

Money for Telegrams? About the Economic Impact of International Sports Events

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Abstract. The paper addresses the problem of economic impact analysis of international sports competitions, mega-events, and sports franchises. In our review of literature on mass participation sports, we indicate two poles of information about an event's economic impact: "positive" and "skeptical". "Positive" assessments are typical for reports of event organizers and involved consultants. We present examples of "positive" assessments of triathlon events, based on information about the direct spending of participants. "Skeptical" assessments are typical for academic research published in peer-reviewed economic journals. We explore the effects of substitution, crowding-out, time-shifting, random visitors, and leakages. We emphasize that these effects are not taken into consideration in "positive" reports and that they create a methodological problem for correct assessment. We show strong consensus among Western economists against subsidies for mega-stadiums, mega-events, and sports franchises. Why do subsidies exist despite the lack of positive economic impact? We discussed this issue in two of our case studies: Ballpark Stadium (Texas) and Olympics 2012 (UK). These cases prove rent-seeking behavior and exploitation of social and political benefits from sports. We conclude that statements about "the positive economic impact" of international events and sports-franchises are often the narrative of rent-seeking groups.

Keywords: economic impact; mega-events; mass sports; triathlon; sports economics; sociology of sports; sports management.

"Benefits exceed costs?"

Russia happened to hold some major international sports events such as the world soccer championship of FIFA 2018, the Sochi Winter Olympics in 2014, the Kazan world summer student games in 2012, the Krasnoyarsk winter student games in 2019. Besides all these events, since 2012 Russia has held over 2 thousand sports events¹. Staging such events is usually a costly enterprise for the host and requires financial contributions from the authorities. However, if one is to believe the statements one hears, 'benefits exceed costs'. Is this so?

The problem of the economic effect of sports events has only marginally been reviewed in our scientific literature. Among the first to do it were R. M. Nureyev and Ye. V. Markin who produced a series of accounts on the Olympic business cycle and the economics of Olympic games [Nureyev, Markin, 2008; Nureyev, Markin, 2009]. I. V. Pilipenko also studied problems of evaluating public investment projects through examples of the Sochi Winter Olympic games [Pilipenko, 2011]. Gradually, more experts started considering the effects of mega-events [Pasyukova, Karbainov, 2013; Ageyev and Altukhov, 2018; Butayeva, Veber and

¹ The principal results of the Sports ministry of RF over 2012–2017 // The government of RF, 11.04.2018. URL: http://government.ru/dep_news/32227/

Davydov, 2018; Kapoguzov, 2018; Tulokhonov, 2018]. It appears that the growing interest in sports comprehension is but another effect of mega-events.

We conducted our research independently from the above-mentioned authors, primarily addressing not mega spectacular but mass (participatory) events. We focused on long-distance running, cycling, Nordic skiing, triathlon, etc., which do not require major stadiums and only need temporary ‘occupation’ of public infrastructure: roads, ponds, and parks. The largest of such events attract over 20–30 thousand participants that are comparable to the capacity of giant stadiums. We also found out that international championships in popular sports raise the same questions about costs and subsidies as in the case of mega-events and stadiums.

Firstly, the rights of hosting status events (cups/world/European championships, brand races) belong to the sport managing organs. Those are usually federations but may also be private companies. In both cases, interactions between the local organizing committee and the management organ resemble a franchise scheme. Acquisition of the right to host a status event entails paying a contribution to the management organ and a preceding procedure of a tender application with subsequent execution of acceptance conditions. All of this makes the cost much higher. Secondly, the revenue part of mass events comprises participants’ fees, sponsors’ contributions as well as those from the authorities and local communities. This involves direct budget funding, subsidies, free access to infrastructure, and provision of services as well as free work of volunteers². Thus, what do local authorities and communities get in return? What is exactly and how do we measure the economic effect of international championships?

When we started looking for sources we selected one type of sport – triathlon as a typical mass (participatory) sport and then expanded the range of sources on a snowball principle. The information we discovered logically split into two – positive and skeptical blocks. The first one included mass media reports, forecasts, techniques, and reports appraising the economic effect of events

² The paper represents a part of a broader research project, which is published in a narrative form elsewhere [Adelfinsky, 2018].

prepared on the order of sports and government organizations that are usually published in 'gray' literature. The second block represented research done by independent economists that are mostly published in peer-reviewed scientific journals.

Both information blocks tell us that the economic effect of the sports event is directly related to its tourist impact, that is, to the inflow of tourists to the place of the event and consequently, to their expenditures, prior spending, changes of infrastructure, etc. however, approaches to evaluation, technique details and exact values of local economy effects raise many issues. Let us consider the first block of collected information.

