



An Economic Analysis of the 2010 World Cup

By Spring 2013 SS98jl Student

A No-brainer...?

- Hosting a mega sporting event like the World Cup seems like a slam dunk for economic growth
 - Public works projects
 - Construction jobs
 - Tourism
 - Local economic activity (restaurants, hotels)
 - ...right?

Not so fast!

- A body of studies suggests that mega sporting events are bad business for host
 - Costs of hosting
 - Crowding out of leisure spending
 - Dormant stadiums
 - In case of World Cup, extraction of profits by FIFA
- In many cases, hosts actually experience negative growth during event

Why might South Africa be different?

The theory: the Big Push



- First proposed by Paul Rosenstein-Rodan in 1943

- His projections failed, so his theory fell out of favor

- Revived by Shleifer et al in 1989

- Proposed models by which Big Push could be said to operate, including investment in infrastructure



Expanded Infrastructure

- \$2.1 billion poured into transportation and infrastructure projects
 - Airports/terminals
 - Light rail
 - Road projects
 - Bus transit system
 - Train stations



Why is Infrastructure so Important?

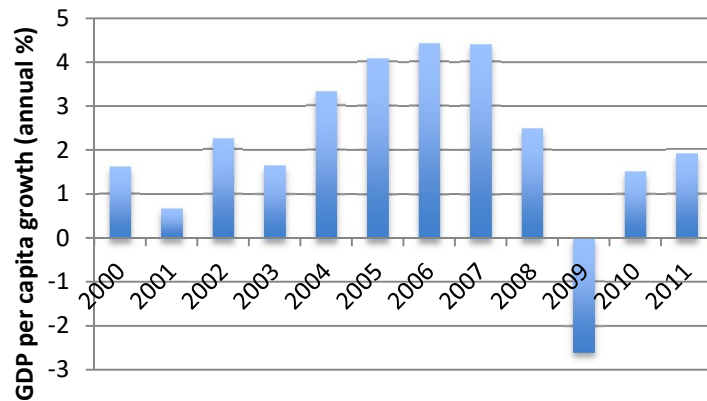
- Affects almost every aspect of economic activity
 - Phone lines, roads, electricity
- Look at South Asia
 - 40 years ago, very similar to sub-Saharan Africa
 - Now far ahead
 - One difference? Large infrastructure investments

Methods

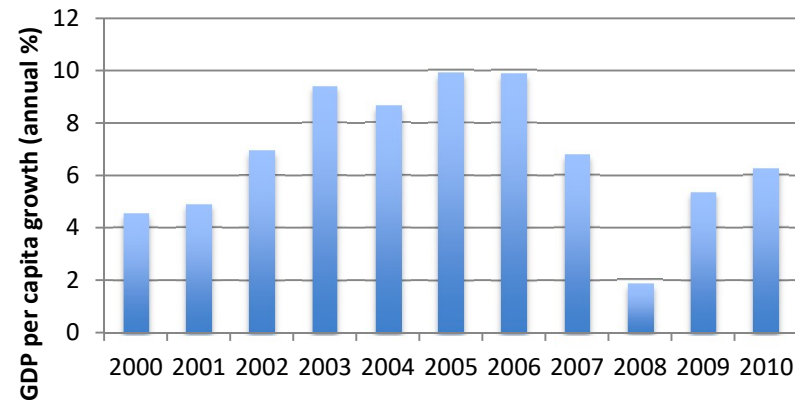
- Gather national and regional economic indicators
- Look at sectoral effects within the economy
- Check for any significant “bounce” effects associated with World Cup/WC preparations

