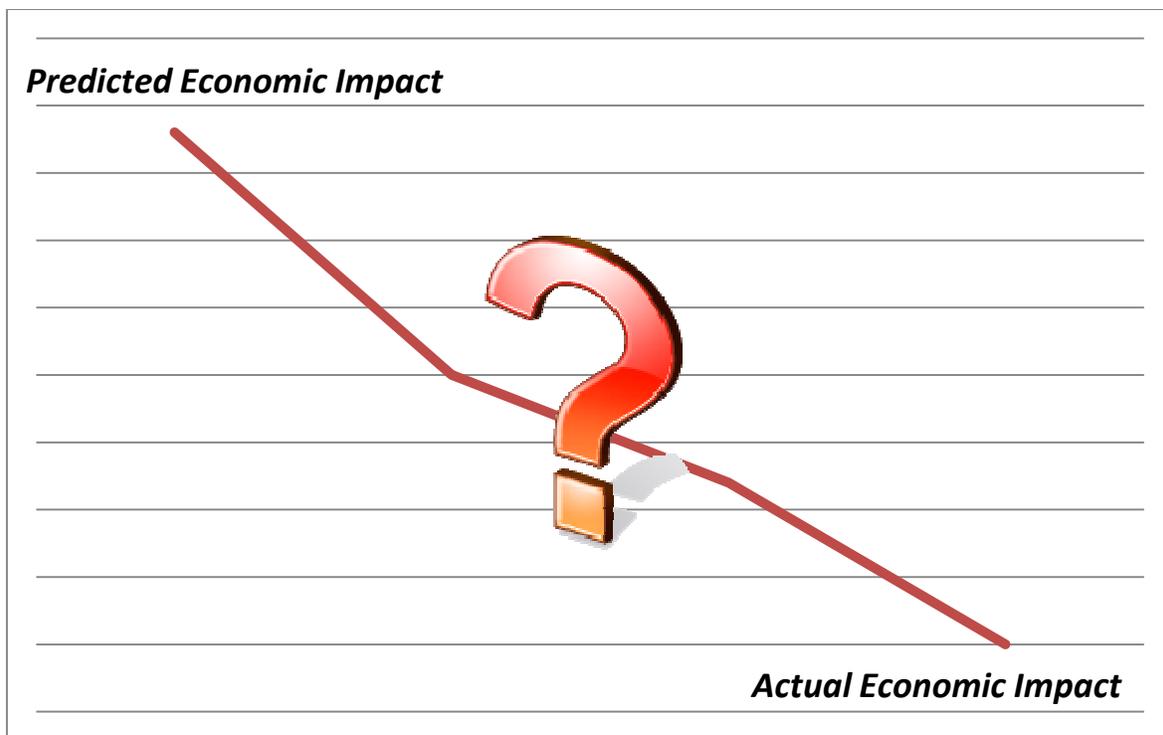


World Cup Economics:

What Americans Need to Know about a US World Cup Bid



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Executive Summary

The United States is currently bidding to host the 2018 or 2022 World Cup, a mega-event that would be spread across more than a dozen US cities. Thanks to extensive television coverage of the 2010 South Africa World Cup, soccer fever has temporarily swept through America, creating unrealistic expectations about the benefits of hosting a World Cup. Before America commits further precious resources behind the bid process, dragged by a sunny and sanguine USA Bid Committee, Americans have a right to know the truth about the economic impact of the World Cup. Despite bid organizers' claims, the World Cup won't be a boon for the American economy; in fact, it will likely cost the United States billions of dollars in **lost** economic impact.

The USA Bid Committee, responsible for organizing the United States' bids for the 2018 and 2022 World Cups – both of which will be awarded in December 2010 – has touted a private economic impact report that predicts large benefits will accrue to the event's potential host cities and to the country as a whole. The impact report was prepared by a large firm, AECOM, which has produced dubious supporting reports for the bid committees of other “mega-events”, including the US-hosted 1994 World Cup. The Bid Committee has refused to share the actual report with the public, which at a minimum calls into question the Committee's confidence in its figures should they be subjected to scrutiny. Fortunately, AECOM's private study is far from the only evidence to turn to in order to understand the economic impact of an event like the World Cup.

Over the years, a wide array of independent academic researchers have examined previous World Cups, Olympics, and Super Bowls, so-called “mega- events”, and found no evidence that the benefits promised by event organizers have ever materialized. Evidence

concerning the 1994 World Cup hosted in the US is especially pertinent. While the consulting firm for the 1994 Bid Committee, which just happens to be known today as AECOM, predicted benefits of \$4 billion for the 1994 competition, analysis after the fact found that the “the average host city experienced a *reduction* in income of \$712 million relative to predictions” for “an overall negative impact on the host city economies of \$9.26 billion.” This means that the initial estimate overshoot the mark by more than \$13 billion dollars.

