



DOLLAR & SENSE: THE BROOKINGS TRADE PODCAST

“The economics of the World Cup”

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Episode Summary:

David Dollar speaks with Victor Matheson, a professor of economics at the College of the Holy Cross, about the economic implications for a country hosting the World Cup tournament. Prof. Matheson, author of a recent paper, “The Economics of the World Cup,” discusses the costs and benefits for the host country, whether sports stadiums generate economic activity, the impact on tourism, and FIFA’s role in organizing the quadrennial event.

[news clip of goal being scored; music]

DOLLAR: Hi, I'm David Dollar, host of the Brookings trade podcast Dollar and Sense. Together with everyone else in the world, I've been enjoying the World Cup matches, which have provided some beautiful goals and some surprising upsets. The World Cup is the biggest sporting event in the world, and it's also a big economic event. So, today we're going to talk about the economics of the World Cup, and my guest is Victor Matheson, an economics professor at the College of the Holy Cross, who has a paper online with this same title, "The Economics of the World Cup." So, welcome to the show, Victor.

MATHESON: Well, thank you very much for having me. No better time to talk about sports economics than the World Cup.

DOLLAR: So, we're audio here, I'll just tell the audience Victor's wearing a nice Brazilian football jersey, from a club is that or is that ... it's not the national?

MATHESON: I'm wearing Bahia, one of the clubs on the north, on the north coast, north of Rio.

DOLLAR: So, the World Cup entails a lot of costs and benefits and figuring out kind of what's the overall effect on the economy is quite tricky. So, let's start with the big picture. For a host like Qatar, what are the main costs and benefits of the World Cup?

MATHESON: I think it's super important to understand that the costs for a place like Qatar, again, a country roughly the size of Connecticut, with about half the number of people and about a tenth the amount of infrastructure, is an entirely different proposition than hosting the World Cup in a place like the United States, Mexico, and Canada, which is where it will be in four years.

So, basically all you need for a mega event like the World Cup is you need somewhere between 8 to 12 large stadiums that can host somewhere between 40 and 80,000 fans. FIFA requires a minimum of eight with at least 40,000 capacity. And then, of course, you need the tourist infrastructure that can handle the expected inflows of tourists here.

So, in a place like the United States, the cost of hosting the World Cup is actually not that bad at all. When we were bidding against Qatar for this World Cup, the United States put forward a list of 79 stadiums in the United States that were already built, already up and ready that could be available for a World Cup match with two weeks' notice. Qatar had one stadium available at that point. They had to build seven new ones since that time. And so, that involves costs of billions of dollars just for stadiums in Qatar, in a way in the United States or Canada it would have cost nothing.

Now, on top of this, of course, we've got all that other stuff that goes along with hosting somewhere between 100,000, 200,000 and a million fans coming in for this. And, of course, the United States is well built for that as well. Qatar, not so much.

DOLLAR: Yeah. So, that's a very important point, what your preexisting infrastructure is. In cases where you have to build a lot of new stadia—and this could be relevant for Olympics, too, which is a similar big sporting event. Do we know much about the economics of building a big arena? Is this a good investment when a city forks out money for a football stadium?

MATHESON [00:03:30] Yeah, I don't have to tell you, right, put any two economists in a room, and you're going to get three different opinions on most things. Right? One of the universal truths is economists can never agree about anything. Sports stadiums are one thing we agree about—is that

sports stadiums are a terrible investment for local municipalities. They do very, very little to generate long-run economic benefits. They're good for team owners. They're good for player salaries. They are nice places for fans to watch things, but they do very little to generate actual economic growth or economic activity. Maybe a small neighborhood effect, but once you get any anywhere beyond roughly half a mile from a stadium, almost no effect whatsoever.

If there's one thing, again, economists agree on is that the roughly \$30 billion of public money that has been poured into new stadiums in the United States over the last 30 years is a terrible municipal investment. And again, we've been studying this, economists like myself and many others, have been studying this for about 30 years now. Again, a good rule of thumb, we say, is any time a sports booster comes and tells you what the economic benefits of a stadium or an event are, take whatever that booster is telling you, move the decimal point one place to the left, and that's a pretty good estimate of what you're actually going to get out of it.

DOLLAR: You hinted at other types of infrastructure that are needed. So, aside from the stadia, obviously you need a lot of public transportation, and modern airports, and ideally moving people around or metros or busses. What about those investments? Are those, it seems to me it just intuitively that there are probably a lot of cities that really could benefit from upgrading their public infrastructure. So, is that kind of a different category?