The positive pole of evaluation

The basic formula of a positive evaluation of economic effect from sports events is as simple as that of $e=mc^2$. The number of participating athletes and spectators is multiplied by their estimated expenditures and a period of stay. The result is already considered to be an economic effect, which in some cases is additionally multiplied. Figures for calculation are collected from questioning participants and spectators of the event while forecasts rely on experts' estimates. A multiplier is selected on basis of recommendations or calculated through tools like IMPLAN. Thus, according to the report of the National association of sports commissions, the average expenditures were estimated at \$147/day while the multiplier equaled $x2,37$ [Lee, 2001].

The participants and spectators may be subdivided into local and external with their own values for each group. The articles to consider embrace accommodation expenses, restaurant and shop food, local and personal transportation; recreation, entertainment, shopping; and also costs directly related to the event (apart of the down payment). Sometimes, reports contain in addition to the economic effect, the sums of subsidies for the event as if to emphasize the benefits. The same scheme underlies a range of positive representations of the economic effect of sports events of international and interregional levels in various countries.

The evaluation of the economic effect from the ITU duathlon world championships of 2010 in Edinburgh is part of the report from its organizers. The net economic effect of the event is estimated as £2,196 mln for Scotland and £1,581 mln for the city. The

contribution of the authorities and sponsors amounted to 47% of the budget or £187 thousand plus the labor of 150 volunteers. These are the details of the calculation. The races attracted 991 athletes and 1005 friends and relatives. Over the three days, the races were watched by 10 thousand spectators with 5510 of them – unique, without friends. There were 7506 unique visitors in total. 51% of them stayed overnight – 99% from the number of participants and only 34% out of the others. 47% came from other regions (not Scotland). Those were 96–98% among the participants and only 29% among other spectators. Most claimed that they would not have come if the event had not taken place. The average stay was 1,7–2,2 nights for the Scots, 3,1–3,8 – for Britons from other places, 4,4–7,7 – for foreigners³. The calculation was done by a consulting agency using, we believe the eventIMPACTS tools developed to order for the group of government agencies and quasi-autonomous structures that have event organization among their functions: UK Sport, VisitBritain, EventScotland, etc. The actual developers are British scientists from the Center of research of the sports industry of Sheffield Hallam University. Evaluation of the economic effect of Xterra cross-triathlon world championship in 2007 on Maui (Hawaii) rests on the results of a web interview of 255 respondents about their expenditures with the declared presence of 760 visitors. Average expenditures per one visitor equaled \$3031 with an average stay of 7 days. Direct visitor spending is estimated at \$2,304 mln and the full economic effect at \$5,759 mln with the account of multiplication by x2,5 [Reese, 2008]. The authorities contributed ~ \$130–140 thousand to the event's budget.

The forecasted economic effect from their national championships is available from the triathlon federation (USAT) and NOC of the USA. According to the forecast, the US triathlon championship will bring in 4000 spectators and 2000 participants, 75% of them from abroad and it will generate \$2,103 mln. It is necessary to put up \$30 thousand for the right of USAT to hold the event and 200 volunteers (Table 1)⁴.

³ Positive Impact from the 2010 Duathlon World 2010 GE Edinburgh ITU Duathlon World Championships // EventScotland. 23.10.2010.

⁴ Request for proposal Age Group Triathlon [Duathlon] National Championship 2013–2014 [USA Triathlon] // TeamUSA.org. 10.04.2011.

Table 1. The economic effect forecast of US triathlon/duathlon championship (data of USA Triathlon), \$

Items	USAT Triathlon National Championship Festival	USAT Duathlon National Championship Festival
Hosting rights	30 000	10 000
Volunteer demand, persons	200	100
Economic effect	2 102 500	834 500
External participants	675 000 =1500 *150 *3 days	315 000 =700 *150 *3 days
External spectators	1 350 000 =3000 *150 *3 days	472 500 =1050 *150 *3 days
Local participants	37 500 =500 * 75 *1 days	22 500 = 100 * 75 *1 days
Local spectators	40 000 =1000 * 40 *1 days	24 000 = 200 * 40 *1 days

Evaluation of the economic effect of local sports events is contained in the reports of the New Zealand tourism research institute of Oakland technological university (NZTRI) [Table 2, 3]. Having noted that most research concerns mega-events, the new Zealanders focused on the consequences of particular tournaments at the level of regional towns. They assumed that in real life people sooner feel positive changes following small sports events that attracted publicity and stirred things up at the level of regional and rural regions⁵.

Their technique involves not only interviews of participants but also appraisal of confirmed expenditures from the point of view of local businesses. Along the way, they also monitored the attitude of local businesses and communities towards particular events.

