Does the FIFA World Cup boost the economy?

A Presentation by
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Outline

- Theoretical Background
  - What will be looked at?
  - Methodology
  - Hypothesis
- Results
- Policy Recommendations
- References
Theoretical Background I

- “The Leaders expressed confidence [...] (and) recognized that hosting these events reflects the positive momentum of developing countries, [...] and that they are potentially a tool for their social and economic development.”

  - (43rd statement of the India Brazil South Africa Forum 2010)
Theoretical Background II

FIFA World Cup™

- ecological consequences
- economic consequences
- social consequences

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Theoretical Background III

ecological consequences
- environment
- population

social consequences
- spectators
- population
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Methodology

The **Fett Growth Model** after Barro:

\[
GDP \text{ per capita growth}_{i,t} = \\
\mu + \alpha_i + \theta \text{ FIFA Host} + \gamma_j D_{j,t} + \beta_i X_{i,t} + \lambda_t + \varepsilon_{i,t}
\]

- Fixed Effects model
- Panel Data

\[i = \text{country} \]
\[t = \text{time} \]
\[\mu = \text{constant} \]
\[\alpha_i = \text{time-fixed constant} \]
\[\theta = \text{FIFA Host Effect} \]
\[\gamma_j = \text{Effects of Preparation and Legacy} \]
\[D_{j,t} = \text{Dummy variable matrix} \]
\[\beta_i = \text{Effects of economic variables} \]
\[X_{i,t} = \text{Economic variable matrix} \]
\[\lambda_t = \text{country-fixed constant} \]
\[\varepsilon_{i,t} = \text{error-term} \]
Hypothesis

The FIFA World Cup was not profitable in the past, but it is today.

\[
GDP \text{ per capita growth}_{i,t} = \mu + \alpha_i + \theta \text{ FIFA Host} + \gamma_j D_{j,t} + \beta_i X_{i,t} + \lambda_t + \varepsilon_{i,t}
\]

- 2 samples: European and Non-European countries
- time period: 1991-2014
## Results 1

<table>
<thead>
<tr>
<th></th>
<th>European</th>
<th>Non-European</th>
</tr>
</thead>
<tbody>
<tr>
<td>t-4</td>
<td>0.544</td>
<td>-1.345</td>
</tr>
<tr>
<td>t-3</td>
<td>0.166</td>
<td>1.004</td>
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<tr>
<td>t-2</td>
<td>0.960</td>
<td>0.992</td>
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<tr>
<td>t-1</td>
<td>1.257</td>
<td>-0.475</td>
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<tr>
<td>FIFA Host</td>
<td>2.752***</td>
<td>1.588***</td>
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<tr>
<td>t+1</td>
<td>1.804***</td>
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<td>t+3</td>
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<td>t+4</td>
<td>2.011*</td>
<td>1.230**</td>
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<tr>
<td>constant</td>
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</table>

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Results II

FIFA Host Effect for European Countries

€12,000
€11,500
€11,000
€10,500
€10,000
€9,500
€9,000
t-4  t-3  t-2  t-1  FIFA Host  t+1  t+2  t+3  t+4

FIFA Host Effect
Hypothetical Growth of European countries without FIFA World Cup

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Results III

FIFA Host Effect for Non-European Countries

FIFA Host Effect

Hypothetical Growth for Non-European countries without FIFA World Cup

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Policy Recommendations

• Statement of IBSA Forum cannot be rejected.

• The contemporary belief that FIFA World Cups have no or negative effects on the economy can be statistically rejected, but only for the time after 1990.

• Statistically significant positive results can be incentives for bribery in the bidding process.
Thank you for your attention!
References