To be fair, there is one area where large economic benefits will likely accrue, however not to average Americans. Historically, the clear economic beneficiaries of World Cups have been international and national soccer organizations, such as FIFA, Major League Soccer, and the U.S. Soccer Federation, which are leading and represented on the Bid Committee.

This report begins by describing the findings related to earlier World Cups and other mega-sports events of disinterested researchers. This analysis is followed by scrutiny of the Bid Committee’s predicted economic impact and examination of the limited information available about the bid’s economic impact study. The report culminates with an examination of the interests of the Bid Committee’s membership. The existing evidence of negative economic impact from other World Cups combined with the self-interested motivation of the Bid Committee members and the lack of disclosure of the economic impact study all point to the conclusion that the US taxpayers are better off saying no to an expensive and secretive World Cup bid.

Introduction: The Purpose of “World Cup Economics”

Bids to host the World Cup, like those to host other large sporting events, are always accompanied by reports from supporters of those bids purporting to show large economic impact on the host country. The implication is that the predicted impact is a measure of the potential benefits of hosting the event. The impact studies rarely correctly account for the costs of putting on the events to the host cities and countries, and frequently even count costs as benefits in computing the impact. The US 2018/2022 World Cup bid suffers from both of these problems. The USA Bid Committee says that the U.S. will see a positive economic impact of \$5 billion, implicitly suggesting this is a net gain to the country. In the months since those figures were released, there has been little investigation or questioning of the accuracy of those predictions. But when billions of dollars and the economic health of American cities are on the line, these questions need to be addressed by experts not employed by the committee trying to win the World Cup bid. Evidence for other large sporting events, both international and domestic, including World Cups, suggests the costs can be substantial and can alter the public finance of the host cities and countries for years to come. Yet organizers of such events focus on touting dubious economic impact figures for the event, misleading people into thinking hosting the event will be a boon to the local economy. For example, a study done in South Africa before the 2010 World Cup found that three quarters of respondents identified economic growth and job creation as two of the top three benefits of hosting the World Cup (Tomlinson, Bass, and Pillay, 2009).

The current 2018/2022 bid is no different, as an early headline on the US Bid Committee’s website (Dated October 26, 2009; accessed 5/1/2010) announced that: “Study shows hosting FIFA WORLD CUP™ in 2018 or 2022 could bring in \$5 Billion to United States Economy”. Five billion dollars! Imagine that. Surely that is a big boost to the economy of the

US, one that is especially needed in these recessionary times. How could anyone be opposed to a \$5 billion boost to the economy?

As such claims are rarely accurate, it is easy to be skeptical of this effect and to even become opposed to the bid after delving more deeply into the issue. The purpose of this study is to do just that. In this report, a good deal of emphasis is placed on calling upon the research by disinterested academics, largely economists, who have studied the impact of mega-events like the World Cup, Olympics, and the Super Bowl, and found little evidence that the host cities and countries of these events have reaped large economic benefits. Ultimately, the evidence to justify claims of large gains to the economies of host cities or countries does not exist. Few analysts who aren't in the employ of the event boosters have ever found such events to pay for themselves in a purely dollars and cents view.

A second point of emphasis is to consider the Bid Committee's impact report that produced the forecast of \$5 billion in economic impact. Consideration of the impact report includes putting the \$5 billion into a meaningful context, evaluating the methodology and considering the motives of the Bid Committee members. Five billion dollars sounds like a lot of money, and the Bid Committee wants people to think of it that way. A variety of comparisons are made to show that the projected impact, even if completely accurate, is a trivial contribution to the US economy. Evaluation of the methodology follows, though this will be a decidedly short section as the Bid Committee has not made the report public. Indeed, when a copy of the report was requested, the Bid Committee representative inquired about the purpose for wanting it then ignored follow-up emails. Fortunately, it is still possible to evaluate the tantalizingly brief press release for a glimpse into the analysis, and this paper will do that. Additionally, many similar reports have been prepared for related events. One can consider such reports and identify

the pitfalls and questionable assumptions made in them and compare that to the statements in the Bid Committee's press release, which is the only public reference to the impact statement. It is also important to consider possible motives of the Bid Committee and its members. It is natural to ask if their motivation is to boost the US economy or, instead, to boost their own private interests. Not surprisingly, many World Cup boosters have a vested interest in successfully attracting and hosting the event, and will profit regardless of the costs to the taxpayer.