Table 2. The economic effect of some mass events according to NZTRI

Event	Number of participants, persons	Duration of the event, days	Evaluation of participants, NZ\$	Evaluation of businesses, NZ\$
2005 ARC12 & 24 Hour Adventure (Whangamata)	150	2	37324	19610
2005 ASB Bank Waiheke Island Challenge	72	2	23932	11 009
2005 Kururau Krusher Event (Taumararui)	296	2	135 519	77 246
2005 Taupo Special K Women's Triathlon	1600	2	586 453	301 378
2005 Sir Barry Curtis 10k Classic	818	1	36 854	–
2007 Ironman New Zealand	1120	3	1 424 109	1 046 591

⁵ T.R.A.C.E. Sport Research Program, 2005; Understanding and Enhancing the Economic Yield of Sporting Events, 2006; etc. // Auckland University of Technology, 2005–2007.

Table 3. Evaluation of effects by local businesses Ironman New Zealand-2006 (N=67, NZTRI poll), persons

Sector/ effect	Accommo- dation	Restau- rants	Food	Other businesses	Manufac- tured goods	Transport	Enter- tainment
Positive	6	9	2	9	17	0	0
Neutral	0	5	0	9	13	3	2
Negative	0	0	0	3	17	0	5

Thus, the business (N=67) thinks that sales during the Ironman New Zealand 2006 went up. Segments of hotel and restaurant business registered growth as well as that of food retail. Retail trade, manufactured goods, and transportation business remained without change. The sectors of recreation and entertainment registered a decline. The attitude of residents (N=111) turned out to be positive, rather than negative оказалось скорее позитивным, чем негативным: 28% felt very positive about triathlon, 6% were pessimistic, 66% found positives (economic benefits, local exposure, local solidarity, inducement to participate in sports) and negatives (inconvenience from blocked roads [Buch, 2006]). Ironman is a franchise with subsidies of about \$250 thousand.

Principal stakeholders and the budget of a mass event

The scheme of interaction between principal stakeholders, revenues, and costs of a status mass (participatory) event may be described through actual examples. The ITU duathlon world championship in Edinburgh was directly organized by a local non-profit club. According to the published budget, the revenues of £406 thousand came from participants' contributions (25%), sponsors' payments (28%) subsidies from the authorities (47%). Outside the budget, there is work by 150 volunteers, free services from quango and state structures, sites provided for races, launches and ceremonies.

To have the status of world championship required paying a royalty to the ITU (World triathlon federation), providing prize money, and fulfilling certain hosting conditions. Those include necessary infrastructure, reception of dignitaries, media reporting costs, publicity, volunteer availability, etc. Thus, costs are divided into two parts: necessary and supplementary. The first comprises items that are indispensable for the race – expenses on temporary infrastructure (16%), organization expenses (11%), ceremonies

and catering (8%), management (6%). The second part covers the status consequences: broadcasting costs (15%), prizes and hosting rights (44%) [Adelfinsky, 2014]. Having no status allows cutting the indispensable part also. It is easy to see that the status takes up at least 59% of the budget. What is more, the additional costs ‘flee’ from the territory.

Another example is the Ironman Regensburg triathlon event. The economic effect for the territory was claimed to be €10 mln. At the same time, organizers raised about €860 thousand (around 2000 participating athletes, in 2012 each paid up €430); there were several sponsors (contributions have not been made public as the race is commercial and its budget has not been revealed). It became known that Regensburg paid up €250 thousand to the organizer, provided €300 thousand worth of services, free space, 300 policemen, 700 rescue workers, and lined up volunteers⁶. The race was organized by a private event firm xDreams from Frankfurt am Mein, a subsidiary of WTC corporation from Tampa (Florida, US) that owns the Ironman franchise. Therefore, the outflows from the territory comprise not only the royalty to the WTC but also a part of organization expenses incurred by xDreams outside. Combined royalties for status events represent the source of income for international federations such as ITU, allowing them to operate (this is ‘money for telegrams’ attracting outside participants). However, while international federations and non-profit organizations formally channel extra funds to the development of the sport, private franchises use the inflows to make a profit. In the case of WTC royalty, payment is made for the word Ironman, which de-facto became the universal name for the race and those that finish it.

