

Q. What is the Economic Impact of Hosting the Super Bowl?

by Craig A. Depken, II and Dennis P. Wilson

Since Houston hosts the National Football League’s (NFL) 2004 Super Bowl, this question is timely. The Super Bowl is unique amongst the major professional sports championships in that the teams playing do not determine the event’s location. Rather, the host city is decided four to five years in advance based on its attractiveness to tourists, spectators, and sponsors. The major incentive for hosting the Super Bowl is the potential impact on the local economy.

The NFL, local governments, and hotel/restaurant associations generally provide a prediction of the economic impact of hosting the Super Bowl to justify any expenditure the city incurs hosting the event, such as overtime pay for police and fire services. Table 1 reports the predicted economic impact of Super Bowls from 1994-2006, in current and 1992 dollars. The predicted net real impacts of the Super Bowl are consistently between \$220 and \$350 million, but are these numbers accurate?

Table 1: Predicted Economic Impact for Various Super Bowls

Super Bowl	Year	Host City	Predicted Economic Impact (Millions of Dollars)	
			Nominal Dollars	1992 Dollars
XXVIII	1994	Atlanta, Georgia	166	158
XXIX	1995	Miami, Florida	365	340
XXX	1996	Phoenix, Arizona	306	278
XXXI	1997	New Orleans, Louisiana	200	179
XXXII	1998	San Diego, California	295	260
XXXIII	1999	Miami, Florida	365	318
XXXIV	2000	Atlanta, Georgia	292	250
XXXV	2001	Tampa, Florida	250	209
XXXVI	2002	New Orleans, Louisiana	310	254
XXXVII	2003	San Diego, California	300	242
XXXVIII	2004	Houston, Texas	336	264
XXXIX	2005	Jacksonville, Florida	300	235
XL	2006	Detroit, Michigan	372	291

Sources: Various economic impact studies

Most economists consider the forecasted impacts offered by advocates inflated. An appropriate measure of the economic impact is the net change in economic activity associated with the event. This change depends on how many people from outside the city attend the event, how much additional money is spent at local businesses, and the extent to which this additional spending remains in the city.

There are two components to the estimated economic benefits of a Super Bowl (or similar event): direct and indirect economic impacts.

Direct impacts include new spending by local residents and out-of-towners that *would not have been spent otherwise*, e.g. on hotels, restaurants, rental cars, taxi services, shopping, and visits to local attractions. An accurate measure of direct spending must include only new spending, not merely money spent at the event that would have been spent anyway, e.g. attending the Super Bowl instead of attending the theater.

The indirect benefits are derived from so-called multiplier effects that arise from the assumption that a portion of a dollar spent on a local good or service is re-spent (locally) by firm owners and employees, and these expenditures lead to additional rounds of spending. Multiplying the direct impacts by the multiplier calculates the indirect impacts, and adding this to the direct impacts equals the total economic impact.

Obviously the variables included in the calculation of direct and indirect spending dramatically affect the predicted economic impact of the Super Bowl or other event. Whereas event supporters and government officials often fail to confirm the predicted impacts, several economists have found significant differences between the predicted and the actual economic impacts of events like the Super Bowl. These differences have three major sources: practitioner bias, data measurement errors, and overstated multiplier effects.

Practitioner bias arises because promoters and hotel/restaurateurs generally desire large estimated impacts to justify any public subsidization of the event. Such upward bias in estimated impacts may be inevitable because of political pressures. Those who do not support the project may be convinced to do so if the event will lead to a net increase in government revenues, say through increased sales tax revenues. However, the economic impact studies by local advocates are rarely subject to scholarly review, and inflated estimates can go unquestioned and perhaps unconfirmed after the event.

Measurement errors have several sources. One predominant source is that many studies consider only gross impacts and assume that much or all spending surrounding the event is re-spent locally. For example, various studies have shown that hotel occupancy rates when hosting a Super Bowl are between 1.24% and 7.3% higher than the same month of the previous year. While hotel prices likely increase the week of the Super Bowl, thereby increasing hotel revenues, most economic impact studies implicitly assume the hotel occupancy would have been zero without the event. In a city that does not have a lot of tourism in January, e.g., Detroit (the host of Super Bowl XL in 2006), the event may have a much larger net impact than in a city with significant tourism in January, e.g., New Orleans. These and other measurement errors make accuracy in economic impact studies questionable.

An additional problem is what economists term leakage. Leakage occurs when spending in a locality is transferred out of the local economy, thereby precluding the “rounds of spending” the multiplier effect assumes. For example, it is unlikely that the majority of revenue increases at a company-owned Marriott or Holiday Inn will remain and be re-spent in the local economy. Much of the revenue increases may be transferred to a parent company in another city, state, or country.

Finally, there is considerable variation in the multipliers themselves. The multiplier effect is sensitive to assumptions regarding the amount of leakage and whether each dollar spent is new spending or relocated spending. Since the size of the multiplier is often at the discretion of the study’s practitioner and can greatly impact the final estimated results, the estimate of an event’s impact can be easily manipulated and is often questionable.

Academic economists have undertaken independent estimations of the economic impact of the Super Bowl. Philip Porter suggests that practitioner bias, measurement error, and local constraints on (hotel) capacity may cause the actual net economic impacts to be zero. Robert Baade and Victor Matheson find the actual economic impacts of Super Bowl XXXIII in Miami were approximately one tenth that predicted before the event. They speculate that the net impacts of the Super Bowl generally range from \$21 million to \$32 million.

Admittedly, there may be intangible or hard-to-measure impacts of hosting the Super Bowl. Hosting the game offers a unique promotional opportunity for local tourism and convention industries. Since the Super Bowl attracts many high level corporate executives, there are potential economic gains if executives wish to return to the city for conventions, retreats, or corporate relocations. Additionally, increased tourism may be a legacy of hosting a Super Bowl.

As mentioned, Houston hosts the 2004 Super Bowl in the new Reliant Stadium and perhaps the economic impact of the event will be as substantial as predicted. However, as this publication is primarily concerned with labor issues, the number of jobs created by the Super Bowl is of interest. Baade and Matheson estimate that the Super Bowl creates approximately 500 new jobs, although most jobs are generally short-term and perhaps part-time. Most likely those who are already employed, especially in service sectors where overtime is compensated, e.g., police and fire services, ultimately experience the greatest economic benefits from the Super Bowl, while elected officials gain substantial political capital.

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