Finally, to the extent possible based on the lack of information, this report considers the costs that could be incurred by federal, state, and local governments in preparing for and managing the event. Stadiums built for football may have to be modified to hold soccer; seats may have to be added, replaced, or removed and sanitation facilities and concessions upgraded. Additional costs may arise from refurbishing public transportation facilities, repairing streets and sidewalks around the stadium, or from myriad neighborhood beautification projects none of which would be undertaken if the event were not coming to town. In addition, communities that are selected as hosts for some of the games may see an influx of visitors requiring public services. Large crowds, particularly of non-locals, also means increased security concerns as an international event of the magnitude of the World Cup in the U.S. would have to be assumed to be a key terrorist target. There are also potentially large costs associated with traffic congestion and even trash removal. Moreover, to paraphrase Yogi Berra, it is possible people won't go there anymore because it is too crowded. In other words, the visitors the World Cup brings to town may displace other visitors who choose to avoid the World Cup crowds, or locals who decide to escape town to avoid having their lives disrupted.

Lessons from Previous Research

Perhaps the most natural place to begin a discussion of the impact of a World Cup is with evidence from previous tournaments. Three have been studied for their economic impact: Germany 2006, United States 1994, and Germany 1974. Economist Wolfgang Maennig of Hamburg University studied the case of Germany 2006. By all accounts, the 2006 World Cup was a resounding success. The games went off without a hitch, the competition was exciting, and fans in and outside the stadiums had a great experience. The German Organizing Committee took in 155 million Euros (194 million USD at the exchange rate, June 23, 2006) in net revenue. But Maennig found no meaningful boost to the German economy. Robert Baade and Victor Matheson (2004) found that American host cities during the 1994 World Cup experienced declines in income. Florian Hagn and Maennig (2007) could find no lasting impact of the 1974 World Cup on German employment.

The key to any sizable impact from hosting an international event such as the World Cup is the net increase in tourists and tourist spending associated with the event. Maennig (2007) considered international tourism, retail sales, and overnight stays in Germany during the World Cup. Maennig found an increase in foreign tourist expenditures of about 60 million Euros for the entire year of 2006 compared to 2005, which he describes as “an amount that in terms of the total economy is negligible, from whatever perspective it is considered.” Indeed, gross receipts from foreign tourists of 1.5 billion Euros amounted to only 0.07 percent of the 2006 Gross Domestic Product in Germany. Interestingly, Maennig identifies a sizable “skedaddle effect” of more Germans traveling outside of Germany during the World Cup, a finding that emphasizes the point that it is net new tourists and their spending that matters, not simply the gross amounts of each.

The lack of significant impact from the increase in World Cup-focused foreign tourists is not unique to the German case or to the World Cup. Matheson (2008) describes a report from Forbes.com concerning foreign visitors to South Korea when it co-hosted the World Cup with Japan in 2002. The number of visitors was “identical to the number of foreign visitors during the same period in the previous year” when there was no World Cup competition. Additionally, Porter and Fletcher (2008) found little evidence of large increases in tourist traffic associated with the Salt Lake City Winter Olympics and Porter (1999) found little change in the hotel occupancy rates in Super Bowl host cities. In sum, there is a wide array of evidence that sports mega-events, including the World Cup, have little net impact on the number of tourists arriving and staying at the host destination. Without substantial tourists over and above the normal tourist traffic, unless the World Cup fans spend substantially more than the usual travelers, there can be little new impact on the local economy of the mega-event. The evidence from Germany suggests World Cup travelers do not spend any differently than other travelers. In fact, Maennig (2007) found that retail sales were actually lower in June 2006 - July 2006 compared to those same months in 2005.

Finally, Maennig (2007) considers the impact of the World Cup on German employment. His evidence is that the normal seasonal downturn in Germany associated with June and July did not appear in the data, an indication of some effect of the event. “Nevertheless, statistical evidence of economically significant increases in employment through the World Cup is hard to find.” With the advantage of a greater passage of time, Hagn and Maennig (2007) examined the German experience related to employment effects of the 1974 World Cup. They concluded that “[t]his study demonstrates that the Football World Cup 1974 in Germany was not able to generate any short to long-term employment effects that were significantly different from zero.”

As mentioned above, Baade and Matheson (2004) studied the impact of the 1994 World Cup in the United States on nine host cities, involving 13 Standard Metropolitan Statistical Areas. The economic impact report produced by the 1994 USA Bid Committee prior to the World Cup provided what the report authors—the same company that created the 2018/2022 report--considered to be a conservative estimate of a \$4 billion impact for the United States. Baade and Matheson used regression analysis to predict the growth rate of personal income in each of the host cities and compared this to the actual growth rate and extrapolated from this the impact of the World Cup on host city incomes. Based on their analysis, “the average host city experienced a *reduction* in income of \$712 million relative to predictions.” This implies “an overall negative impact on the host city economies of \$9.26 billion.” Overall, the 1994 bid report was more than \$13 billion off the mark.