References to positive reviews are easily found in the media news that informs the public about the impact of status or large-scale sports events on the socio-economic development of the host territory. These are mostly favorable and cite the organizers’ reports. It is rather more difficult to discover details of calculated economic effects and methods applied. US calculations concerning the effect of mass (participatory) events mostly rely on multiplication often using the IMPLAN tools. Other cases are more conservative as they

⁶ Scharf J. Der Ironman – „ein wichtiger Standortfaktor“// Mittelbayerische Zeitung. 14.08.2011. Köppelle W. Ironman (I): Abstruse Milchmädchenrechnungen // Regensburg-Digital.de, 30.07.2010.

take into account only expenses directly tied to the event. A rare type of document is a balance sheet of a particular championship. Let us consider the second group of sources reflecting a skeptical view.

The ‘skeptical’ pole of evaluation

“Two experts – three opinions” is sometimes said about economists taking on a broad range of issues. Members of the American economic association were asked to approve a thesis: “The administrations of states and municipalities need to do away with subsidies to professional sports franchises”. The absolute majority of economists (86%) expressed their approval with 58% of them peremptorily. 6% of them disagreed, peremptorily 1%, 10% stayed neutral [Whaples, 2006]. This opinion was voiced by economists in general and could only be based on their professional intuition. However, those that studied the subject were in full accord [Coates, Humphreys, 2008].

The problem of evaluating the economic effect of sports franchises, stadiums, and mega-events is a popular subject of research with almost 30 years of history. It is worth explaining that the most high-grossing kinds of sport in North America are primarily franchises of professional leagues NFL, MLB, NBA, NHL, and MLS. However, the construction of stadiums for those business structures had been regularly subsidized from regional budgets. In the interests of the NFL alone, 24 stadiums were reconstructed or built over 20 years (1995–2014) in the USA. With average costs of one being \$496,9 mln, public funding reached 56%. The ground for subsidies was ‘positive’ calculations of economic effects from franchises and stadium projects.

The subsidies and techniques of calculation aroused the interest of the scientific community. An ex-post approach started looking at effects for past mega-events and renovations and compare them with ex-ante forecasts. The economic statistics data such as employment, personal income, taxable sales, etc. were looked at to appraise effects of franchise transfer to other areas, hosting mega-events, building and renovating stadiums.

By mid-2000-s the experts clearly reached a consensus here: expected effects had not been discovered and no grounds existed for subsidies [Coates, Humphreys, 2008]. It appears that the business got its profits from the budgets. The same is true for mega-events such as the Olympic Games: they do not pay back the costs of hosting them. An exception to the rule is believed to be Los Angeles-1984.

Why don't mega-events bring in declared effects? The answer will be based on publications of western research expert Victor Matheson, produced over several years. The reasons why we selected him are: Firstly, he authored a comprehensive review of effects in his Handbook on the Economics of Sport [Matheson, 2006]. Secondly, he co-authored the only relevant paper in JSE, which considered triathlon [Baumann et al., 2009].

The economic effect analysis is often used "to justify public spending on sports infrastructure or purchase of sports franchises" as was said in an earlier publication [Matheson, 2002]. The following publications become more critical. A review of a considerable number of research papers concluded that 'favorable' calculations often exaggerated the real economic benefits of professional sport to a significant degree. Gains, as a rule, were exaggerated, costs downplayed, the multiplier effect was abused, and to boot, the substitution effect was ignored.

Thus, even if favorable research accurately appraised economic activity during the event, it largely ignored what did not take place due to the event. Without casting doubt on possible economic evaluation per se, Matheson suggests that an independent observer prudently considers any analysis of economic effects delivered by sports leagues or franchises. It was stressed that independent research into local economy prior (ex-ante) and after (ex-post) mega events had not discovered any positive economic effect [Matheson, 2006].

Three main reasons for the lack of positive economic impact from mega-events are considered to be the effects of substitution, replacement, and leakage. One may also mention effects of time shift, accidental visitors and overestimated base value.

Substitution effect – a mega-event only substitutes other forms of leisure activities. A local citizen visits a tournament and spends money on it. In the absence of this tournament, the money would be spent on theater, cinema, circus, bowling, or other. Local consumers' spending does not generate new economic activity; it redistributes expenditure inside the region. Most experts believe that local expenses are to be excluded from any calculations. But even consideration of spending of visitors only may lead to exaggerated valuations.

The effect of drop-in visitors – some outside visitors may attend mega-events while being there for other reasons. Suppose that the sons of unforgettable lieutenant Schmidt on their way to Chernomorsk

turned up in Arbatov. Their objective is the office of the executive committee chairman and donations to be collected. If they are to visit the motor race they will be counted as outside visitors to the race with all the consequences for calculating a positive economic effect.

The effect of time shift – the event changes dates but is not the reason for visiting the place. An appropriate illustration is provided by the data on personnel and income of hotel industry of New South Wales” peak figures in the year of Sidney Olympic games of 2000 and a noticeable drop after it (Table 4). A proposed explanation: Australia with its unique nature is rather attractive for US and European tourists but due to its remote position a trip there remains one and only [Solberg & Preuss, 2007].

