

New Stadia and Regional Economic Development

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Basics (I)

- When talking about event impacts more often than not the first thing that we consider is the economic impact.
- The projected economic impact can be a major determinant in the decision to proceed with a bid or development of an event.
- Economic impact studies are often undertaken not to provide an accurate assessment of the impact but rather to legitimize the decision to invest in the event.
- Economic impact is theoretically based on money flowing into an area from outside the local economy.

Basics (II)

- “Ex-ante” vs. “ex-post”.
- “Academic” vs. “consulting”.
- “Primary economic impact” and “secondary economic impact”

Basics (III)

- Standard approach to measure (forecast) the primary economic impact:
 - The spending patterns of event attendees are sampled, averaged and then “up-scaled” to the overall event population.

- Methods to calculate the overall economic impact:
 - Multiplier Analysis
 - Cost-Benefit-Analysis
 - Input/output tables
 - Computable General Equilibrium (CGE) models

An Example: 2006 FIFA World Cup in Germany

“And the winner is ... Deutschland!” (Sepp Blatter, June 6th, 2000)

- EUR 1.6 billion for stadium (re)construction
- EUR 1.6 billion for stadium-related infrastructure
- EUR 515 million for stadium (re)construction non in World Cup venue Up to 2 million foreign visitors expected
- EUR 2 to 10 billion additional GDP estimated ex-ante Up to 10,000 additional jobs estimated ex-ante

An Example: 2006 FIFA World Cup in Germany

Existing ex-post studies are less optimistic:

- Kurscheidt, Preuß, and Schütte (2008) calculated a World Cup induced consumer spending of EUR 3.2 billion.
- Macroeconomic ex-post studies do not find such effect (e.g. Brenke & Wagner 2007, Maennig 2007).
- But: German GDP in 2006 was EUR 2,325 billion Thus: This is only an impact of 0.14%.
- Any positive effect might be lost within normal fluctuations (e.g. white noise).
- The effect will be stronger as data becomes more aggregated Ex-post analysis is like searching for the needle in the haystack.

Methodological Issues

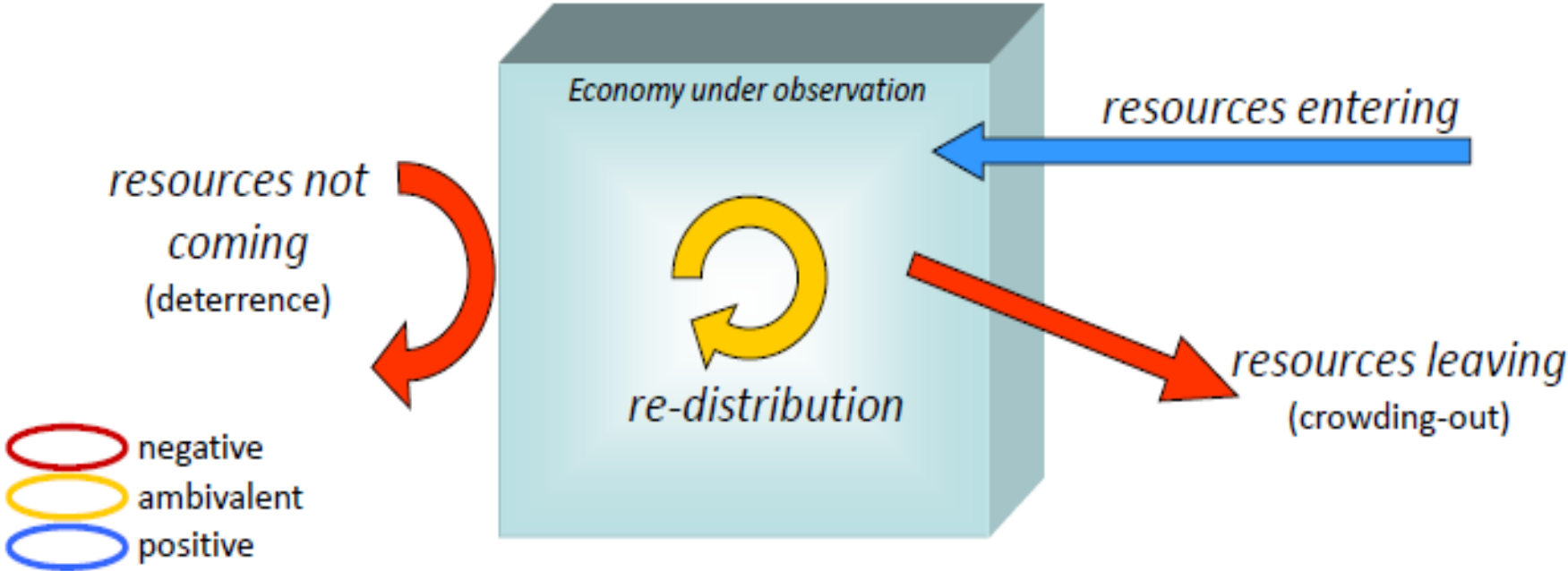
As the haystack seems to large, several attempts have been made to achieve data disaggregation on 4 scales:

- regional scale
- scale of the target variable
- industry scale
- time scale

Why might *ex post* effects be (much) smaller than *ex ante* estimations?

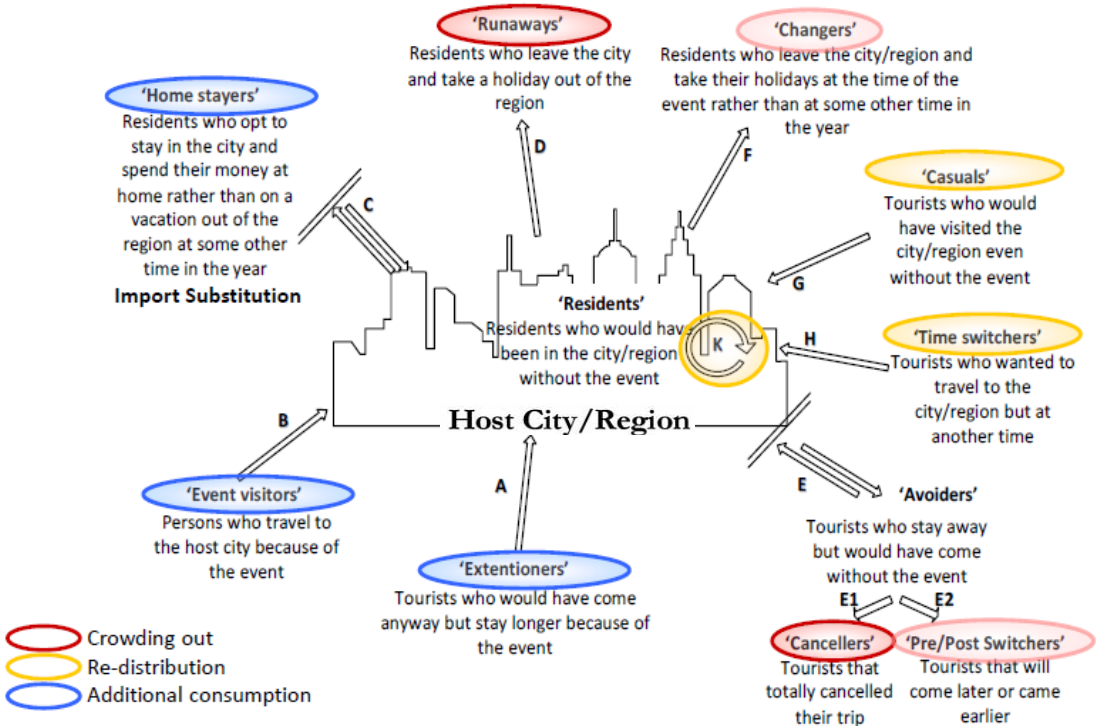
- Deterrence effects
- Crowding-out effects
- Leakages
- Opportunity costs

Conceptual Framework



Source: Preuss.

Conceptual Framework



Source: Preuss (2005, p. 288).

Conclusion & Recommendations

- Assessing the economic impact of an event is a NON-TRIVIAL task!
- As precise and careful as possible.
- If possible more sophisticated methods should be used (i.e. cost-benefit-analysis over multiplier based economic impact analysis).
- Economic impact assessment should be oriented at stakeholders (“Who is paying the party?”)
- Remember: (Tangible) economic impacts are not the only effects of events.
- Events should maybe seen as consumption and not an investment.