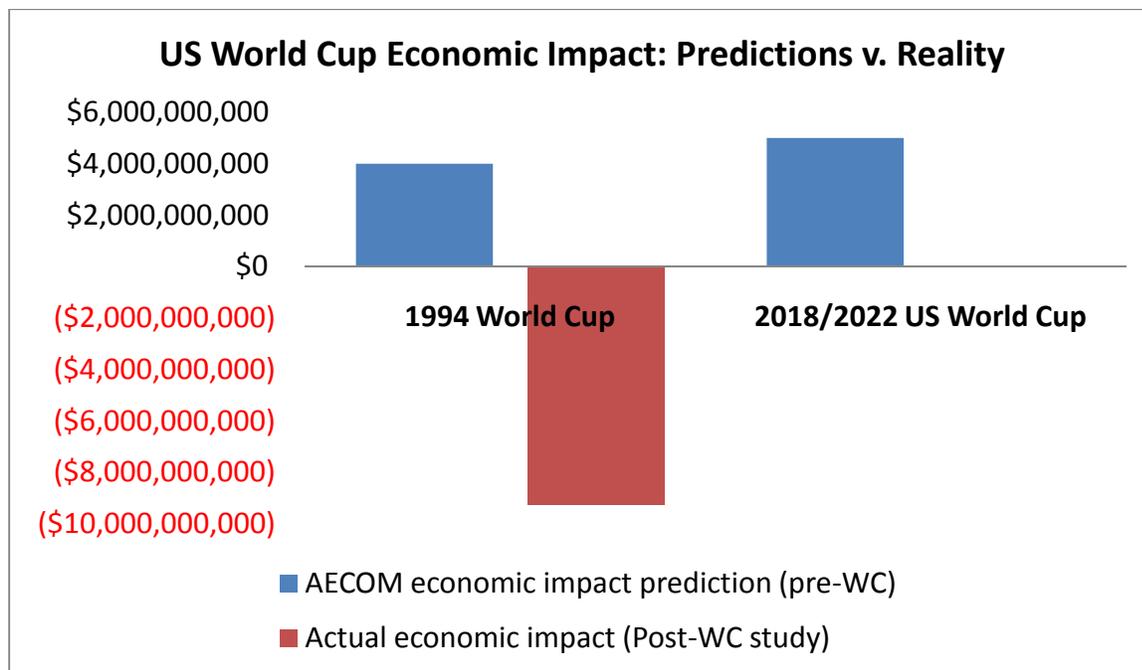


Figure 1: US World Cup Economic Impact

A search for the impact of the World Cup on Germany in 2006 and in the US for 1994 can find little to support the impact analysis done by proponents prior to the events. A number of researchers have looked at impact analyses with the goal of understanding how they could make predictions that are so wildly at variance with the evidence after the fact. One of these researchers, John L. Crompton, has written extensively on this issue (Crompton, 1995; Crompton and McKay, 1994; Crompton, et al., 2001; Crompton, 2006). In the 2006 paper, Crompton says, “Most economic impact studies are commissioned to legitimize a political position rather than to search for economic truth. Often, this motivation results in the use of mischievous procedures that produce large numbers that study sponsors seek to support a predetermined position.” Later he explains the two strategies that companies with solid reputations use to retain and protect their reputations while making use of “inappropriate procedures to give clients the large dollar impact number that sponsors are seeking.” First, they use qualifiers in the report extensively. For example, he quotes from a PricewaterhouseCoopers report, “We have not audited or verified any information provided to us and as such will take no responsibility for the accuracy of the information which was provided by third parties.” The second strategy is to point out that the client insisted on basing results on certain “conditions and assumptions provided” by the client (quote from a Deloitte and Touche report included in Crompton (2006)). Crompton concludes, “Thus, the consultants offer no critique of the legitimacy of the assumptions given to them by the project’s strongest advocates but merely accept the assumptions as a given irrespective of how outrageous they may be.”

One of the shenanigans Crompton (2006) identifies, and which he refers to as “the most frequent mischievous procedure,” is the inappropriate inclusion of spending by locals. This creative accounting is ignored by consultants doing impact analysis “because when expenditures

by local residents are omitted, the economic-impact numbers often become too small to be politically useful.” He notes that consultants often acknowledge this point then provide a bogus justification for including these expenditures anyway. Crompton provides examples of these false rationales from impact studies by well-known consulting firms, including Economic Research Associates. This is the former name of the company now known as AECOM, the firm that conducted the study for the 2018/2022 USA Bid Committee. In fact, this is the same company that conducted the economic impact analysis for the 1994 World Cup held in the United States and projected a “conservative” impact of \$4 billion.

The US World Cup Bid

In this section the Bid Committee impact report is evaluated from three perspectives. First, assuming the \$5 billion impact is accurate, it is useful to compare the impact to the rest of the economy and other measures of economic vitality. Second, the impact report is evaluated from the perspective of methodological correctness and plausibility of the assumptions. The third perspective is, in the words of Deep Throat, the informant in the Watergate Scandal, to follow the money. Specifically, the motives of the Bid Committee members are assessed.