MATHESON: Yeah, definitely a different category, but also wildly difficult to measure. So, if we look at Qatar in particular: so Qatar is spending somewhere, estimated numbers between 220 and \$300 billion in preparation for this event. We're never going to get any sort of reasonable final tally on this. But even if we could get audited numbers that we believed, the problem is it's really hard sometimes to disentangle sports infrastructure from other types of infrastructure.

And you might be saying, well, a road is obviously that's general infrastructure and a stadium is specific infrastructure, but even there, it's hard. So, Wembley Stadium in London was the first billion dollar stadium in the world, but part of that billion dollar cost was a new tube stop from the London Underground right there at Wembley Stadium. And that tube stop itself was about \$250 million. So, gigantic costs.

But you might say, well, that's not part of the stadium. Right? That's part of the tube infrastructure. But the only reason that that subway stop was ever created, because there's nothing else in the area of the stadium but the stadium, was because of the stadium. So, should that subway be considered general infrastructure or should it be considered stadium infrastructure? And there's no one simple answer here.

So, for Qatar, Qatar, again, 220 to \$300 billion, roughly \$10 billion of that is stadium infrastructure. These stadiums in general will never be used again. They have use for about one stadium because they do have an occasional large event. They never have more than one at a time other than the World Cup. Their domestic soccer league draws about a thousand people per game. You could host that in a typical high school soccer stadium.

Most of these stadiums are going to be repurposed in some way, but if you want to turn a stadium into a school, that's literally the most expensive way to build a school in the world. They have at least one stadium that's built out of—it's actually kind of a clever and fun architectural stadium—but it's built out of containers, like container ship sort of pieces. And that's designed to be completely disassembled and torn down. Other parts of the stadium will be partially torn down and then reassembled in developing countries. Strangely, the same developing countries that that voted to give Qatar the event in the first place, certainly no hint of quid pro quo or bribery there.

DOLLAR: I was living in Beijing in 2008 when they hosted the Olympics, and I went back to the U.S. for the first half of the summer and then returned to Beijing in time for the Olympics. And I was living in the suburbs and they had built a whole new metro line from downtown to my suburban neighborhood in the six weeks or so I was gone back to the United States. And that was extremely well utilized subway line, you know, in perpetuity, basically. But Beijing also, they built a lot of dedicated sports event venues which are mostly just sitting around empty, doing nothing. So, I think that the distinction between the specific sports infrastructure and the more general public transportation, that's really very important.

MATHESON: Right. And even things that are general, you may way, way overbuild. For example, you have a situation here where, of course, they need massive tourist space for this four week event. And so they have tripled their number of hotel rooms from about 10,000 hotel rooms to about 30,000 hotel rooms. This means Qatar is going to end up having roughly double the number of hotel rooms that a typical country its size would have. So, empty hotel rooms don't lead to long-run economic growth. Maybe eventually the tourism and the country catches up to those hotel rooms. But again, it looks like they're in a world where they have at least double capacity.

And we've seen this again and again. So, for example, Lillehammer, one of the Winter Olympics hosts, they hosted the Winter Olympics back in the '90s. And within two months of the end of the Olympics, several of their luxury hotels had filed for bankruptcy, because a hotel that you can fill up during one of the world's premier sporting events is not necessarily a hotel that you can fill up 70% of the time, you know, day after day after day. And that's roughly what you need to keep a hotel in business is, you know, roughly 70% occupancy, not just on the big days—on those random Tuesdays in March you need people in the hotel or that hotel is not a good investment.

DOLLAR: Does the World Cup typically give a permanent boost to tourism? I mean, it's been one of the nice things certainly for me, just watching all the happy people. And I guess with most matches in when there's a winner or loser, you've got some happy people and you've got some unhappy people. But, in general, you've got really enthusiastic fans in the stadiums and that's nice to see people enjoying themselves. So, obviously there's something of a tourist surge for these few weeks, but is there any record of kind of a lasting tourist surge because your place has gotten a big advertisement now?

MATHESON: Typically, the number one way that a place gets future tourism is through word of mouth of other people who've been there. Okay? And so, for example, let's imagine you go to New Orleans, that's where the big allied meetings are for the economists this year in the U.S. And you go to New Orleans and say, Oh, I had a great time in New Orleans. First of all, I got to see all these economists—and who wouldn't want that?

But on top of that, man, you know, the food was great. I had beignets at Cafe du Monde. the music was great in downtown, and what a wonderful city. And you tell your friends back and then they are like, Oh, I think I'm going to take a vacation to New Orleans.

Now, when you go to a big sporting event, same thing happens. But the dynamic's a little different. You say, hey, you know what? I went to the World Cup. It was great. I saw this game, and man, Costa Rica, they were playing against Germany and they tied it up and they were in and then they were out. And I saw these spectacular goals and then afterwards, I actually saw Christian Pulisic on the street. And I got to say hello to some of the members of the Saudi Arabian team. I mean, it was just awesome.

