

Feddersen, Arne; Maennig, Wolfgang

Working Paper

Wage and employment effects of the Olympic Games in Atlanta 1996 reconsidered

Hamburg Contemporary Economic Discussions, No. 25

Provided in Cooperation with:

University of Hamburg, Chair for Economic Policy

Suggested Citation: Feddersen, Arne; Maennig, Wolfgang (2009) : Wage and employment effects of the Olympic Games in Atlanta 1996 reconsidered, Hamburg Contemporary Economic Discussions, No. 25, ISBN 978-3-940369-65-9, University of Hamburg, Faculty of Business, Economics and Social Sciences, Chair for Economic Policy, Hamburg

This Version is available at:

<https://hdl.handle.net/10419/42245>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



Universität Hamburg

Faculty Economics
and Social Sciences
Chair for Economic Policy

ARNE FEDDERSEN / WOLFGANG MAENNIG

WAGE AND EMPLOYMENT EFFECTS OF THE OLYMPIC GAMES IN ATLANTA 1996 RECONSIDERED

HAMBURG CONTEMPORARY

Urban
Transport
Media
Sports
Socio-
Regional
Real Estate
Architectural

ECONOMIC DISCUSSIONS

No. 25

Hamburg Contemporary Economic Discussions

University of Hamburg

Faculty Economics and Social Science

Chair for Economic Policy

Von-Melle-Park 5

D-20146 Hamburg | Germany

Tel +49 40 42838 - 4622

Fax +49 40 42838 - 6251

<http://www.uni-hamburg.de/economicpolicy/>

Editor: Wolfgang Maennig

Arne Feddersen

University of Hamburg

Faculty Economics and Social Science

Chair for Economic Policy

Von-Melle-Park 5

D-20146 Hamburg | Germany

Tel +49 40 42838 - 4628

Fax +49 40 42838 - 6251

feddersen@econ.uni-hamburg.de

Wolfgang Maennig

University of Hamburg

Faculty Economics and Social Science

Chair for Economic Policy

Von-Melle-Park 5

D-20146 Hamburg | Germany

Tel +49 40 42838 - 4622

Fax +49 40 42838 - 6251

maennig@econ.uni-hamburg.de

ISSN 1865 - 2441 (Print)

ISSN 1865 - 7133 (Online)

ISBN 978 - 3 - 940369 - 64 - 2 (Print)

ISBN 978 - 3 - 940369 - 65 - 9 (Online)

Arne Feddersen & Wolfgang Maennig

Wage and Employment Effects of the Olympic Games in Atlanta 1996 Reconsidered*

Abstract: We estimate the economic effects of the 1996 Atlanta Olympic Games. Our difference in difference model checks for serial correlation and allows for a simultaneous test of level and trend effects, but otherwise follows HOTCHKISS, MOORE, & ZOBAY (2003) in this journal. We were not able to reconfirm their finding that the Games had significant positive employment effects. We do, however, reaffirm their result of no significant wage effects.

Keywords: Olympic Games, sports economics, mega events

JEL classification: H54, R12, L83

Version: May 2009

In their SEJ (2003) contribution, HOTCHKISS, MOORE, & ZOBAY (HMZ) found significant positive employment effects of a major sporting event, namely, the 1996 Olympic Games in Atlanta. Their contribution is notable because it is one of the very few multivariate ex-post studies that found such positive effects. Their estimate that roughly 293,000 additional jobs resulted from the Olympic Games exceeds by a wide margin BAADE & MATHESON's (2002) ex post estimate of employment gains for the same event that ranged from 3,500 to 42,500 added jobs and even the usually optimistic projections of the Olympic organizers.¹

Two papers that were published after HMZ have raised concerns associated with their analysis. (1) In another research context, BERTRAND, DUFLO, & MULLAINATHAN (2004) pointed out that DD models tend to overestimate the significance of an intervention in the case of serial correlation. HMZ did not address a potential

* We thank Julie Hotchkiss, Robert Baade, Dennis Coates, Brad Humphreys, and Victor Matheson for valuable comments.

¹ Cf. MATHESON (2006) for an overview.

serial correlation problem. (2) HMZ modeled the intervention effect in two separate DD models, one to test for an intercept (or level) effect and a second to test for a slope (trend) effect. Also in another research context, GALSTER, TATIAN, & PETTIT (2004) argued that a standard DD approach may yield distorted results if level and trend effects are not estimated together.

We reconsider the effects of the 1996 Atlanta Olympic Games by taking into account the two caveats but otherwise following the exact setup of HMZ; e.g., we use the same time span (the first quarter of 1985 until the third quarter of 2000), convert nominal (per worker) wages as HMZ did, use the same industry mix, and follow an endogenous method to determine the “true” point in time of the intervention.² We gratefully acknowledge Julie L. Hotchkiss, Robert E. Moore, and Stephanie M. Zobay for providing the original aggregated data and the SAS code.