Five billion dollars sounds like an enormous amount of money when compared to the income of the average American. Readers of the Bid Committee's press release were surely impressed at first by the word "billion". Among those impressed is David Downs, the USA Bid Committee Executive Director, who says on the website that "the economic impact to our country and our cities during the World Cup will be of vast significance." Objectively, however, \$5 billion is not terribly impressive and surely is not "of vast significance" once one puts the numbers in context. Suppose that the report is correct that the economy will get a boost of \$5 billion (measured in 2009 dollars) in 2018 or 2022 if the US gets to host the World Cup. It is difficult to forecast accurately the size of the US economy in either 2018 or 2022, and the report expresses its results in 2009 dollars. Consequently, for purposes of comparison using data from 2009 makes sense. Note, in 2009 the US was in a severe recession, so the economy was down compared to what it could have been. This tends to make the World Cup result look better than if compared to the size of the economy in more prosperous times. With that in mind, consider that US gross domestic product in 2009 dollars was \$14.26 trillion. Compared to the total US economy in 2009, the \$5 billion the World Cup is projected to generate amounts to

0.035 percent. Indeed, \$5 billion doesn't even compare favorably to the statistical discrepancy between the US GDP and National Income in 2008, which was \$101 billion (Table B-26, Economic Report of the President, 2010). The impact of the World Cup is so small, relative to the national economy, that it is swamped by the aggregate influence of measurement and rounding errors. Such an impact is hardly "of vast significance."

The Bid Committee website also indicates that a World Cup would create 65,000 - 100,000 new jobs. A U.S. Bureau of Labor Statistics study projects employment in 2018 to be 166,205,600. If the World Cup creates 100,000 new jobs, it will have contributed 0.060 percent to total employment in 2018. Of course, one might also wish to know what type of jobs these are, permanent or temporary, full or part-time, and the compensation associated with them, high wage or low wage. There is no public information that addresses these issues, or even allows review of the basic numerical assertion.

One final piece of context relates to the benefits to the host cities. According to the Bid Committee website, each of the host cities will experience a boost to their local economies of \$400 - \$600 million. The cities that are part of the bid vary in size. New York-New Jersey will be boosted significantly less by \$600 million than would Tampa or Nashville. Personal income in the New York-Northern New Jersey-Long Island Standard Metropolitan Statistical Area was more than \$1.04 trillion in 2008. For Tampa the figure is \$102.41 billion and for Nashville it is \$61.89 billion. (BEA Table CA1-3 Personal Income, accessed 5/1/10) For Nashville, the smallest of the cities, assuming the largest impact of \$600 million, the effect would amount to 0.97% of the metropolitan area personal income. Personal income is, of course, substantially less than total production of all goods and services, so it is justified to conclude that the positive

impact of hosting the World Cup for the individual cities is very small even under a best-case scenario.

The economic impact study paid for by the Bid Committee is impossible to assess thoroughly because it has not been made available to the public. The website where its results are proclaimed indicates that three prototype cities were identified as candidate cities to serve as guides for the potential economic impact. For each city, six characteristics were considered in the analysis. These six characteristics are: resident market demographics, tourist market factors, competitive market dynamics, climate, regional accessibility, and prominence as a soccer and overall sports market. Exactly how these characteristics are measured and included in the analysis is not discussed on the website.

The most specific description of the methods used in the study available on the Bid Committee website is repeated here for clarity.

The total potential impact estimates to each region as a result of a FIFA World Cup™ held in the United States in 2018 or 2022 incorporate several factors, beginning with venue and Fan Fest operations (staffing, utilities and maintenance). The figure also includes projected tourist expenditures surrounding the tournament (accommodation, food and beverage, transportation and retail), plus resident and tourist expenditures attributable to the FIFA Fan Fests. Expenditures made by media personnel in regards to the IBC are included as well, along with temporary stadium overlay expenses.

This blurb is informative to those trained in economics, and casts serious doubt on the validity of the \$5 billion projection. Among the issues this statement raises are questions about the accuracy of the number of tourists used in the analysis, the likelihood that some of the costs to the city, state, or country are counted as benefits and the inclusion of expenditures of residents in calculations. Each of these questions was identified in the literature discussion above, and

each indicates a likely upward bias to the economic impact projections in the Bid Committee report. The last point, the inclusion of spending by local residents, is particularly telling because Crompton (2006) calls it “the most frequent mischievous procedure” in these studies and, as already noted, identifies Economic Research Associates (AECOM’s former name) as one of the companies using false rationales to justify it.