Country-wide Effects

South Africa

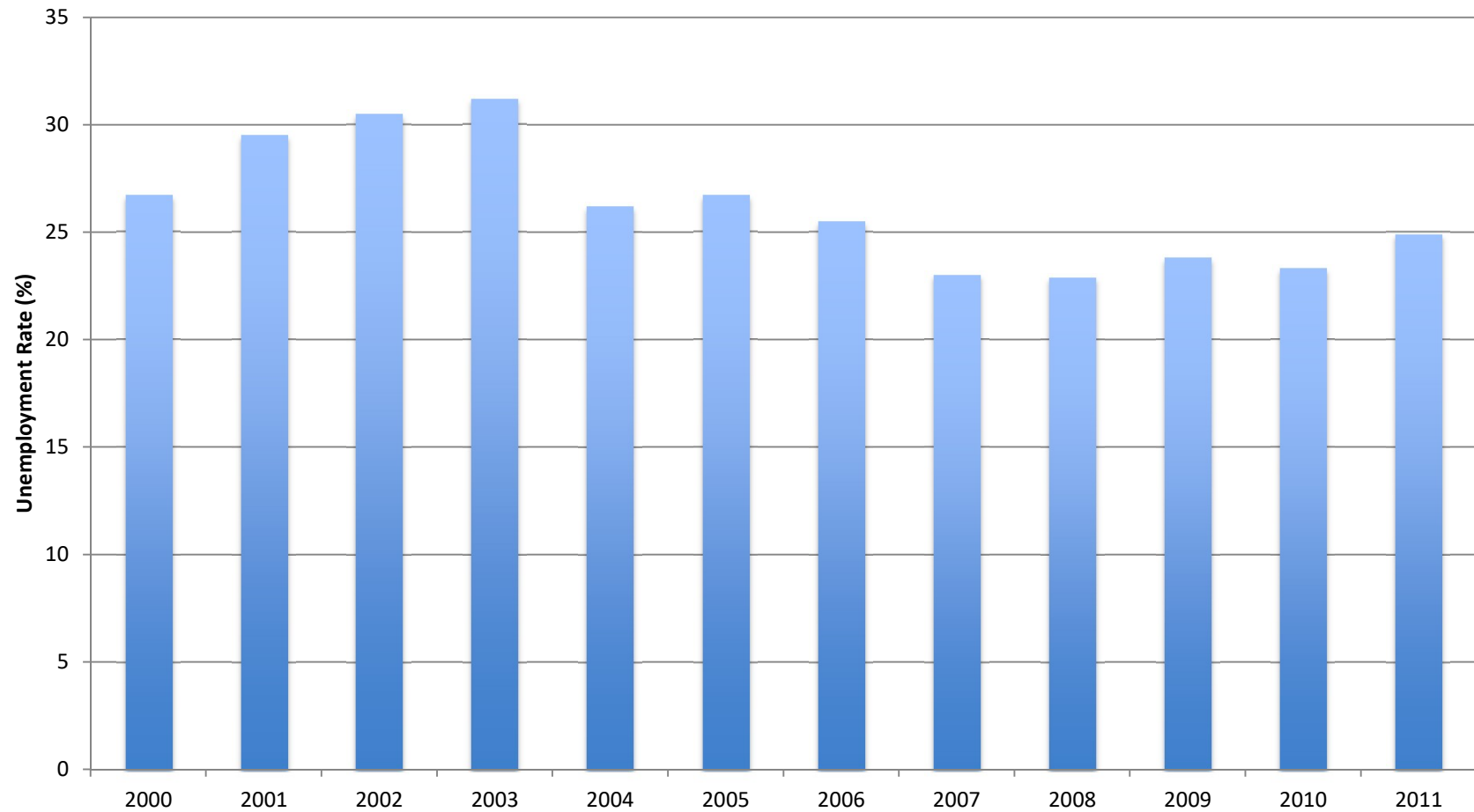


Emerging Economies

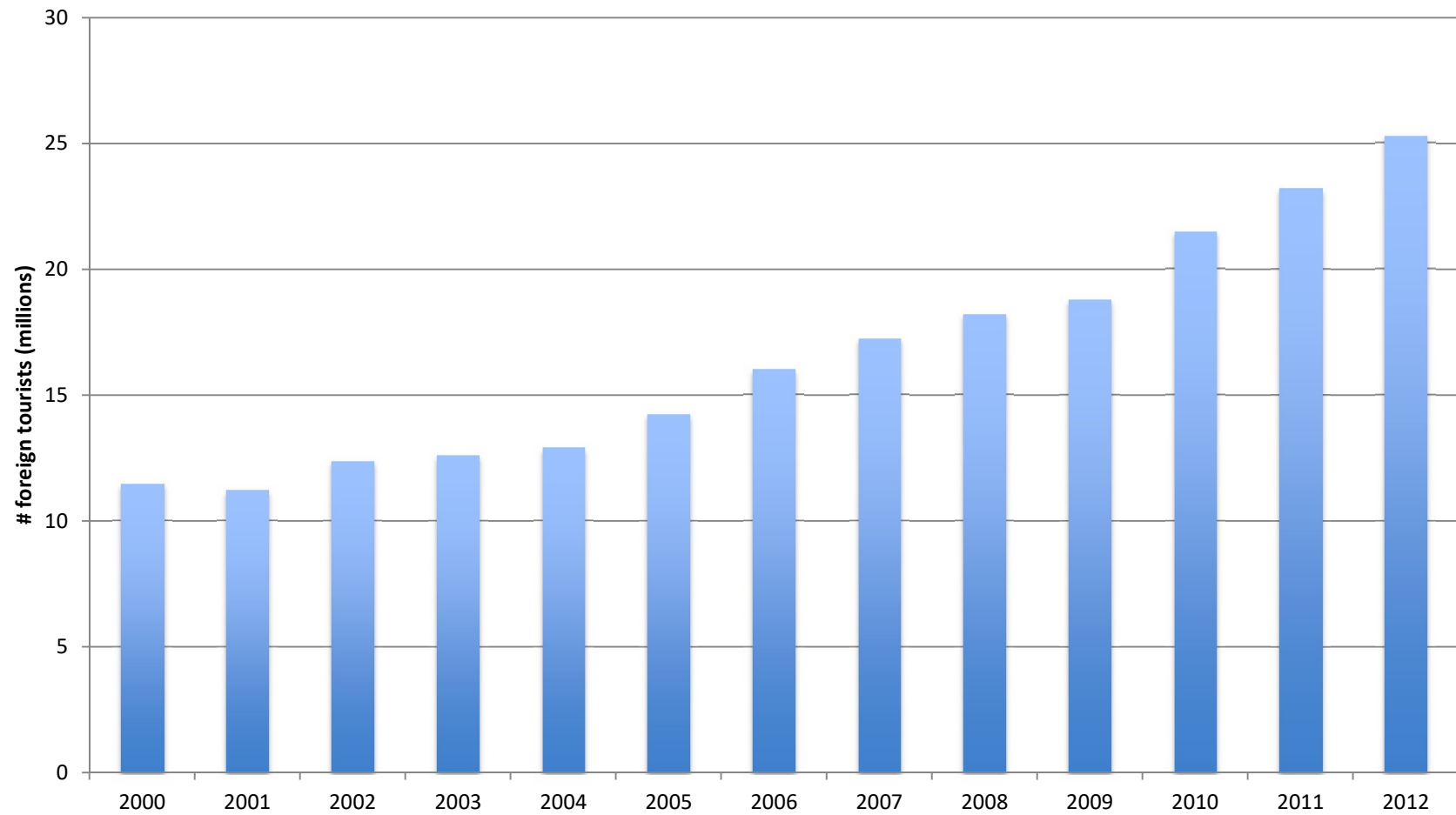


-South Africa generally follows pattern of emerging economies, but growth is lower in general, including in lead-up to World Cup

