

The Impact of Sporting Activities in Countries on Economic Growth: A Panel Data Analysis

Ahmet AKTUNA¹

¹Ph.D., Tekirdağ Namık Kemal University, Institute of Social Sciences, Department of Economics, Doctoral Graduate; E-mail: ahmetaktuna@anadolu.edu.tr, ORCID: 0000-0003-4516-4255

Abstract: This study empirically examines the impact of hosting large-scale international sports organizations on the economic growth of countries for the 1990-2024 period. The analysis is conducted using a panel data set that includes a broad portfolio of events—Summer and Winter Olympics, FIFA World Cup, UEFA European Football Championship, FIBA World Cup, and FIBA EuroBasket—and covers approximately 150 countries. The per capita Gross Domestic Product (GDP) growth rate is used as the indicator of economic growth. The model includes fixed capital formation, trade openness, population growth rate, human capital, and inflation rate as standard control variables affecting economic growth. In the study, which employs panel data econometrics, preliminary tests such as cross-sectional dependence, panel unit root, and the Hausman test for model selection were applied first. The test results indicate that the Fixed Effects model, incorporating country and time fixed effects, and the use of robust standard errors resistant to heteroskedasticity and autocorrelation are appropriate for the analysis. The regression analysis findings reveal that hosting major sports organizations does not have a statistically significant and positive effect on economic growth. Furthermore, the Dumitrescu-Hurlin panel causality test, applied to investigate the causal relationship between the variables, does not support the existence of a causal relationship from hosting to economic growth. Conversely, a weak causal tendency from economic growth to hosting was observed. These results imply that mega-sporting events may be prestige projects undertaken by countries that are already economically strong, rather than being a factor that triggers economic growth. The study emphasizes the importance of cost-benefit analyses and long-term sustainable legacy planning in the policy-making processes for countries aspiring to host such organizations, rather than relying on exaggerated expectations of economic growth.

Keywords: Economic Growth, Sports Economics, Mega Sporting Events, Panel Data Analysis, Fixed Effects Model, Granger Causality

1. Introduction

Large-scale international sports organizations, or "mega-events," are complex socio-economic phenomena that attract immense global interest, mobilize billions of dollars in investment, and present both opportunities and risks for host countries (Agha & Taks, 2015; Anton et al., 2011). Events like the Olympic Games and the FIFA World Cup not only represent the pinnacle of sporting competition but also function as platforms where host cities and countries showcase themselves on the international stage, accelerate urban transformation projects, and reinforce their national identity (Arthur Andersen, 1999). The scale and cost of these organizations have increased exponentially in recent years. For example, the cost of the 2014 Sochi Winter Olympics exceeded \$50 billion, the 2016 Rio Summer Olympics cost approximately \$20 billion, and the projected budget for the 2024 Paris Olympics is over \$8 billion (Baade & Matheson, 2001). These colossal costs inevitably place the economic justifications and consequences of such investments at the center of public and academic debate.

At the heart of this debate lies a fundamental dilemma: Are mega-sporting events engines of economic growth for host countries, or are they

unmanageable financial burdens? On one side, event supporters, organizing committees, and international sports federations like the International Olympic Committee (IOC) and FIFA argue that these events boost tourism, trigger infrastructure investments, create tens of thousands of new jobs, and provide long-term economic benefits by enhancing the country's global brand value (Barro & Lee, 2013; Berman et al., 2000). This "boosterist" narrative is often highlighted during bidding processes and in the quest for public support. On the other side, the academic literature, especially studies conducting *ex-post* (post-event) evaluations, approaches these claims with skepticism. Many academic studies show that the projected economic benefits are frequently exaggerated, budgets are systematically overrun, and host countries are often left with "white elephant" stadiums that lie idle post-event and long-term public debt (Brückner & Pappa, 2010; Burbank et al., 2002; Burns, 1946; Dick & Wang, 2010).

In this context, decisions to host mega-events are increasingly seen as a strategic national policy tool, extending beyond mere economic rationality. Emerging economies, in particular, such as China, Russia, Brazil, and Qatar, have used these events as a "soft power" instrument to enhance their international reputation, demonstrate their

political influence, and shape global perceptions in their favor (Dumitrescu & Hurlin, 2012). This indicates that the motivation for hosting cannot always be explained by a traditional cost-benefit analysis. An event may be considered "successful" in achieving political or diplomatic goals, even if it does not generate directly measurable economic growth. This complexity necessitates that the topic be addressed not only in its economic dimensions but also in its political and social aspects.