Our estimation model accounts for both changes in the intercept and changes in the slope:

$$\begin{aligned} \ln Z_{it} = & \gamma_1 X_i + \gamma_2 VNV_i + \gamma_3 POST_t + \gamma_4 VNV_i \cdot POST_t + \gamma_5 trend + \\ & \gamma_6 trend \cdot VNV_i + \gamma_7 trend \cdot POST_t + \gamma_8 trend \cdot VNV_i \cdot POST_t + \varepsilon_{it} \end{aligned} \quad (1)$$

where Z_{it} is log employment or log average real monthly wage per worker in county i of Georgia in quarter t , respectively. X_i is a vector of covariates (for the industry mix, displayed by the employee shares of industry classes, and the population) of each county. As these variables should cover observable differences in the basic endowments of the counties, they are fixed to the values in the year 1990. $POST_t$ is the intervention variable for all counties. It takes a value of zero before the intervention and a value of one following the intervention. The variable VNV_i controls for permanent level differences between the treatment group (venue/near-venue counties) and the control group (non-venue counties). The variable takes a value of one if a county is a venue or near-venue county and zero

² The models were first estimated with $POST_t$ being equal to one for each of the years from 1991 to 1998. In concurrence with HMZ, the model with the best F statistic was chosen.

otherwise. $VNV_i \cdot POST_t$ is an interacted variable and takes a value of one for the post-intervention period for the treatment group. It should capture an additional level shift only if it affects the treatment group. $trend$ is a time trend starting with a value of 85 in the year 1985 and increasing by 0.25 each quarter. This variable captures an overall trend for all counties in Georgia.

The variable $trend \cdot VNV_i$ isolates a difference in the trend of the treatment group for the whole time period, while $trend \cdot POST_t$ indicates changes in the trend for all counties in the aftermath of the intervention. Finally, the model contains an interacted term for trend differences for the treatment group during the post period ($trend \cdot VNV_i \cdot POST_t$). γ_1 to γ_8 are coefficients to be estimated. Positive economic effects of the Olympic Games should lead to significance for at least one of the coefficients γ_4 and γ_8 . In the original HMZ level (trend) model, $\gamma_5 = \gamma_6 = \gamma_7 = \gamma_8 = 0$ ($\gamma_2 = \gamma_3 = \gamma_4 = 0$). By allowing for the possibility of a simultaneous adjustment of the intercept and the slope, our model may reduce the amount of randomness in the way the model fits into the real development of employment or wages. Table 1 reports the Wooldridge test for serial correlation within the panel context and the corresponding F statistic. For the employment regression, no problems with serial correlation arise, while in the case of the wage model, they do. To address this issue, we follow BERTRAND, DUFLO, & MULLAINATHAN (2004), who suggest an arbitrary variance-covariance matrix, which is consistent in the presence of any correlation pattern within cross-sections over time. This procedure adjusts the standard error for clusters in the cross-sections of the panel, but it does not affect the coefficients.

Table 1 indicates that with these specifications, the existence of a positive Olympic effect is not clear anymore. The coefficients of the variables particular interest ($VNV_i \cdot POST_t$ and $trend \cdot VNV_i \cdot POST_t$) are not significant at the conventional 1% or 5% error levels, neither for employment or for wages. Only at a 10% level are the two coefficients for the employment estimation significant, although one has to bear in mind that the (weakly significant) positive treatment trend for the post period is combined with a (weakly significant) substantial negative level effect. While care must be taken in placing too much weight on coefficients that are not

statistically significant, these results suggest that, given the magnitudes of the VNV x POST and trend x VNV x POST coefficients in the employment equation, the positive trend effect will only catch the negative level effect after $(1.1036/0.0115*0.25=)$ 384 quarters, i.e. in 96 years. That is hardly the sort of "benefit" of hosting the Olympics that would motivate most cities to pursue hosting the event.

In light of these findings, the economic effects of the 1996 Atlanta Olympic Games are in line with almost all other scholarly ex-post analysis of mega sporting events that do not find positive economic effects.

