# Effects of Sports on Economy

The use of sports markets to explore questions of economic interest has a long history as the majority of this literature analyses US sports, notably American football, basketball, baseball, and ice hockey, whilst there is also a considerable interest in soccer, the leading world sport. For example, the 1998 European Short Course Swimming, 1999 European Show Jumping and the 2001 World Half Marathon Championships.

Over the past two decades there has been increased competition among cities, regions and countries to host mega sporting events. Therefore, governments and other proponents of major sporting events usually seek to back up their claims of the event providing an economic boost by commissioning an economic impact statement. For example, Economic Research Associates’ (1984) study of the Los Angeles Olympics, Humphreys and Plummers’ (1992) study of the Atlanta Olympics, and KPMG Peat Marwick’s (1993) study of the Sydney Olympics.

Hosting a sport event has revealed a number of benefits in our communities and of those benefits, some reasons like increasing community visibility, positive psychic income, and enhancing community image are all common and acceptable postulations. Economic impact in sporting events can be defined as the net change in an economy resulting from a sport event and the change is caused by activity involving the acquisition, operation, development, and use of sport facilities and services (Lieber and Alton, 1983) which in turn generate visitors’ spending, public spending, employment opportunities, and tax revenue. In study of economic impact expenditures can be categorized as direct, indirect, and induced effects. For example, direct expenditure is the investment needed to meet the increased demand of visitors for goods and services. Indirect effects are the ripple effect of additional rounds of re-circulating the initial spectators’ dollars. Induced effects are the increase in employment and household income that result from the economic activity fueled by the direct and indirect effects (Dawson, Blahna, & Keith, 1993; Howard & Crompton, 1995).

Sports Economics possesses substantial experience in economic consulting to the sports industry, with specific knowledge of the economic impact of facilities, events, and teams so considering the publicity and scrutiny surrounding such studies, it is imperative to select a firm that not only has substantial experience, but also has a reputation for consistently providing an accurate assessment of economic impact.

There are following reasons to conduct economic impact studies of sport events and firstly, because many sport events in our communities were financed by public tax support, economic impact studies continue to be an important public relations tool for city government. Secondly, there is doubt that sporting events may actually help develop a community in relative to its economy therefore, accurate estimates should be proposed and the results should be reported to community members and Thirdly, as sport is not just an entertainment but an industry so the results of economic impact may be a cornerstone to develop many related businesses in communities. Finally, positive or negative economic results of sport events may be an important method to determine communities’ draft budget for the coming year so as an example in July of 2001, Beijing was awarded the 2008 Summer Olympic Games so most people assume that such an event will bring enormous economic benefits to the host city not just during the event, but for years afterward. “The scale of the organization, facilities and infrastructure required for such a huge undertaking are such that the Games cannot but have substantial economic effects” (Sydney 2000 Games, p 2) but what exactly are these economic effects, and how do they affect the quality of life of local residents?

# To study economic impact of sports is a challenging topic in the field of management fields because estimating the economic impact of sporting events and make some constructive statement is very difficult and subjective. Due to the subjective nature of social science, ideas and methodology vary from person to person for conducting economic impact studies. The main barrier behind conducting social science research is based on the level of competitiveness and belief in understanding of the material, and also social objects are hidden behind a screen of pre-constructed discourses which present the worst barrier to scientific investigation, and countless sociologists believe they are talking about the object of study when they are merely relaying the discourse which, in sport as elsewhere, the object produces about itself, whether through its officials, supporters or journalists (Bourdieu, 1999). Therefore, construction of truly scientific objects implies a break with common representations, which can notably be effected by taking these pre-notions as the object of study so this report examines the wider benefits that move beyond the economic impact and proffers the adoption of the ‘balanced scorecard’ approach to event evaluation. This consolidated piece of research builds on the original ‘Measuring Success’ in 1999 which was based on the premise that major sports events have the potential to achieve significant economic impacts for the host town, city or area but economic impact is now one of the parameters upon which an event’s success is measured.

Countries hosting the mega sports event, should make a roadmap for significant investments in sports venues and other infrastructure. It is generally assumed that the scale of such event and roadmap of the preparation for it will create large and long-lasting economic benefits to the host country. This would result in huge economic benefits that would have significant economic impact. However, unfortunately, these studies are constructed around misapplications of economic theoretical framework that virtually guarantee their projections will be large. Ex-post studies have consistently showed no evidence of positive economic impacts from mega-sporting events even remotely approaching the estimates in economic impact studies. For example, in the 2008 Summer Olympic Games in Beijing, China have put up huge investments in infrastructure and facility recreation to a new level. The opportunity for long term economic benefits from the mega sports event like Beijing, critically depend on how well mega sports events related investments in venues and infrastructure can be incorporated into the overall economy in the years following the Games

In current scenario economic impact studies have become standard operating procedure for supporters of public funding for sports events. It has led to acceptance of their findings by the government and public due to their prevalence with no critical evaluation. Due to the huge investment involved in such high-profile mega sports events, large and positive economic effects are taken as given; the studies confirm what is already believed. “The promise of worldwide exposure and economic gain has made hosting these major and regularly scheduled sporting affairs a lucrative goal for aspiring cities around the world” (Short 2000, p. 320).

Hosting a mega sport event like the Olympics, has exhibited a number of large and long-lasting benefits in our communities like enhancing community image, increasing community visibility and positive psychic income are all common and acceptable postulations. However, sport is not just limited to an entertainment, it also acts as full-fledged industry, the results of economic impact may be a cornerstone to develop many related businesses in communities. Positive or negative economic results of sport events may be a critical factor to determine communities’ draft budget for the coming year.

Mega-events such as the Olympic Games require large sums of public money to be spent on venues and infrastructure improvements. Economic impact studies are often commissioned in order to justify the use of large sum of public money towards invariably large inflows of money that will have a long-term positive effect on the economy by such means as job creation and visitor spending. Scale of the mega sports event which attract large amounts of money from outside a local economy, are forecasted to have economic impacts in the billions of dollars

The simple elegance of economic impact studies, injections of money circulating over and over in an economy to create a multiplier effect, has an alluring “something for-nothing” quality that is hard to refute. However, to justify a counter argument can be difficult due to numerous mistakes made in economic impact studies. Critics have focused on numerous subjective areas like: 1) using multipliers that are too large, 2) treating costs as benefits, 3) ignoring opportunity costs and 4) using gross spending instead of net changes.

# In hosting mega sports event the major part of investment required on constructing stadiums, which to a large degree is spent on hiring construction workers and purchasing materials from local suppliers, is counted as a benefit to the local economy.

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