Table 4. The 2000 Sidney Games and the tourism industry of New South Wales, 1998–2004 [Solberg & Preuss, 2007], %

Item	1998	1999	2000	2001	2002	2003	2004
Number of personnel	93,7	93,6	100,0	95,6	91,7	90,4	89,0
Income per guest-night	91,2	88,3	100,0	89,8	85,3	86,3	86,7

Replacement effect – a mega-event is perceived with a bias and/or draws resources from other forms of activity. The massive invasion of fans makes a part of traditional tourists and even locals ‘flee from the event’. But even if all hotels are full and nobody left the mega event took up resources from alternatives. An economic effect may be high but the net effect quite modest. Numerous cases that prove this. To give one example, the NBA All-Star Game in Las Vegas happened to coincide with celebrations of the New 2007 Year according to the Oriental calendar and basketball fans displaced traditional Asian clients of the gambling industry. The tournament not only left the casino without expected income but also kicked off a deluge of complaints about fans’ wild behavior⁷. Another example is the Beijing 2008 Olympics where security restrictions and other problems effectively excluded any movement of tourists: the number of visitors to Beijing in August of 2008 was 450 thousand – exactly the same as a year before.

The leakage effect – the revenues from a mega event may leave the territory due to the specific distribution of labor/capital. Thus,

⁷ Casino exec: All-Star Game wasn’t good for business // ESPN.com. 04.05.2007.

during the event hotels are full and prices are significantly higher. Formally, the money was brought here and calculations of the event impact will apply a multiplier model to strengthen it (the money will allegedly create new demand in the territory). However, salaries will stay the same and as capital income is more mobile than that on labor, the hotel revenues will go elsewhere. The personnel will work longer hours with not enough time to spend earnings in the local economy. So, the multiplier will decrease. The bottom line is the opposite: the multiplier went down and the revenues are gone. And this even though attracting a mega-event to the region is paid for by taxpayers' money.

Consideration of replacement effect and correct multiplication pose a methodology problem even for conscientious ex-ante research according to experts. This gave rise to the ex-post approach but many of such research projects revealed very weak links between staged mega-events and real economic variables [Baumann et al., 2009].

It appears that there is no positive effect. Such an opinion is voiced by a vast number of experts both in earlier and in contemporary works. A collection of scientific research with the rhetorical name "Sport, jobs, and taxes: are new stadiums worth the costs?" leads one to think rather not [Sports, Jobs & Taxes, 1997]. The monograph "Losers of the High league: real costs of sport and who pays for it" points to the taxpayers as principal losers [Rosentraub, 1997]. The newer the publications, the harder the names. "Public money, private stadiums: the battle around sports construction" [Delaney, Eckstein, 2003]. "The field for combination: how the great stadium racket turns public money into private profit" [DeMause, Cagan, 2008]. "They play, you pay: why the taxpayers build arenas and stadiums for billionaires-owners and millionaire-players" [Bennett 2012].

The history of the question – how western scientists searched hard but in vain for they could not discover public benefits from mega-events, franchises, and new stadiums – is the subject of a whole chapter from 'Footballonomics'. the central phrase from a chapter in fantasy drama "After his dream". A farmer starts seeing ghosts of great players of the past, cuts grass for their sake, and builds a stadium instead. A conclusion is drawn about a 'stadium lobby', the interests of mega-event organizers, professional leagues, franchises, etc. [Kuper, Szymanski, 2009].

Checking 'positives' and the skeptics

Let us consider positive information from a skeptical point of view to measure its fairness. The methodology of EventIMPACTS designates many of the factors under consideration as not purely economic efficiency measurements but as social effects. *эффектам*. NZTRI estimates values given by local businesses as being on average 1.83 times lower than those given by participants. This allows us to consider the effect of a higher base value – self-proclaimed participants' expenses are apparently exaggerated. The New Zealanders do not stress the fact but it follows from their findings.

The ex-ante USAT calculation takes into account local clients while ignoring the substitution effect. The calculation for the 2010 world championship in Edinburgh was conducted in the same way. A more conservative approach includes consideration of the substitution effect and allows confirming the number of external athletes in protocols. The realistic figure is £274 thousand or one-eighth of the official one. But it is higher than the budget contribution. This raises a logical question: are there no positives at all? Isn't then the point of view of western scientists biased? It turns out that there are exceptions. Matheson found a positive event – the traditional annual Honolulu marathon. This mass participatory event happened to be the only generator of net economic effect among many sports events on the whole archipelago.

