

19th International Conference on Cultural Economics

Valladolid, 21-24 June 2016

**HOW RELIABLE ARE EX POST ECONOMETRIC STUDIES OF SPORTS/ARTS
REGIONAL ECONOMIC IMPACTS?**

Juan José Price Elton
Universidad Católica de Chile
jprice@uchile.cl

Bruce A. Seaman¹
Georgia State University
bseaman@gsu.edu

Key words: econometrics, economic impacts, sports, arts, economic development

¹ Corresponding author.

Abstract

It has long been recognized that ex ante economic impact analysis is a useful but flawed vehicle for examining the regional economic effects of events and institutions. Even when such studies are done with great care, attempting to measure the incremental output, income, employment and tax revenue effects of expanding arts and sports activities can be viewed as focusing on the wrong metrics, and sacrificing stronger arguments in the debate regarding public/private investments in such enterprises (Seaman, 1987).

An important methodological issue is the value of conducting ex post econometric testing on the claims made in ex ante studies. Sports economists (and media sources) often argue that econometric testing has not only “proven” that claims of positive impacts are almost always exaggerated, but that such impacts can even be negative (Baade and Matheson, and others over many studies).

Seaman (2003; 2007) argued that the inherent similarities between many issues in sports and arts economics justify more collaboration, including expanded use by arts economists of econometric testing regarding regional economic development claims. We evaluate a number of potentially significant weaknesses in those sports econometric studies that would affect the importance and interpretation of such efforts: (1) the ability of econometric testing to identify legitimate regional impacts that may be non-trivial in absolute dollars, but are very small relative to the overall size of the economy; (2) mechanical issues related to the time periods of such ex post impacts and other measurement problems; (3) difficulties in econometric efforts to “prove” the validity of some generally accepted propositions in economic development; and (4) flaws in the explanations of sports economists for their weak/negative findings, often requiring aggressive interpretations of “crowding out.” Cultural economists continue to be asked to address economic development claims, making this evaluation important to the field.