And when you come back and tell your friends about that, they're like, Oh, that sounds great. You know what I'm going to do? I'm going to go to the next World Cup. So, all of that tourism boost

doesn't benefit the host country. It benefits the event. It makes people want to go to the next World Cup. It doesn't make people want to go to Qatar.

The only two examples that I know of mega events leading to long term tourism growth—and I call this the hidden gem theory—is we saw some significant increase in tourism long-term from Barcelona after they held the Summer Olympics. They went from being roughly the 10th or 12th most popular tourist destination in Europe in the '80s and '90s to becoming one of the top five tourist destinations in Europe in the 2000s.

And we saw the same thing in Salt Lake City—Winter Olympic host in 2002. They experienced significant skiing growth, ski tourism growth in the decade after compared to neighboring Colorado. And these are hidden gems.

So, both of these cases might be places that just have awesome tourist infrastructure and tourist things to see but might have been overlooked. Right? So, you're sitting here out on the East Coast and say, hey, I'm going to take a Western ski vacation. You go to ski Colorado, that's what everyone knows about. And then all of a sudden, Utah hosts the Olympics and you're like, Oh, maybe I'll go to Alta or Snowbird or one of these ski resorts in Utah instead, because you hear about something that you didn't know.

Or Barcelona, you say, Hey, I'm going to take a trip—maybe I'll go to London or Paris or Madrid or Rome. Now that you see the things at Barcelona, that happens and you go there instead.

But it has to have something that has something there to offer that people didn't know about before. So, this doesn't work, I don't think, for Qatar. Qatar does not necessarily have a lot of tourist infrastructure to offer. It certainly it's not put its best foot forward in lots of ways related to women's rights, LGBTQ rights, the openness of the society. You can't go out to the pub and have a nice beer after a day with at the museums. And so, you know, that rules out a Qatar. It might rule out, for example, an Atlanta. Right? They host the Olympics, but, you know, no one's coming from Europe and saying, hey, I'm taking a U.S. trip to the United States. I'm going to go to New York City, I'm going to go to Disney World, and I'm going to go to Atlanta. No one has ever said that. Again, there's just not enough there there.

But and it also doesn't work if you're in London. Right? You can't say, hey, we're going to have the Olympics in London in order to put London on the map. Because, you know, if London isn't already on your map, you got to get yourself a new map. It's already the most popular tourist destination in Europe. Its hotels are already full to capacity every tourist season. Advertising the city doesn't do anything for you.

So, you need to have this kind of perfect combination. It's not at all clear that any tourists are going to say, Man, I had such a great time in Qatar that that's where I want to go back to. Or people's thoughts of the legacy here is I want to go to Qatar. Sure, you may want to go to the World Cup, but it's not clear you want to go to Qatar.

DOLLAR: So, there's kind of an interesting contradiction there. Listening to you, Victor, it seems to me that cities that can—and actually it's bigger than cities, of course—locations that can easily afford to sponsor these events, places like Atlanta or London, probably don't get much permanent benefit from it because they're already very much on the map. In places where they're really trying to put themselves on the map, they might very well have to spend an awful lot building up their specific infrastructure for the event.

MATHESON: I think that's exactly right And it's particular ... and of course, the Olympics are one step even harder than the World Cup. Right. Because the World Cup requires a sports infrastructure that lots of places already have in place. You know, the United States has large soccer and football stadiums already around because people normally go to soccer and football. And England has soccer and football stadiums in place, and so does Germany and these other places.

The Olympics are really hard because they've got all this specialized infrastructure. Right? Very few cities need a 15,000 seat natatorium, right, a 15,000 seat swimming facility; or a world class canoeing line; or a velodrome. These things are things that most cities don't have and most cities have very little use for after the event is over.

So, again, the World Cup really does have an opportunity in the right places to be a pure benefit, where you've got everything in place and you're just pouring in a bunch of tourists who are going to have a great time. The Olympics, even the Los Angeles, needs to build sporting facilities for something like the Olympics. And again, those places like Germany—Germany spent a bunch of money on its World Cup on new stadiums, but those stadiums are in use constantly after the event. So, it's not like economists think stadiums are a great investment normally, even if you use them all the time. But they're certainly a terrible investment in a place like Qatar where you will build them and no one will come ever again.

DOLLAR: It's also an interesting trend now for groupings of countries to apply for the World Cup. So, for 2026 we're going to have U.S.-Mexico-Canada. That's interesting. And then for 2030, it hasn't been decided yet, but there's a southern Latin American group—Uruguay for sure, Argentina's in there, I think Paraguay, perhaps.