Analysis of sport and tourism policy of the Hawaii state is an example of ex-post research conducted by Baumann, Matheson, and Mura. The unique geographical position (isolated island archipelago in the center of the Pacific Ocean) makes it possible to see how effective mega-events are in terms of net arrivals of air passengers. The archipelago gets on average 22716 daily arrivals. The official figures of arrivals and departures were compared to the calendar of sports mega-events. In 2007 the state subsidized championships of surfing, canoeing, fishing, volleyball tournament, golf tournaments of PGA series, two private triathlon world championships: Ironman Hawaii and Xterra, college cup Bowl Hawaii, and Pro Bowl – NFL all-stars match. The larger share of subsidies went to the NFL Pro Bowl. In 2004, the right to host it cost \$5,3 mln, another \$2,1 mln went to PGA golf tours with \$585 thousand covering the rest (mostly Ironman Hawaii that takes up 1/10 of Pro Bowl). The question is: how

rationally the state budget is spent? How efficiently is it distributed between sponsored subjects?

The first stage involved processing data from 2004 to May 2008. The results demonstrated that only three events generated a significant positive effect on the number of tourist arrivals – the Honolulu marathon (from 2183 to 6519 of ‘net arrivals’), triathlon Ironman Hawaii (from 1880 to 3583), and NFL Pro Bowl (from 5596 to 6726). The three events, on the whole, produced similar effects on the Hawaiian economy. At that, the state spends 2/3 of its sports tourism budget to buy rights for Pro Bowl and 1/10 of this for Ironman, with nothing on Honolulu marathon. None of the events delivers any ‘net profit’ as their organizers claim while other sports events have no noticeable effect on tourist arrivals whatsoever. Also, both the marathon and Pro Bowl demonstrated the replacement effect. ‘Net arrivals’ do not permit direct monetization from events but they were compared with the evaluation of participants’ expenses from official reports. The Honolulu marathon produced \$5,1 mln of ‘net arrivals’. It is somewhat less than \$109 mln proclaimed by the organizers but the state spent nothing on bringing in the event. The effect of Ironman Hawaii, the participants of which allegedly ‘spend a lot’ ~ \$4–8 mln (with the cost of bringing in ~ \$500 thousand). The Pro Bowl effect is \$5,7 mln, although the state spent \$5,3 mln for the hosting rights. It turns out that NFL extracted back from the territory all the direct benefits from the event, concluded the experts [Baumann et al., 2009].

The second stage considered a longer span of time from 2004 to May 2015. This improved research discovered the only mega event with a significant positive effect – the Honolulu marathon that attracted 3900 additional tourists to the archipelago. All other mega-events including NFL Pro Bowl and Ironman Hawaii produced no statistically relevant effect [Baumann, Matheson, 2015].

Thus, the traditional marathon race without a franchise or royalty payment turned out to be the only success. Moreover, the analysis left out the fact that mega-events need giant stadiums while open mass starts do not incur similar infrastructure costs.

The case of Ballpark Stadium in Texas

If there is no economic effect from mega-events for host regions, what effects are there and why subsidize them? The issue of subsidies

clearly concerns public policies. Let us again turn to the problem of building stadiums in the USA. According to American economists, it is budget subsidies, tax breaks, and preferences that serve as the principal source of profit for businesses that own sports franchises.

An example of such a commercial operation is described in detail by Nickolas Christof, a columnist of The New York Times. The story is about the Texas Rangers team in the city of Arlington. A group of investors bought this franchise of MLB professional league in 1989 for \$87 mln. The owners decided to build a new stadium and asked for taxpayers' support. The city raised the sales tax by 0.5% to enable the collection of the required subsidy of \$191 mln. In 1999 the franchise was sold to a new owner for \$250 mln. The most valuable asset was the new Ballpark. The deal seemed to be a real estate operation within a public-private partnership.

An interesting aspect of the story is that the project was under discussion before construction and was put on a referendum, where 2/3 of Arlington citizens in 1991 voted for a new stadium. Another curious thing in this story is that a central figure of the deal was George Bush Jr., the first son of the US in 1989–1993, a 'dyed in the wool' republican, an opponent of taxes, social benefits, etc. in practice, however, he managed to convince everybody to vote for the stadium tax. The lawyer Jim Ranzheimer who opposed the construction of the stadium saw this as a betrayal of political ideals: *"If a conservative believes in limiting government power this deal shows the hypocrisy of Bush. He covered his costs at the government's expense. This is against capitalist principles"*.

A partner of Bush Jr. in this project, Roland. W. Betts saw it differently: *"At the moment George was not a governor of Texas. He was a general partner, a trustee and his duty was to make the best deal for investors. This is what he's done"*.