Tab. 1 DD in the Intercept and in the Slope

	<i>ln</i> Employment	<i>ln</i> Real Wages
Intercept	-3.4742 *** (0.5831)	5.5022 *** (1.7227)
% Agriculture	0.5929 *** (0.1262)	-1.4728 (0.9554)
% Mining	-1.1569 *** (0.3374)	-0.6229 (4.3612)
% Construction	-4.4234 *** (0.1542)	-2.1008 ** (0.9393)
% Manufacturing	2.5280 *** (0.0968)	1.3655 * (0.7920)
% Transportation, communication, and utilities	0.5612 *** (0.1185)	-0.5757 (0.7242)
% Retail	1.9587 *** (0.1328)	-2.3729 ** (1.0650)
% Financial, insurance, and real estate	2.9330 *** (0.1856)	3.0767 ** (1.5425)
% Public administration	-3.2915 *** (0.1226)	-3.0517 *** (0.9227)
<i>ln</i> (population 1990)	1.0333 *** (0.0584)	0.2156 (0.1442)
<i>trend</i> × <i>ln</i> (population 1990)	0.0005 (0.0006)	-0.0025 * (0.0015)
Quarter 2	0.0242 *** (0.0076)	0.1789 *** (0.0117)
Quarter 3	0.0169 ** (0.0076)	0.1981 *** (0.0135)
Quarter 4	0.0232 *** (0.0078)	0.2711 *** (0.0138)

VNV	-2.0321 *** (0.2950)	-1.2231 ** (0.5250)
POST	0.1344 (0.2778)	-3.3996 *** (0.4452)
VNV × POST	-1.1036 * (0.5606)	0.1760 (0.6576)
<i>Trend</i>	0.0122 ** (0.0062)	0.0270 (0.0172)
<i>trend</i> × POST	-0.0009 (0.0029)	0.0377 *** (0.0049)
<i>trend</i> × VNV	0.0199 *** (0.0033)	0.0133 ** (0.0060)
<i>trend</i> × VNV × POST	0.0115 * (0.0059)	-0.0019 (0.0073)
R ²	0.96	0.56
adj. R ²	0.96	–
Wooldridge	2.59	14.34
adj. Std. Err.	no	yes
Intervention	1994	1991
F statistic	12,356	149
N	10,017	10,017

Notes: * denotes significance at the 1% level. ** denotes significance at the 5% level. *** denotes significance at the 1% level. The excluded industry category is service. Standard errors are in parentheses. If indicated, standard errors are computed using an arbitrary variance-covariance matrix as suggested by BERTRAND, DUFLO, & MULLAINATHAN (2004, pp. 270-272).

Literature

- BAADE, R. A., & MATHESON, V. A. (2002). Bidding for the Olympics: Fool's Gold? In C. P. BARROS, M. IBRAHIMO & S. SZYMANSKI (Eds.), *Transatlantic Sport: The Comparative Economics of North American and European Sports* (pp. 127-151). London: Edward Elgar Publishing.
- BERTRAND, M., DUFLO, E., & MULLAINATHAN, S. (2004). How Much Should We Trust Differences-in-Differences Estimates? *Quarterly Journal of Economics*, *119*(1), 249-275.
- GALSTER, G., TATIAN, P., & PETTIT, K. (2004). Supportive Housing and Neighborhood Property Value Externalities. *Land Economics*, *80*(1), 33-54.
- HOTCHKISS, J. L., MOORE, R. E., & ZOBAY, S. M. (2003). Impact of the 1996 Summer Olympic Games on Employment and Wages in Georgia. *Southern Economic Journal*, *69*(3), 691-704.
- MATHESON, V. (2006). Mega-Events: The Effect of the World's Biggest Sporting Events on Local, Regional, and National Economies, *Working Paper NO. 60-10*. Worcester, MA: Department of Economics, College of the Holy Cross.

Hamburg Contemporary Economic Discussions

(Download: <http://www.uni-hamburg.de/economicpolicy/discussions.html>)

- 01/2005 FEDDERSEN, A. / MAENNIG, W.: Trends in Competitive Balance: Is there Evidence for Growing Imbalance in Professional Sport Leagues?, January 2005.
- 02/2005 SIEVERS, T.: Information-driven Clustering – An Alternative to the Knowledge Spillover Story, February 2005.
- 03/2005 SIEVERS, T.: A Vector-based Approach to Modeling Knowledge in Economics, February 2005.
- 04/2005 BUETTNER, N. / MAENNIG, W. / MENSSEN, M.: Zur Ableitung einfacher Multiplikatoren für die Planung von Infrastrukturkosten anhand der Aufwendungen für Sportstätten – eine Untersuchung anhand der Fußball-WM 2006, May 2005.
- 01/2006 FEDDERSEN, A.: Economic Consequences of the UEFA Champions League for National Championships – The Case of Germany, May 2006.
- 02/2006 FEDDERSEN, A.: Measuring Between-season Competitive Balance with Markov Chains, July 2006.
- 03/2006 FEDDERSEN, A. / VÖPEL, H.: Staatliche Hilfen für Profifußballclubs in finanziellen Notlagen? – Die Kommunen im Konflikt zwischen Imageeffekten und Moral-Hazard-Problemen, September 2006.
- 04/2006 MAENNIG, W. / SCHWARTHOFF, F.: Stadium Architecture and Regional Economic Development: International Experience and the Plans of Durban, October 2006.