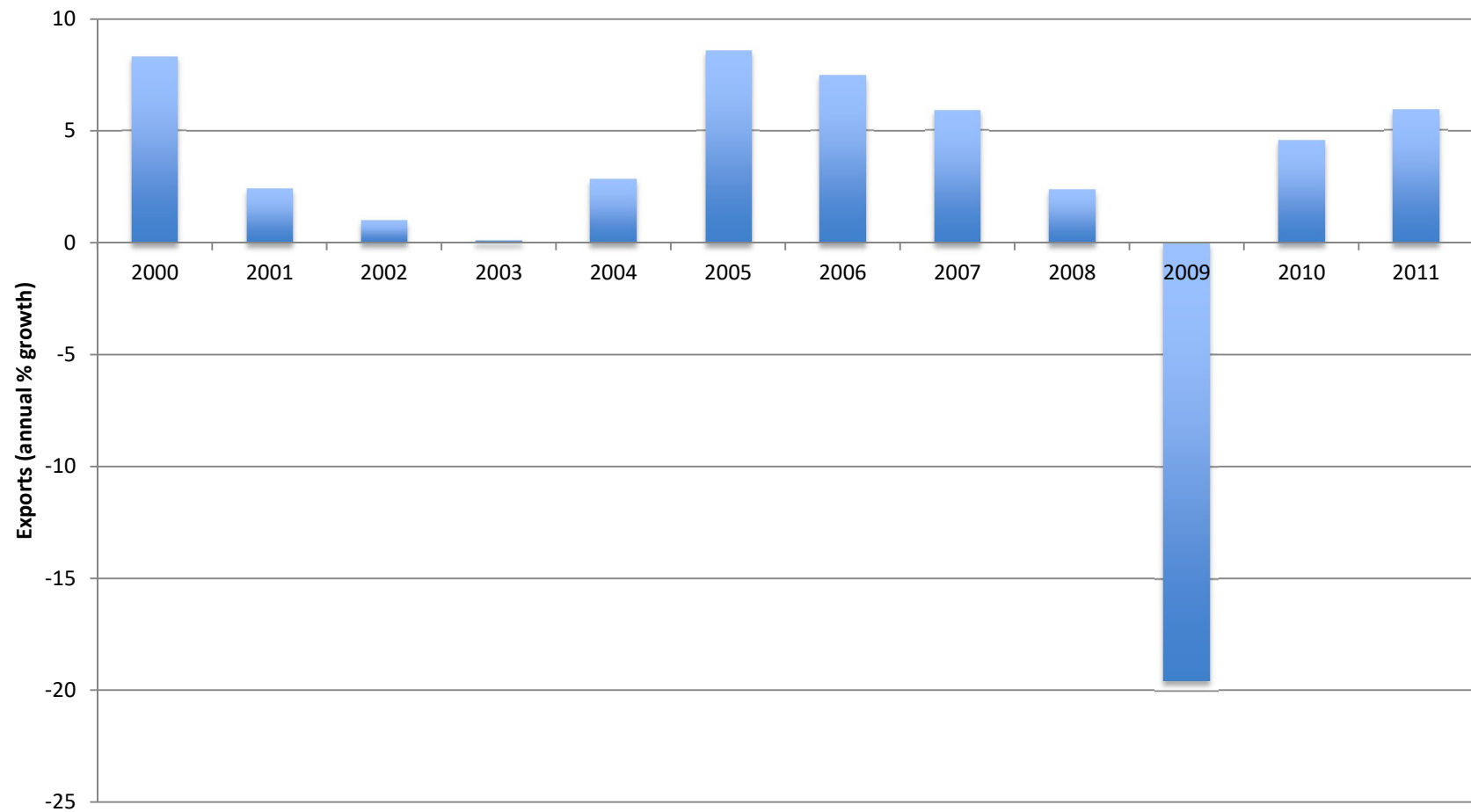
Unemployment



Tourism



Signaling Effect?



Preliminary Conclusions

- Doesn't look to be a notable positive effect
 - Problem: getting regional data
- Need to add controls, run more sophisticated tests
- Can compare with predicted impact of *ex ante* studies
 - For variety of factors: raw economic boost, hotel stays, foreign visitors

Ancillary Effects

- In 2012, South African government unveiled plan to spend \$97 billion over three years to upgrade infrastructure
- Possible to argue that World Cup investment was catalyst?