David Downs, the USA Bid Committee Executive Director, has said, “The numbers delivered by this study fully support our initial estimations.” Nowhere does the Bid Committee indicate how it produced its initial estimations, so evaluating that methodology is impossible. And since the consultant’s report is not publicly available, one can only guess whether AECOM produced the same answers as the Bid Committee expected because they “have not audited or verified any information provided to” them by the Bid Committee and “take no responsibility for the accuracy of the information which was provided by third parties” or if their results are dependent upon “conditions and assumptions” imposed by the committee.

The results may well be dictated by conditions and assumptions mandated by the Bid committee. No one should think that the Bid Committee, the individuals pushing for the US to host the World Cup, is a group of disinterested citizens whose primary wish is to induce economic growth and development for the country or the specific host cities. The committee includes former and current national team players, owners or partial owners of three Major League Soccer franchises, the Commissioner of Major League Soccer, both the U.S. Soccer president and that organization’s CEO, and the president of the U.S. Soccer Foundation. It should come as no surprise then that these individuals want to see soccer develop and flourish in the United States. Indeed, Downs says that while the economic impact is of “vast significance”, the goal is to “stimulate the development of the game and the soccer economy”. Put somewhat

more baldly, the Bid Committee goal is for the citizens of the US to pay for a vast marketing campaign to enhance the profitability of many committee members' investments in the soccer business.

FIFA also stands to profit from the United States hosting the event. A recent report from the BBC (Bond, 2010) indicates that despite FIFA contributing 329 million pounds (482.6 million dollars) to the South African event organizers to ensure that country is ready, FIFA expects to realize revenues of 2.1 billion pounds (3.08 billion dollars) from the event. FIFA's overall budget, including the funds allocated to South Africa, is 800 million pounds (1.173 billion dollars). FIFA's profit from South Africa 2010 will be a cool 1.3 billion pounds (1.91 billion dollars). According to Maennig (2007), the German organizing committee for the 2006 event reportedly cleared 155 million Euros (194 million dollars). Clearly, a lot of money is available to filter to FIFA and the US Bid Committee should the US host the 2018 or 2022 events. With this as context, one has to wonder why the host cities are even required to help fund this event.

The Cost of Hosting the World Cup

If any further doubt about the validity of the Bid Committee report or the motives of the Bid committee members is needed, one only need note that the Bid Committee description of the economic impact study makes no mention of the costs to be paid by the city, state, or federal taxpayers to host the World Cup. Including a full and accurate accounting of the costs is not in the best interests of the Bid Committee as doing so only makes hosting the event look less impressive as an economic engine. But it is possible to think about the costs of hosting the event theoretically and to look to previous sports mega-events for evidence on the size of those costs.

The costs of hosting events such as the World Cup take two forms. The first cost is the direct and natural costs of putting on such an event. These include security and public safety, sanitation and clean up. If local stadium authorities, cities, counties, states or the federal government expend money on stadium refurbishment, street upgrades, expansion of public transit facilities and the like, that they would not have done except for the event, these are also costs of the event, though they may not appear so as clearly as would added police patrols or the need for sanitation facilities around the sites. Maennig (2007) reports that the German Organizing Committee allocated 300000 Euros (about \$390,000) to the host cities for the expenses of “insurance, decorations, places for warming up, etc” but that the allocations were insufficient.

Using a variety of newspaper accounts over time, one can piece together general information about costs of hosting the World Cup. By far the largest expenses are for stadium construction and renovation, costs that do not at the moment appear to be as relevant for the US bid for 2018/2022. The US is reported to have spent \$370 million putting on the 1994 event.

Just four years later, France’s costs, net of stadium construction, were \$700 million. Costs for the Japan/Korea jointly hosted 2002 games net of stadiums are unavailable. At the time, FIFA representative Michel Zen-Ruffinen stated that those were the most expensive games ever and that he doubted they would ever cost so much again. Stadium and other infrastructure costs were the primary culprit in making Japan/Korea so expensive (reported to be \$5 billion for Japan and \$2.5 billion for Korea), but other costs to be discussed below were also substantial. South Africa bid to host the 2006 games, with a proposed budget of \$336 million. The proposed budget for the 2010 games was about \$225 million for stadiums and \$421 million overall. Expenses have far exceeded those numbers. Reported stadium expenses jumped from the planned level of \$225 million to \$2.13 billion, and overall expenses jumped similarly from \$421 million to over \$5 billion.

