

THE BIDDING PARADOX ECONOMIC AND POLITICAL REASONS WHY ECONOMISTS AND CONSULTANTS AND POLITICIANS DISAGREE ON THE EFFECTS OF MEGA SPORTS EVENTS BUT MIGHT AGREE ON ITS ATTRACTIVENESS

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Aims of the abstract

When it comes to bidding for mega sports events (like the World Cup Soccer and the Olympic Games), countries and cities line up to be granted the right to host. Proponents generally stress the supposedly large economic gains and present economic impact studies showing considerably inflated benefits (e.g. Crompton, 1995; Coates and Humphreys, 2008). The academic literature shows almost consistently that mega sports events are in general economically unprofitable in terms of spending, GDP or employment (see for example Porter and Chin, 2012). However, other economic benefits could justify hosting, but are not mentioned. Politicians tend to keep backing the bid, apparently assuming that withdrawing their support leads them onto thin ice. This paradox between economists and proponents triggered this paper. To understand this contradiction both economic and political arguments are discussed in section 2 and 3 respectively. relevant.

The method used is an extensive literature review and experience with Dutch bid for the World Cup soccer 2018 (see De Nooij et al., 2013) and the Dutch debate on bidding for the 2028 Olympic Games.

Theoretical review: economic arguments for hosting

This section first argues that a social cost benefit analysis is the preferred research methodology for assessing the welfare impact of hosting a mega-event and not the much more frequently used economic impact analysis. Second, we discuss the myriad of social costs and benefits of hosting a mega-event along several dimensions; economic and non-economic, tangible and intangible, frequently put forward in the public debate and generally only considered by scholars. Effects discussed include amongst others the costs associated with security, preparations by civil servants, distortionary taxes imposed to publicly finance the event and the costs of bidding, and benefits such as spending by foreign visitors, increased sports participation, increased exports and economic growth, nation branding, feelings of happiness and pride. Third, we discuss potential pitfalls associated with the measurement of these effects. We will also evaluate effects of hosting a mega sport event that are rarely referenced in the public debate, but that should be part of

a properly performed social cost-benefit analysis and the public debate.

Theoretical review: political arguments for hosting

This section discusses seven reasons why politicians may stick to their ambition to bid despite the bleak economic prospects. (i) early political enthusiasm and commitment which locks politicians into a positive attitude. (ii) support provided by advocates of side-projects (iii) biased reading of history. (iv) the winners curse. (v) redistribution of welfare with parties at the receiving end have a stronger incentive to lobby. (vi) the (sports) media are generally biased in their reporting in favor of bidding because that sells better. (vii) hosting brings joy and happiness to the people. Politicians with the ambition to host a mega event because it brings fun and pride to the people might make a sound decision, while economists are yet insufficiently capable of capturing this effect in their cost-benefit calculations. However, whether this makes the other explanations irrelevant is questionable.

Implications of the review

The discussion of the economic arguments clearly shows the hosting paradox, that is, proponents of hosting in general use arguments mostly on direct economic gains that do not stand up to the scrutiny of the academic literature, whereas other, broader economic benefits which could justify hosting are often not mentioned or only used as an ancillary argument. As a result hosting might be economically attractive, but for other reasons than generally mentioned.

The discussion of the political motives to favor bidding discusses why politicians seemingly choose to wander off the path of welfare optimization. Increasing happiness of the people seems to be the only argument politicians could credibly employ to justify their backing of a bid. Economists are currently still unable to properly include this effect in their cost benefit analysis. However, the six other alternative explanations for political support despite the discouraging economic returns cannot be deemed invalid. A final explanation not discussed here is the simple collective foolishness taking over when it comes to matters of the heart like sports (Coates and Humphreys, 2008, p. 311).

References

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