MATHESON: Chile should be in there as well, is what we're looking at. So, we have go across the Andes for that. But they should be in that bidding mix as well.

DOLLAR: And then and then that hasn't been decided yet. You also have Portugal and Spain. And I was reading they've added Ukraine to their bid, which is kind of an interesting, somewhat political move. But anyway, I think that listening to your analysis, if you've got several countries, you're more likely to already have most of the stadiums that you need, and they're likely to have, you know, pretty good constant use rather than one small location quickly trying to build up 12 stadia.

MATHESON: Yeah, that's exactly right. So, from a purely economic standpoint, absolutely this is a much better situation than trying to have Portugal try to host on its own, Spain try to host on its own, or Qatar trying to host on its own.

Now, a Qatar World Cup would have been a disaster no matter what. But one thing that certainly would have made much, much more sense is a Middle East World Cup at least could have made some plausible sense. Have some have some games in Doha, have some games in Abu Dhabi, have some games in Dubai, maybe some games in Kuwait City, maybe some games in Saudi Arabia. There would still be the issue of LGBTQ and all sorts of other pieces there, but it would not have required the construction of seven new stadiums in one tiny place that will never get any use again. It would not have required massive increase in hotel space in one tiny city in Qatar. So, again, that would have been just a much more preferable situation.

And as it turns out, a huge number of fans are not even staying in Qatar because they can't find a place to stay. And they're actually literally staying next door in the United Arab Emirates and flying in for games. That's how bad the housing situation is there. It certainly would have been a much better economic situation if that if those games have been spread out a little more through the Gulf.

DOLLAR: Let's talk a little bit about FIFA's role in all of this. So, what is FIFA's role in collecting revenue and covering some of these costs?

MATHESON: So, it's hard to talk about FIFA without using significant foul language here. But obviously, we have FIFA and we have the International Olympic Committee. These are these governing bodies worldwide of sports. Obviously, the IOC runs the Summer and Winter Olympics and FIFA runs the World Cup. On the good side of both of these organizations is both these organizations organize sporting events that we absolutely love. And I will say nothing good about FIFA and the corruption involved. And there are clear and credible allegations of bribery and corruption in the award of the Qatar games. We know this is a case, huge numbers of FIFA officials have been indicted for bribery. But they do generate this event that people just love.

I mean this is ... I've been having a hard time here for the last week trying to actually do my job all while simultaneously watching 8 hours of soccer a day. So, I mean, I'm right there.

But what these organizations do, right, is they organize this event. And they get a host city or a host country to put on their event. That host city or country is in charge of all the costs associated with putting on the event. And then FIFA and the IOC share some portion of the revenues associated with that event with the host city or the host country to defray those costs.

For the Olympics, the way it works is that the city is on the hook for all of the costs, but the IOC will share a portion of the international broadcasting revenue. The IOC allows the local host to keep all of the ticket revenue. The IOC shares a portion of international sponsors. So, for example, if Budweiser is the official beer of the Olympics, they get that or American Airlines or something like this. And then the local committee is also allowed to sell local domestic sponsors, and they're also good to sell souvenirs and paraphernalia and T-shirts and all that sort of stuff—concessions.

In total for the Olympics, for the Summer Olympics, that might total up to maybe 6 or \$7 billion total being generated by the event, plus the actual, you know, hotels and restaurants and things like that from tourists coming in. The IOC keeps about half of that as it winds up. And the local organizing committee keeps about half of that. So, if you can keep your costs pretty low, in the low billions, it's not a terrible event. But when you end up like Tokyo, where the event ends up costing \$15 to \$25 billion, you're nowhere close to covering their costs.

The same thing happens with FIFA here as well. Again, the host country is in charge of all of the arrangements, making sure their stadiums and security and all that sort of stuff. FIFA makes the money from the television and then shares some amount of that money with the local host committee to pay for housing and transportation and organization of getting referees and players from point A to point B and housing them and having a practice space for them. And then that's it.

But that's not going to cover very much of your total costs if you're Qatar and you've spent \$220 billion, or even if you're Brazil and you've spent \$13 billion, or Russia who spent about \$13 billion four years ago. So, again, it covers a tiny portion.

For the United States and Canada, since we don't have any major construction projects that are going to occur because of this, we're going to get money shared from FIFA. We're going to have very low outlays. We're going to make money on tourism. And so, in the end, at worst, it's a wash for the United States, probably, but it's a gigantic expense if you don't have that infrastructure in place already.