This is not a single case according to economist Mark Rosentraub, the author of "Major league losers". He believes that the construction of a stadium is put forward as economically beneficial for the community, although taxpayers lose money in return for 'a way to raise civic pride'. *"I am not saying I do not like it [the way of raising the civic pride]. I like it as I am a baseball fan. It is just a regressive tax – taxes are taken from low and medium income people and the money goes to the very rich. It is redistribution of wealth from the bottom upwards"*.

George Bush Jr. got \$14,9 mln from selling Texas Rangers. While other investors got 450% profit, he as a general partner got 2500%. The initial stake was \$606 thousand that he borrowed. Before the deal, he was not rich. His main asset was the status of the first son that he used well when dealing with fans, media, and local authorities. And now the clinching fact that Kristof used to start his article. Managing the Texas Rangers franchise and construction of a new stadium besides making his personal wealth allowed George Bush Jr. to raise his popularity around the state. In 1993, when Ballpark was completed Bush was proudly telling the reporters: “When these people [in the state’s capital] say: “He’s never done anything in life”, well, show them [our stadium]”. Thanks to the reputation of the successful owner of Texas Rangers, George Bush Jr. was elected the governor of Texas⁸.

This success, both financial and political, is easy to explain. Some (local communities) need civic pride. Others (sports organizations) are capable to satisfy this rare need. The third (entrepreneurs) just exploit this opportunity by connecting one with the other. The unique feature of professional sports leagues in the USA is a close structure and a fixed number of teams. A franchise, thus, becomes a limited resource. Had the Arlingtonians not supported their team, its owners could have moved it to another place more generous with subsidies. There are plenty of examples: Washington Nationals used to be Montreal Expos, Tennessee Titans – Houston Oilers, Los Angeles Dodgers – Brooklyn Dodgers, and Texas Rangers – Washington Senators.

Civic pride is a social benefit, intuitively understandable to fans and local authorities. The home team unites and binds as a collective unconscious. At that, the first son manifested himself in the role of general partner as a regular guy. Bush Jr. did not stay in the skybox as befits rich owners, he preferred to be in the stands mixing with fans, he knew and loved the sport.

The case of the 2012 London Games

Sport as a social phenomenon appears to represent an irrational sphere where its most appropriate scientific interpretation would be ethological, in the spirit of Conrad Lorenz. Similar cases are found

⁸ Kristof N. D. The 2000 Campaign: Breaking into Baseball; Road to Politics Ran Through a Texas Ballpark // The New York Times. 24.09.2000.

with other limited resources – world championships, Olympic Games, and status international sports competitions. “Our games!” “If not us, others will take it?” Such words also come from representatives of the establishment. The British press in 2008 started a debate in connection with exceeding the projected cost budget of the 2012 Olympic Games in London. The Times found out that as early as 2002 the Tony Blair government hired top experts to develop a strategy of national sports policy that would include issues of hosting events such as the Olympic games and world championships. However, the final report was not made public – it “*died quietly having failed to supply weighty arguments supporting such projects*”.

As said by one of the authors of the strategy, professor of London School of economics Stefan Shimansky: “It was a responsible report explaining “*why we should not make claims for the Games*” but it turned out to be the inconvenient truth⁹.”

The politicians who took the decision also commented on the Games story. The ex-Prime Minister of Great Britain Tony Blair revealed the true motivations of “the battle for 2012 Games” in his memoirs: [Tessa Jovell, minister of culture, media, and sports] told me about the great opportunities of the Olympics. “Just think of the impact on the youth, fitness, sports, and the country’s self-confidence”... I objected: “Yes, but suppose we lose and what is worse, to the French and will be destroyed in the end”. She looked at me reproachfully and said: “I really do not think it is your attitude. I thought you could take on a risk. We may not win but at least we shall have the courage to endeavor it”. When Tessa says this you feel ashamed like a wimp. You know she is manipulating you but you also know that it works. “Okay, we’ll do it”¹⁰.

In connection with civic pride and a shortage thereof, another factor comes into play – the interests of associated parties. Thus, the mayor of London Kevin Livingston cold his electors” “I supported the Olympics not for three weeks of sport but as the only chance to get hold of billions of pounds from the government for development of East End, which is dilapidated and requires reconstruction¹¹.”

⁹ UK: Olympics good for having a party but not much else, secret report warned ministers // The Times. 12.02.2008.

¹⁰ Blair T. A Journey. Hutchinson Radius, 2010.

¹¹ Davies Gareth A. Mayor tricked Govt. into 2012 Olympics bid // Daily Telegraph. 25.04.2008.