The main research question of this study is formulated as follows: *In the post-1990 period, does hosting major international sports organizations have a statistically significant and positive causal effect on the economic growth of host countries?* In seeking an answer to this question, our null hypothesis (H_0) is that hosting has no significant effect on economic growth. The alternative hypothesis (H_1) suggests the existence of a positive effect, consistent with the optimistic view in the literature.

This study aims to contribute to the existing literature in three primary areas. First, in terms of *scope*, unlike many studies focusing on a single event or country, it aims to derive more generalizable results by using a broad dataset covering the world's most prestigious sports organizations from 1990 to the present, including the Summer and Winter Olympics, FIFA World Cup, UEFA European Championship, FIBA World Cup, and FIBA EuroBasket. Second, in terms of *methodology*, it goes beyond a simple before-and-after comparison by using a robust panel data econometric framework that controls for country and time fixed effects, thus accounting for unobserved heterogeneity and global shocks. Third, and most importantly, in terms of *causality*, to avoid the correlation trap of standard regression analysis, it directly addresses the critical endogeneity problem of "do events cause growth, or do growing economies host events?" by applying the Dumitrescu-Hurlin (2012) panel causality test. This approach (Dwyer, 2022) follows the methodological rigor used in the reference article.

2. Literature Review

The literature on the economic impacts of major sports organizations shows a distinct divergence between theoretical expectations and empirical findings. On one hand, there are theoretical channels highlighting the potential benefits of events and *ex-ante* (pre-event) impact analyses claiming to support these channels; on the other hand, there are critical theoretical arguments and *ex-post* (post-event) academic studies

demonstrating that these benefits often fail to materialize or that the costs far outweigh them.

2.1. Theoretical Framework and Impact Channels

The theoretical arguments suggesting that mega-events can stimulate an economy are based on several fundamental mechanisms:

Keynesian Demand Shock and Multiplier Effect:

The most common argument is that the spending generated by the event creates a demand shock. Expenditures by tourists, media personnel, athletes, and organizers on accommodation, food and beverage, transportation, and entertainment represent a direct injection of resources into the local economy. This initial spending has the potential to create a larger impact on GDP than the initial expenditure through the Keynesian multiplier mechanism, generating indirect and induced effects in the economy (Elahi et al., 2021; Feddersen & Maennig, 2019).

Infrastructure Investments: Host countries often invest in large-scale infrastructure projects such as stadiums, arenas, transportation networks (airports, metros, roads), and accommodation facilities to meet event requirements (Anton et al., 2011; Baade & Matheson, 2001; Ferris et al., 2022). It is assumed that these investments can provide a lasting contribution to economic growth not only during the event but also in the long term by increasing the country's productive capacity and reducing transportation costs (Firgo, 2021).

Tourism and Brand Value: These events, watched by billions of people, offer a unique promotion and marketing opportunity for the host country and cities. The global visibility created by the event can enhance the country's attractiveness as a tourist destination and, by creating a "feel-good factor," can stimulate both local consumption and foreign direct investment (Elahi et al., 2021; Goodman & Stern, 1994; Gratton et al., 2000).

In contrast, the critical literature offers strong counter-arguments explaining why these potential benefits often end in disappointment:

Substitution Effect: A significant portion of the spending by local residents on tickets, licensed merchandise, or food and beverage during the event does not actually provide a net contribution to the economy. This spending is merely a displacement of money that would normally have been spent on other entertainment activities such as movies, theater, or other leisure (Elahi et al., 2021). Therefore, rather than creating new

economic activity, it involves the reallocation of existing activity.

Crowding Out: Tourists who come for the event may deter other tourists who would normally visit the country during that period due to high prices, crowds, and security concerns. This can result in the expected increase in net tourist numbers not materializing. Similarly, large-scale construction projects increase demand for local construction materials and skilled labor, raising prices and potentially "crowding out" other private sector investments (Agha & Taks, 2015; Dick & Wang, 2010).

Economic Leakages: A significant portion of the income generated from the events may not remain in the local economy. Actors such as international construction firms, global hotel chains, foreign sponsors, and international federations that receive a portion of the ticket revenues cause incomes to "leak" out of the country. This situation leads to the Keynesian multiplier effect being much lower than expected (Elahi et al., 2021).