DOLLAR: And we should add that part of the money FIFA collects would mostly from television rights. I think the television rights this time are \$2.6 billion. Some of that money then goes to the

teams that are participating. And I notice that the winner gets \$42 million, which is not bad. And some countries are actually using that to build up youth soccer or soccer for disadvantaged kids. So, you know, there is potentially some good things there. And of course, the players get some of the money. But, as I gather, many of the superstars have donated their earnings from this to charity because it's pretty much small potatoes compared to their enormous club salaries.

MATHESON: So, here's one really interesting thing related to this. Most of your listeners may have at least have some familiarity with the lawsuit that the U.S. Women's National Team filed against U.S. Soccer about equal pay. U.S. Soccer kind of won that case on the merits, but lost that case in the court of public relations. And the new collective bargaining agreement pools all tournament money between the men and the women.

So, as it turns out, because the U.S. men have done quite well so far—we are undefeated, we've won one and tied two—because we've made it to the round of 16, FIFA will pay U.S. Soccer a fairly large sum for the team making it that far. That sum is actually being shared with both the men's and the women's team. And that means that the U.S. Women's National Team has made more money from the men's World Cup by the success of our men than they made by actually winning the entire women's World Cup back in 2019.

DOLLAR: You know what? That's okay with me. I think developing these sports for young men, young women, it's a very positive thing. But, but that is an interesting footnote.

Last issue I wanted to take up with you, Victor, is what I call the non-monetary benefits of hosting the World Cup. And I doubt if anyone's tried to quantify this, but I'd like to hear your views. By my count, there are six countries that have won the World Cup while hosting it: Uruguay, Italy, Germany, England, Argentina, and France. So, there definitely seems to be a home court advantage. Qatar was never going to win the World Cup, but if you have a team that has some chance of winning, then there seems to be a home field advantage in hosting. And that does make people happy.

MATHESON: Yeah, so, there's a bunch of ways you can go here. So, first of all, yes, there's a clear home court advantage. Qatar actually is the first host to do as poorly as they have. Really no surprise. Again, Qatar had no significant soccer history when they were awarded this. Just all the more reasons why they never should have been awarded this tournament in the first place.

But yeah, we see this. You can even throw Sweden in there. Sweden made it all the way to the semifinals the year that Sweden hosted the World Cup—actually made it to the finals, excuse me.

So, yes, there's a clear advantage here. And it's actually built in. You get seeded higher as a home team and therefore you face weaker opponents in the first round. So yeah, you want to host this because if you love your team, you're much more likely to go on.

But the bigger pieces here are, is there a civic pride issue? Is there just a fun issue? And yes, there is. And there are economists who actually have tried to quantify the benefits of this. So, several economists try to look at the non-monetary benefits of just the country pride of hosting the London Olympics. And they asked basically survey questions—this is contingent valuation methodology—and surveying people, "what would you be willing to pay just to have the Olympics in town, even if you're not going to the Olympics?" And for the Olympic Games in London, we got numbers ranging from \$500 million to about \$2 billion-ish, if I remember right.

So, these are real benefits. And we can really point and say that we do have good evidence of the Olympics and big events making us happy. But again, 500 million to 2 billion was a tiny fraction of

the total amount that that the U.K. spent hosting those Olympics. So, that was a more than \$10 billion Olympics that was nowhere close to being paid for by the actual revenues generated. And so, yeah, this these non-monetary benefits do bump you up, but not enough to make these things generally a good deal.

So, for sure we have measured these. They are real, but probably not enough. And they don't all have to be positive either. Right? When Brazil hosted the Olympics and the World Cup in the last decade, at the same time they were doing that, they were cutting social services, again because money was being redirected from one place to another. And actually, these are things that people were, like, we're unhappy actually about the Olympics being here. So, there are crowds and congestion that keeps other tourists away. So, you don't have to necessarily be happy. But I think as an approximation, most of the time these are big events. So, again, I often use the line these events can make us happy, but we have no expectation that they make us rich.

DOLLAR: I'm David Dollar and I've been talking to Victor Matheson. We seem to agree on the enjoyment that we're getting out of watching these World Cup games. But the economics of it: very complicated. So, thank you, Victor, for helping us understand that often these things make us happy, but as you said, they're not going to make a location rich to host the World Cup.

MATHESON: Well, thank you for having me. And of course, don't ask me how happy I am here after the U.S. plays Netherlands. We'll see whether this World Cup has made me happy or not.

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DOLLAR: Thank you all for listening. We release new episodes of Dollar and Sense every other week. So, if you haven't already, follow us wherever you get your podcasts and stay tuned.

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Until next time, I'm David Dollar and this has been Dollar and Sense.