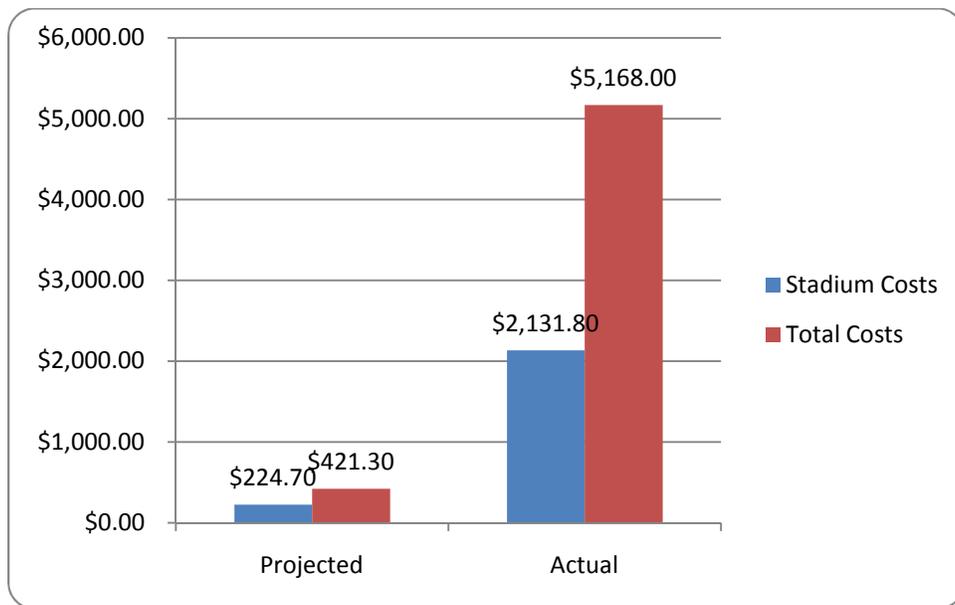


Figure 2: South Africa World Cup Costs (Millions of dollars)

An expense that FIFA and the US Bid Committee will definitely not be highlighting is the extortion by foreign soccer clubs demanding money from towns seeking to host them for

training. A Washington Post report (Struck, 2002) indicates that Brazil demanded \$3.3 million of Hiroshima City to guarantee the club would use that city for training camp while a Japanese village with a population of 1,400 people “spent nearly \$700,000 to get the Cameroon team to practice there.” The Daily Yomiuri (2001) published an article reporting that the Saudi Arabian team demanded the local community put a mosque in its hotel and the American team demanded a room with a billiard table. The Italian team requested that training facilities be provided in both Chiba and Sendai. The Italians had not yet decided which of the two to make its base for the World Cup. It is possible, perhaps even probable, that such expenditures would be included in the economic impact of the event as calculated by the Bid Committee’s consultants though no impartial observers would consider such expenditures to be a benefit of hosting the event.

The second type of costs is harder to document but potentially enormous. This second type of cost, called opportunity costs, reflects the value of the next best opportunity. Obviously, it is extremely difficult to know what the next best alternative use of the resources devoted to hosting the World Cup is or even might be. Regardless, in the current economic climate, there are certainly dozens if not hundreds of ways to spend taxpayer dollars which provide a better return to society than spending money on the World Cup.

One substantial cost of hosting the event is the need for security and public safety. Precise estimates of the costs to the US bid cities for security are difficult to find. We must draw inferences from other events. News accounts at the time suggested security costs of \$1 billion for the Athens Olympics in 2004 while Matheson (2008) reports the security cost was estimated at \$1.5 billion. In Germany, more than 30,000 police were involved in security for the 2006 World Cup and they were aided by the German military with radiation and chemical weapon

detection equipment as well as NATO AWAC airplanes overhead to scan the skies for low flying aircraft. The German Interior Ministry set up a command center for the event known as the National Information and Cooperation Center where information from German police, Interpol, and intelligence services would be processed to assess threats to the events. Germany classified several matches as high risk events, where the probability of trouble was considered high, including clashes between unruly fans “well lubricated with alcohol” and police. The cost of the German security operations was surely substantial, but is just as surely not well-publicized.

The Germans considered the Fan Fest locations, those public viewing areas for fans without tickets, as especially high-risk. The US bid intends to have similar venues in US host cities which means unknown costs for added security, sanitation, and public health beyond those associated with events held within the stadiums. The costs for security for other events in the US may provide some guidance on the extent of such costs to the host cities. For example, San Diego spent more than \$2 million on Super Bowl Sunday in 2003. The 2002 Super Bowl in New Orleans was designated a “National Special Security Event”, putting security in the hands of the Secret Service, and boosting cost for the event to \$6 million. Police and fire and rescue overtime in Tampa for the 2009 Super Bowl added to about \$350,000 with an additional \$245,000 for traffic control. Tampa Mayor Pam Iorio pledged to provide no more than \$1 million in in-kind services to the game. These services include reassignment of police and other city employees, though the city’s manager of neighborhood services, Santiago Corrada, said he does not consider paying employees who would regularly work on the day of the game as an in-kind cost. Whether the city manager considers them in-kind costs or not, clearly redirecting employees from one task to another is an opportunity cost. The value of whatever the employees would have done instead of their Super Bowl-related duties is a real cost of hosting the event. Corrada does

identify real costs of the event that go uncounted, however. “We’ve all just taken it on as additional duties. It’s been extra work.” (Zink, 2009)

