and Cultural Benefits:

- Sporting Culture: Hosting major sports events can inspire greater participation in sports and physical activities among the local population.
- Cultural Exchange: International events promote cultural exchange, enhancing the host community's cultural diversity and understanding.

4. Environmental Impact:

- Sustainable Practices: Long-term environmental benefits can arise from the adoption of sustainable practices in event planning and infrastructure development.
- Green Initiatives: Legacy programs focusing on sustainability can lead to ongoing environmental improvements, such as increased green spaces and better waste management practices.

5. Education and Skills Development:

- Skill Acquisition: The workforce gains skills and experience from the event, which can be beneficial for future employment opportunities.
- Educational Programs: Events often include educational programs and initiatives that leave a lasting impact on local communities.

Challenges and Considerations

1. Cost Overruns:

- Financial Risks: The high costs associated with hosting sports events can lead to budget overruns, creating long-term financial burdens for host cities.
- Debt Accumulation: Borrowing to fund infrastructure projects can lead to long-term debt, impacting future public spending.

2. Utilization of Facilities:

- White Elephants: There is a risk that newly built sports facilities may become underutilized or abandoned after the event, leading to wasted investments.
- Maintenance Costs: Long-term maintenance of new infrastructure can be costly, requiring ongoing financial commitments.

3. Social Displacement:

- Community Impact: Large-scale events can lead to the displacement of local communities, particularly in areas undergoing redevelopment.

- Equity Issues: The economic benefits of sports events may not be evenly distributed, leading to disparities and potential social tensions.

4. Environmental Concerns:

- Resource Consumption: The environmental impact of constructing new facilities and hosting large crowds can be significant, requiring careful management to minimize negative effects.
- Sustainability: Ensuring that events are planned with sustainability in mind is crucial to achieving long-term environmental benefits.

Conclusion

The decision to host sports events involves weighing both the short-term and long-term effects. While short-term benefits such as economic boosts, job creation, and global exposure are immediately evident, the long-term impacts on infrastructure, economic growth, social development, and the environment can provide enduring value. Careful planning, management, and a focus on sustainability are essential to maximizing these benefits and addressing the challenges associated with hosting sports events.

3.) Case Studies of Major Sporting Events

Introduction

Examining case studies of major sporting events such as the Olympics and the FIFA World Cup provides valuable insights into the economic, social, and infrastructural impacts of hosting these global spectacles. These case studies highlight both the benefits and challenges faced by host cities and countries, offering lessons for future event planning and management.

Case Study 1: The London 2012 Olympics

Economic Impact:

- Direct Spending: The London 2012 Olympics generated significant direct spending, with an estimated £9.9 billion spent by tourists and visitors.
- Job Creation: The event created approximately 70,000 jobs, both temporary and permanent, across various sectors including construction, hospitality, and retail.
- Long-term Economic Benefits: The enhanced global profile of London boosted tourism and attracted international businesses, contributing to ongoing economic growth.

Infrastructure Development:

- **Urban Regeneration:** The Games led to the transformation of East London, particularly the Stratford area, with new housing, parks, and sports facilities.
- **Transportation Improvements:** Significant investments were made in public transportation, including upgrades to the London Underground and the development of the Overground network.

Social and Cultural Impact:

- **Community Engagement:** The Games fostered a sense of pride and community engagement among London residents, with thousands of volunteers participating.
- **Sporting Legacy:** The "Inspire a Generation" campaign aimed to increase youth participation in sports, with varying degrees of success in different regions.

Challenges:

- **Cost Overruns:** The total cost of the Games exceeded initial estimates, reaching approximately £8.77 billion, raising concerns about financial management.
- **Sustainability:** Ensuring the long-term use of sports facilities and managing their maintenance costs posed ongoing challenges.

Case Study 2: The FIFA World Cup 2014 in Brazil

Economic Impact:

- **Direct Revenue:** The event generated significant revenue from ticket sales, sponsorships, and broadcasting rights, with an estimated total economic impact of \$13.5 billion.
- **Tourism Boost:** Over 1 million tourists visited Brazil during the World Cup, leading to increased spending in the hospitality and tourism sectors.

Infrastructure Development:

- **Stadium Construction:** Brazil invested heavily in building and renovating stadiums across 12 host cities, with a focus on modernizing sports infrastructure.
- **Urban Improvements:** Infrastructure projects included upgrades to airports, public transportation systems, and urban amenities.

Social and Cultural Impact:

- **National Pride:** Hosting the World Cup boosted national pride and unity, despite Brazil's defeat in the semi-finals.
- **Community Programs:** Various community programs were initiated to promote sports and social development, although their long-term impact remains mixed.

Challenges:

- **Cost and Debt:** The total expenditure on the World Cup reached approximately \$15 billion, leading to public outcry over the high costs and subsequent debt.
- **Facility Utilization:** Several newly built stadiums, such as the Arena da Amazônia in Manaus, faced challenges in finding regular use post-World Cup, leading to concerns about "white elephants."
- **Social Displacement:** The construction projects led to the displacement of communities and protests over the allocation of public funds.

Case Study 3: The Sydney 2000 Olympics

Economic Impact:

- **Tourism Revenue:** The Sydney Olympics attracted approximately 1.6 million visitors, generating significant tourism revenue and boosting the local economy.
- **Long-term Benefits:** The event enhanced Sydney's global reputation, leading to sustained increases in international tourism and business investments.

Infrastructure Development:

- **Venue Construction:** The Sydney Olympic Park, a major development project, included state-of-the-art sports facilities, residential areas, and parks.
- **Transport Improvements:** Investments were made in public transportation, including rail and road upgrades, to support the influx of visitors.

Social and Cultural Impact:

- **Volunteer Program:** The Games saw extensive community involvement, with 47,000 volunteers contributing to the event's success.
- **Cultural Showcasing:** The opening and closing ceremonies highlighted Australian culture and heritage, enhancing national pride.

Challenges:

- **Cost Overruns:** The final cost of the Games was estimated at \$5.6 billion, higher than initial projections, raising concerns about financial sustainability.
- **Legacy Management:** Ensuring the long-term use and maintenance of the Olympic Park facilities required ongoing investment and strategic planning.

Conclusion

These case studies of the London 2012 Olympics, the FIFA World Cup 2014 in Brazil, and the Sydney 2000 Olympics illustrate the multifaceted impacts of hosting major sports events. While the economic, infrastructural, and social benefits can be substantial, challenges such as cost overruns, facility utilization, and social displacement need careful management. Lessons learned from these events can guide future hosts in maximizing

benefits and mitigating risks, ensuring that such events leave a positive and lasting legacy.

Bibliography

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2. ***"The Economics of Sports" by Michael A. Leeds, Peter von Allmen, and Victor A. Matheson
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These books offer a range of perspectives and insights into the economic impact of sports events, making them valuable resources for students, researchers, and professionals in the field of sports economics. They cover both theoretical frameworks and practical case studies, providing a well-rounded understanding of the complex economic dynamics associated with hosting major sports events.