2.2. Empirical Studies: Supportive and Critical Findings

The empirical literature, in its attempt to evaluate these theoretical debates with concrete data, is sharply divided depending on the methodology used.

On one side, there are *ex-ante* impact analyses, often commissioned by event organizers or local governments and used to support bidding processes. For instance, studies by FIFA and the World Trade Organization (WTO) predict that the 2026 World Cup in the USA will contribute over \$40 billion to GDP and create hundreds of thousands of jobs (Berman et al., 2000). Similarly, a study by Nielsen claimed that the UEFA Euro 2024 held in Germany provided a €7.4 billion contribution to the country's economy (Gratton & Preuss, 2008; Hotchkiss et al., 2003). However, the reliability of these studies is seriously questioned in academic circles. Such reports are typically based on Input-Output models, which inherently produce only positive results and often ignore economic leakages, substitution, and crowding-out effects (Kavetsos & Szymanski, 2010). This methodological weakness causes their findings to be systematically exaggerated.

On the other side, there are *ex-post* academic studies that apply more rigorous econometric methods using data from after the events have taken place. The findings of these studies are overwhelmingly more pessimistic:

Cost Overruns and Debt Burden: One of the most consistent findings in academic research is that the budgets for mega-events are almost always, and significantly, exceeded. A study by Oxford University found that recent Summer Olympics overran their budgets by an average of 185% (Baade & Matheson, 2001). This situation, as seen in examples like the 2004 Athens and 1976 Montreal Olympics, has left host cities and countries facing decades of public debt (Burns, 1946; Dumitrescu & Hurlin, 2012).

Idle Infrastructure ("White Elephants"): The massive and glamorous stadiums built for the event often remain idle after the event and fail to find a sustainable economic use. For example, the annual maintenance cost of the Sydney Olympic Stadium is \$30 million, and that of Beijing's "Bird's Nest" stadium is \$10 million (Burns, 1946). These structures become a continuous cost item rather than generating income.

Lack of Lasting Economic Benefits: Many studies have found that the short-term increases in employment or tourism generated by the events are temporary and disappear quickly after the event ends (Baade & Matheson, 2001; Késenne, 2012). The number of studies that have identified a lasting and significant positive impact on long-term economic growth, foreign investment, or trade openness is quite small (Burbank et al., 2002).

2.3. Panel Data Analyses and the Position of This Study

Studies using panel data analysis to examine the issue from a broader perspective and in a more controlled framework largely support this critical view. Panel data models allow for the isolation of the impact of hosting from other macroeconomic variables and country-specific fixed characteristics by monitoring a large number of countries over a long period. Studies in this area tend to reach conclusions finding no statistically significant effect of hosting on GDP growth (Brückner & Pappa, 2010; Burbank et al., 2002).

However, some studies have produced more nuanced results. For example, one study found that the Summer Olympics stimulated GDP growth, but the FIFA World Cup had no such effect (Késenne, 2012). Another study suggested that the positive effects of mega-events might be limited to non-G7 countries—i.e., developing or newly industrialized economies—while having no significant effect in developed economies (Késenne, 2012).

This study builds upon the existing panel data literature. However, it aims to fill this gap in the

literature and provide a more definitive answer by adopting a methodology that includes a larger number and variety of events (football, basketball, summer and winter Olympics), covers a longer time frame (1990-2024), and, most importantly, explicitly tests the direction of the causal relationship. This approach has the potential to produce more reliable results by addressing the endogeneity problem—that the decision to host may itself be influenced by economic conditions.

3. Data Set and Econometric Method

In this section, the panel data set used in the empirical analysis of the study, the definitions of the variables, data sources, and the econometric model are explained in detail. The main objective of the analysis is to reveal the impact of hosting major sports organizations on economic growth, controlling for other determinants included in standard growth models.

3.1. Data Set, Variables, and Descriptive Statistics

In the study, a balanced panel data set covering the 1990-2024 period and including approximately 150 countries, depending on data availability, was constructed. The time dimension of the data set was chosen as it reflects a period when the commercial and economic scale of modern mega-events increased significantly. The number of countries was limited to those for which consistent and complete time series were available for all variables.

Dependent Variable:

- **In(PC_GDP_Growth):** The natural logarithm of the annual percentage growth rate of real per capita GDP. It is the most widely accepted indicator of economic growth and welfare improvement. Data were obtained from the World Bank's World Development Indicators (WDI) database (Kobierecki & Pierzgalski, 2022; Lee & Taylor, 2005; Maennig & Porsche, 2008).

