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Cash & Carnival

World Cup's boost and Brazil's setback

A presentation by
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Outline

Background

Method & Hypothesis

Results

Conclusions & Recommendations

References

Background I

„The Leaders expressed confidence in the success of the FIFA 2010 World Cup in South Africa, [...], of the FIFA 2014 World Cup in Brazil and of the 2016 Olympic and Paralympic Games in Rio de Janeiro.

They recognized that hosting these events reflects the positive momentum of developing countries, [...], and that [the events] are potentially a **tool for their social and economic development.**”

- India Brazil South Africa Forum, April 2010

Background II

Is there evidence for this claim?

Authors	Events	Results/Conclusions
Bohlmann and van Heerden (2008)	FIFA World Cup 2010	+ 1.55/+ 3.6 billion US\$
Ernst & Young Terco (2011)	FIFA World Cup 2014	+ 37.66 billion US\$
Sterken (2006)	Olympic Summer Games and FIFA World Cup	- 0.181% (Summer Olympics) - 0.192% (FIFA World Cup)
Zimbalist (2015)	Olympic Summer Games and FIFA World Cup	Barcelona 1992 and Montreal 1976

Method & Hypothesis

- advanced economic Growth Model:

$$\text{Average GDP per capita growth}_{i,t} = \mu + \alpha_i + \phi \text{ FIFA Host} + \gamma_j \mathbf{D}_{j,t} + \beta_i \mathbf{X}_{i,t} + \lambda_t + \varepsilon_{i,t}$$

- Question:
„Is the World Cup the **tool for economic development**, the countries are hoping for?“

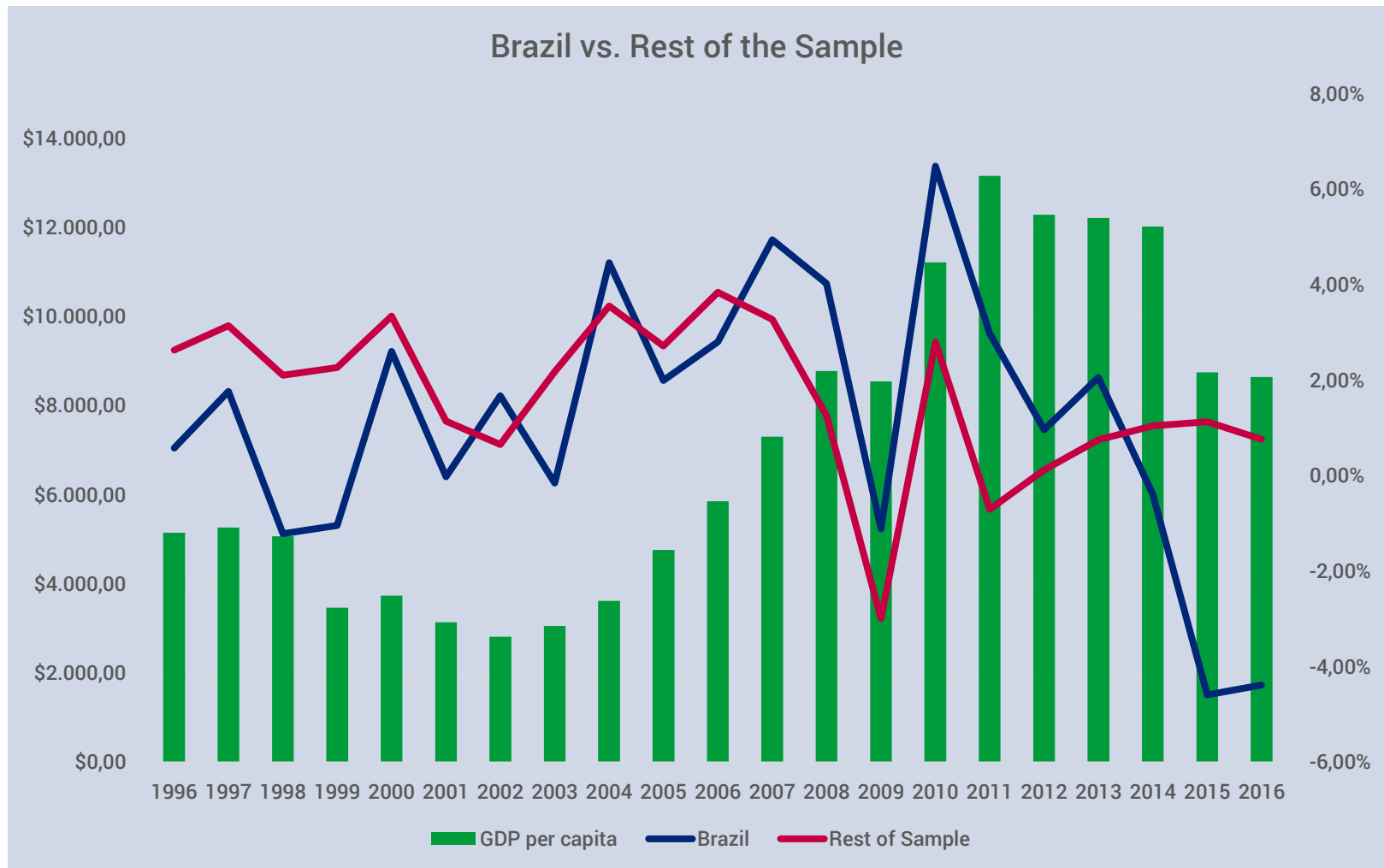
Results I

	1990-2010		1990-2010
t-4	0.00370	Capital	0.260***
t-3	-0.299	Consumption	-0.0331
t-2	-0.0346	Education	-1.261
t-1	0.574	Political Rights	-3.220
Host Year	0.483	Government	-0.363**
t+1	0.201	In (Inflation)	-0.849***
t+2	0.796**	Investment [FDI]	0.0311**
t+3	-0.134	Life expectancy	946.2*
t+4	0.187	Trade	0.00951
constant	-4.779		

Results II

	Brazil 2010-2016		Brazil 2010-2016
t-4	- 1.031***	Capital	0.235***
t-3	- 2.225***	Consumption	0.0475
t-2	- 1.364***	Education	-
t-1	- 2.688***	Political Rights	1.356
Host Year	- 3.259***	Government	- 0.722***
t+1	- 4.002***	In (Inflation)	-0.06
t+2	-	Investment [FDI]	- 0.0129
t+3	-	Life expectancy	- 826.2
t+4	-	Trade	0.0204
constant	14.46		

Results III



Conclusions & Recommendations I

World Cup alone is not responsible for the economic performance of Brazil, but:

→ more transparency

→ more efficient concept

→ possibly prevented cost overruns

Conclusions & Recommendations II

Bribery and Corruption cause inefficient planning

- irrational choices for venues (Manaus)
- monopoly rents and collusions

→ Instead of the **World Cup boost**,
Brazil faces significant **economic setbacks**

Thank you for your attention!

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