Hamburg Contemporary Economic Discussions

(Download: <http://www.uni-hamburg.de/economicpolicy/discussions.html>)

- 01 AHLFELDT, G. / MAENNIG, W.: The Role of Architecture on Urban Revitalization: The Case of “Olympic Arenas” in Berlin-Prenzlauer Berg, 2007.
- 02 FEDDERSEN, A. / MAENNIG, W. / ZIMMERMANN, P.: How to Win the Olympic Games – The Empirics of Key Success Factors of Olympic Bids, 2007.
- 03 AHLFELDT, G. / MAENNIG, W.: The Impact of Sports Arenas on Land Values: Evidence from Berlin, 2007.
- 04 DU PLESSIS, S. / MAENNIG, W.: World Cup 2010: South African Economic Perspectives and Policy Challenges Informed by the Experience of Germany 2006, 2007.
- 05 HEYNE, M. / MAENNIG, W. / SUESSMUTH, B.: Mega-sporting Events as Experience Goods, 2007.
- 06 DUST, L. / MAENNIG, W.: Shrinking and Growing Metropolitan Areas – Asymmetric Real Estate Price Reactions? The Case of German Single-family Houses, 2007.
- 07 JASMAND, S. / MAENNIG, W.: Regional Income and Employment Effects of the 1972 Munich Olympic Summer Games, 2007.
- 08 HAGN, F. / MAENNIG W.: Labour Market Effects of the 2006 Soccer World Cup in Germany, 2007.
- 09 HAGN, F. / MAENNIG, W.: Employment Effects of the World Cup 1974 in Germany.
- 10 MAENNIG, W.: One Year Later: A Re-appraisal of the Economics of the 2006 Soccer World Cup, 2007.
- 11 AHLFELDT, G., MAENNIG, W.: Assessing External Effects of City Airports: Land Values in Berlin, 2007.
- 12 AHLFELDT, G.: If Alonso was Right: Accessibility as Determinant for Attractiveness of Urban Location, 2007.
- 13 AHLFELDT, G.: A New Central Station for a Unified City: Predicting Impact on Property Prices for Urban Railway Network Extension, 2007.

Hamburg Contemporary Economic Discussions

(Download: <http://www.uni-hamburg.de/economicpolicy/discussions.html>)

- 14 FEDDERSEN, A. / MAENNIG, W.: Arenas vs. Multifunctional Stadia – Which Do Spectators Prefer?, 2007.
- 15 AHLFELDT, G. / FEDDERSEN, A.: Geography of a Sports Metropolis, 2007.
- 16 FEDDERSEN, A. / GRÖTZINGER, A. / MAENNIG, W.: New Stadia and Regional Economic Development – Evidence from FIFA World Cup 2006 Stadia, 2008.
- 17 AHLFELDT, G. / MAENNIG, W.: Monumental Protection: Internal and External Price Effects, 2008.
- 18 MAENNIG, W. / PORSCHE, M.: The Feel-good Effect at Mega Sport Events - Recommendations for Public and Private Administration Informed by the Experience of the FIFA World Cup 2006, 2008.
- 19 AHLFELDT, G.: The Train has Left the Station: Real Estate Price Effects of Mainline Realignment in Berlin, 2008.
- 20 MAENNIG, W. / WELLBROCK, C.-M.: Sozio-ökonomische Schätzungen Olympischer Medaillengewinne: Analyse-, Prognose- und Benchmarkmöglichkeiten, 2008.
- 21 MAENNIG, W. / ALLERMS, S.: South Africa 2010: Economic Scope and Limits, 2008.
- 22 AHLFELDT, G. / FEDDERSEN, A.: Determinants of Spatial Weights in Spatial Wage Equations: A Sensitivity Analysis, 2008.
- 23 AHLFELDT, G. / WENDLAND, N.: Fifty Years of Urban Accessibility: The Impact of Urban Railway Network on the Land Gradient in Industrializing Berlin, 2008.
- 24 AHLFELDT, G. / FRANKE, B. / MAENNIG, W.: Terrorism and the Regional and Religious Risk Perception of Foreigners: The Case of German Tourists, 2009.
- 25 FEDDERSEN, A. / MAENNIG, W.: Wage and Employment Effects of the Olympic Games in Atlanta 1996 Reconsidered, 2009.

Ha mbur g

Contemporary Economic Discussions

ISSN 1865-2441 (PRINT)
ISSN 1865-7133 (ONLINE)

ISBN 978-3-940369-64-2 (PRINT)
ISBN 978-3-940369-65-9 (ONLINE)