The World Cup is decidedly more geographically diffused than an Olympic event, so using costs information from Olympics is a weak comparison. It is better, however, to compare World Cup costs to Olympic costs than to focus cost comparisons solely on the Super Bowl. Andrew Zimbalist (2010) asks “Is It Worth It?” in reference to bidding for the Olympics. He reports on the enormous cost overruns associated with hosting Summer and Winter Olympic Games. Barcelona’s Olympic experience put the Spanish government \$4 billion in debt, with the city and province taking another \$2.1 billion of indebtedness. The Nagano Olympics added \$11 billion in debt to Japan’s total. Athens projected costs of staging the Olympics at \$1.6 billion, but actual costs were nearer to \$40 billion. The list can be expanded. The US bid for the 2018 or 2022 World Cup would not rise to these levels of profligacy in large measure because the stadiums for the event already exist and there are no specialized venues (like velodromes or luge/bobsled tracks) to be constructed. However, the lack of any discussion of the costs of hosting the event biases the discussion. The London Olympics Minister Tessa Jowell’s comments about her city’s experience planning for the Summer Olympics, four years in advance of the games, stands as a warning to all cities and countries bidding to host a sport mega-event: “Had we known what we know now, would we have bid for the Olympics? Almost certainly not.” (Quote appears in Zimbalist, 2010, taken from *Sports Business Daily*, 2008, citing the *London Telegraph*)

Conclusion

The Committee organizing the United States' bid for the 2018 and 2022 World Cups has produced an economic impact report indicating an expected \$5 billion impact from hosting the soccer tournament. The report making that assertion, which comes from a large firm that has produced supporting reports for bids for other large sporting events, including the 1994 US-hosted World Cup, is not available to the public. The lack of public access to the full report and the history of the consultants that produced the report suggest that, like the 1994 pre-World Cup economic impact predictions, the economic impact study is based on unsupportable assumptions and inappropriate methodology that rely on optimism in lieu of accuracy. The academic literature that has studied the impact of previous World Cups and other large sporting events finds no evidence of large economic impact. In fact, a study of the 1994 World Cup hosted by the United States found substantial lost output, with the final result showing that the pre-World Cup predictions were up to \$13 billion off-target. Hopefully, this report will get politicians, economists, sports fans and all Americans demanding answers. The existing evidence of negative economic impact from other World Cups, combined with the self-interested motivation of the Bid Committee members and the lack of disclosure of the economic impact study all point to the conclusion that the US taxpayers are better off saying no to an expensive and secretive World Cup bid.

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Appendix I: USA Bid Committee Board of Directors

- USA Bid Committee Chairman and U.S. Soccer President, Sunil Gulati
- USA Bid Committee Honorary Chairman, President William Jefferson Clinton
- USA Bid Committee Vice Chairman, Carlos Cordeiro
- Founding Partner Major League Soccer, Philip Anschutz
- Counselor to President Clinton, Douglas Band
- Mayor, New York City, Michael Bloomberg
- Host, Price is Right, Drew Carey
- Boxer & Founder Golden Boy Promotions, Oscar De La Hoya
- U.S. Men's National Team Player, Landon Donovan
- U.S. Soccer CEO and General Secretary, Dan Flynn
- U.S. Soccer Foundation President, Ed Foster-Simeon
- Major League Soccer Commissioner, Don Garber
- U.S. Women's National Team former player, Mia Hamm
- President and CEO, The Walt Disney Company, Robert Iger
- Former U.S. Secretary of State, Henry Kissinger
- New England Revolution and New England Patriots owner, Robert Kraft
- Writer, director, actor, producer & author, Spike Lee
- President & CEO, AEG, Timothy Leiweke
- Actor & Producer, Brad Pitt
- Governor of California, Arnold Schwarzenegger
- President of the University of Miami, Donna Shalala
- Executive Vice President, Content, ESPN, John Skipper
- Univision CEO, Joe Uva
- Chairman & Chief Executive Officer - Wasserman Media Group, Casey Wasserman
- The Washington Post, Publisher and Washington Post Media CEO, Katharine Weymouth

Source USA Bid Committee Website

Appendix II: Author Biography and Contact Information

Dennis Coates, PhD, is a Professor of Economics at University of Maryland - Baltimore County. He is the Immediate Past President of the North American Association of Sports Economists, and is a member of the editorial board of the Journal of Sports Management, International Journal of Sports Finance, and Journal of Sports Economics. He regularly talks to national the media as a commentator on sports economic issues, including appearances in the Washington Post, Business Week and Sports Illustrated. Coates blogs regularly at The Sports Economist (<http://thesportseconomist.com/wordpress>).

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