Theoretically, changes in infrastructure may be able to produce further positive payoffs. In practice, consequences of mega-events turn out to be useless but expensive to maintain objects such as sled and bobsleigh routes, ski trampolines, and empty stadiums. The debts of the 1968 Winter Olympics in Grenoble had been being repaid by local taxpayers right till 1992, the debts of the 1976 Summer Olympics in Montreal – to 2006, etc.

The French economist Vladimir Andreff explains the economic impracticality of Olympics by the theory of auction winner in conjunction with information asymmetry and the monopoly of right owners (IOC, FIFA, etc.). As benefits are known in advance, the most optimistic exaggerate evaluation wins. The side offering a deal strives to overestimate rewards [Andreff, 2012]. A different story took place with the 1984 Olympic Games in Los Angeles. This was the only bid when the IOC agreed to the conditions of the host. Before that there was Montreal-1976 where Canadian countrymen did not win any gold medals and the project itself incurred spectacular losses.

Money for telegrams?

The above said allows us to agree with the conclusions of international experts: the statement concerning an economic effect is very often the narrative of interested groups (i.e. a cover story, a legend in the words of political and diplomatic workers). In the context of the target proclaimed by the authorities “to involve 55% of the population in sports activities” the most demanded are not giant stadiums (media technologies development make TV spectacle cheaper and easier) but simple utilitarian objects, public recreation resources that may be used every day instead of twice a year and by the broadest public.

As for mass (participatory) competitions, we believe that with private franchises like in the case of Ironman we see an artificial price hike that restricts access to participation with a simultaneous redistribution of resources from the bottom up – from local people to outside owners. Does this correspond to the declared goals of social policy is but a rhetorical question.

At the end, we shall make two quotations from books published 80 years apart. First comes an English text written in 2009 by two authors, journalist Simon Cooper and economist Stefan Shimansky: “... there now exists a small industry of consulting with a narrow

purpose of justifying feasibility for this proverbial ‘if you build it will come’ trademark trick of American sports club owners... in order to make taxpayers splash out for the construction of stadiums. This is the hour of cunning economists... Anyone in the USA who intends to push taxpayers towards paying for new stadiums places an order for economists to study “‘an economic effect” of this enterprise. By a strange coincidence this research easily proves that constructing a stadium will make local taxpayers rich... a typical argument “pro” looks like this: the construction of a stadium will create jobs first for construction workers and then for those employed there. Sports events will attract fans from all over the place. “If you build it, he will come”), and they will keep spending money. To cater to the spectators the stadium will pull in business. The territory around the stadium will be economically active and make people want to live there [Cooper, Shimansky, 2011].

Now, a better-known text created by two journalists from the editing office of ‘Goodok’ Ilya Ilf and Yevgeniy Petrov back in 1927. It is just amazing how precisely and contemporarily the multiplier concept is employed in the process of effective fundraising: “And who do you think is going to pay that kind of money? The people of Vasyuki?” “What do you mean, the people of Vasyuki? The people of Vasyuki are not going to pay money, they’re going to receive it. It’s all extremely simple. After all, chess enthusiasts will come from all over the world to attend a tournament with such great champions. Hundreds of thousands of people-well-to-do people-will head for Vasyuki. Naturally, the river transport will not be able to cope with such a large number of passengers. So the Ministry of Railways will have to build a main line from Moscow to Vasyuki. That’s one thing. Another is hotels and skyscrapers to accommodate the visitors. The third thing is improvement of the agriculture over a radius of five hundred miles; the visitors have to be provided with fruit, vegetables, caviar and chocolate. The building for the actual tournament is the next thing. Then there’s construction of garages to house motor transport for the visitors. An extra-high power radio station will have to be built to broadcast the sensational results of the tournament to the rest of the world. Now about the Vasyuki railway. It most likely won’t be able to carry all the passengers wanting to come to Vasyuki, so we will have to have a ‘Greater Vasyuki’ airport with regular nights

by mail planes and airships to all parts of the globe, including Los Angeles and Melbourne.”

“Ye-es,” said the one-eyed man with a sigh, looking around the dusty room with an insane light in his eye, “but how are we to put the plan into effect, to lay the basis, so to say?” They all looked at the Grossmeister tensely. “As I say, in practice the plan depends entirely on your activity. I will do all the organizing myself. There will be no actual expense, except for the cost of the telegrams.” One-eyed nudged his companions. “Well?” he asked, “what do you say?” “Let’s do it, let’s do it!” cried the citizens. “How much money is needed for the . . . er. . . telegrams?” “A mere bagatelle. A hundred roubles.”¹²

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¹² Ilf I., Petrov Ye. Twelve chairs. M. Pravda. 1987.

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