

Socioeconomics of Sport:
macroeconomic impact study
and
cost-benefit analysis

macroeconomic impact study...

...try to figure out how important the sport sector in general is as part of the national or regional economy and present us a static picture of the share of the sports sector in the economy in terms of expenditures, production, income, employment and tax revenue (Kesénne 1997).

cost-benefit-analysis...

...f.i. the socioeconomic evaluation of public investment projects are primarily meant to find out if the realization of a specific project can be justified from a socioeconomic point of view and take into account opportunity costs:

“even if a sports project does generate positive net benefits, public funding should be invested only if the net benefits exceed the best alternative use of the funding” (Kesénne 1997).

general statement

The positive impact of sport in modern societies derives not only through its direct impact on the economy, but mainly through the indirect value of moderate physical activity practice of the general population.

Therefore, for example, governmental subsidies to sports should rather get validation by the external effects of physical activity over health, productivity, social cohesion and social integration.

general statement (cont.)

“...a study that was recently conducted at the Stockholm Business School in Sweden calculated that the time invested by voluntary leaders in sport represented a wage cost of about 2 billion Euro. A market price would at least double this figure” (Karlberg 2001).

Noll & Zimbalist (1997), Hamilton & Kahn (1997) and Johnson & Whitehead (2000) define general results of economic impact of sport analysis as:

- growth, employment and area redevelopment (tangible benefits) and
- civic pride, civic identity and utility consumption (intangible benefits).

methodological concerns

The most common methodological concerns and mistakes of economic impact studies of sport, major sport events and sport facility construction are identified by Crompton (1995) as being:

- failure to account for substitution effects,
- use of gross instead of net values,
- overstating of benefits and understating of costs and
- misuse of economic multipliers.

methodological concerns (cont.)

Some years later, Porter (1999) identified further error sources, adding to the list:

- investigator bias,
- data measurement error,
- changing production relationships,
- capacity constraints anywhere along the chain of sales relations, leading to lower multipliers,

methodological concerns (cont.)

- crowding out (HRs),
- price increases by input suppliers in response to higher levels of demand,
- capacity constraints (perfect complements to the event, like hotel rooms for visitors! – whose suppliers raise prices in the face of increased demand, impacts may reduce to zero).

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