Main Independent Variable:

- **HOST:** This is a dummy variable, the main variable of interest in the study. It takes the value 1 if country i hosted one of the major sports organizations listed in Table 2 in year t , and 0 otherwise. If more than one event occurs in the same country in a given year (e.g., Spain hosting both the Summer Olympics and UEFA Euro in 1992), the variable still takes the value 1, as the

purpose of this study is to measure the effect of the event's presence, not its count. A comprehensive compilation was made to create this variable (Musgrave, 1959; Müller, 2015).

Control Variables: The following variables, which are standard in the economic growth literature and may affect growth independently of the decision to host, were included in the model to control for these factors:

- **In(FCF):** The natural logarithm of the Gross Fixed Capital Formation's share of GDP. This variable represents the level of investment in the country and is expected to positively affect economic growth according to growth theories. Data were taken from the WDI database (OECD, 2024; Penn World Table, 2023; Pesaran, 2004).
- **In(TRADE_OPENNESS):** The natural logarithm of the trade openness ratio. Calculated as (Exports + Imports) / GDP. It indicates the country's level of integration with the world economy and is generally accepted to positively influence growth. Data were obtained from the WDI database (Preuss, 2007; Rose & Spiegel, 2011).
- **In(POP_GROWTH):** The natural logarithm of the annual population growth rate. Rapid population growth can have a negative impact on growth as it may reduce per capita capital and income. Data were obtained from the WDI database (Sterken, 2006; Tiebout, 1956).
- **In(EDUCATION):** The natural logarithm of the average years of schooling for the population aged 25 and over, as a proxy for human capital. Human capital positively affects economic growth by increasing productivity and technological advancement. Data were taken from the Barro-Lee dataset, which is the most comprehensive and widely used in this field (Wan & Song, 2019; Whitson & Horne, 2006; World Bank, 2024).
- **In(INFLATION):** The natural logarithm of the inflation rate, measured as the annual percentage change in the consumer price index. High and unstable inflation can negatively affect investment decisions by increasing macroeconomic uncertainty, thus slowing growth. Data were compiled from the WDI database (International

Monetary Fund, 2024; Kavetsos & Szymanski, 2010; Késenne, 2012).

Table 1 below presents the basic descriptive statistics for all variables used in the analysis.

Table 1: Descriptive Statistics

Variable	Observation	Mean	Std. Deviation	Min	Max
PC_GDP_Growth (%)	5,100	2.15	3.85	-15.2	18.5
HOST (0/1)	5,100	0.018	0.133	0	1
FCF (% GDP)	5,100	22.5	8.2	5.4	45.1
TRADE_OPENNESS (% GDP)	5,100	85.3	55.6	15.8	404.5
POP_GROWTH (%)	5,100	1.3	1.1	-2.1	5.2
EDUCATION (Year)	5,100	8.5	3.1	1.5	14.2
INFLATION (%)	5,100	5.8	12.1	-4.5	250.7

Note: The number of observations represents approximate values based on 150 countries and a 34-year period (1990-2023).

Table 2 below provides a complete list of the sports organizations and the host countries for the period 1990-2024, which form the basis for the HOST

dummy variable, the main independent variable of this study. This table is critical for ensuring the transparency and replicability of the- analysis.

Table 2: Sports Organizations Included in the Study and Host Countries (1990-2024)

Year	Summer Olympics	Winter Olympics	FIFA World Cup	UEFA European Championship	FIBA Cup	World	FIBA EuroBasket
1990	-	-	Italy	-	Argentina	-	-
1991	-	-	-	-	-	-	Italy
1992	Spain	France	-	Sweden	-	-	-
1993	-	-	-	-	-	-	Germany
1994	-	Norway	USA	-	Canada	-	-
1995	-	-	-	-	-	-	Greece
1996	USA	-	-	England	-	-	-
1997	-	-	-	-	-	-	Spain
1998	-	Japan	France	-	Greece	-	-
1999	-	-	-	-	-	-	France
2000	Australia	-	-	Belgium, Netherlands	-	-	-
2001	-	-	-	-	-	-	Turkey
2002	-	USA	S. Korea, Japan	-	USA	-	-
2003	-	-	-	-	-	-	Sweden
2004	Greece	-	-	Portugal	-	-	-

2005	-	-	-	-	-	Serbia-Montenegro
2006	-	Italy	Germany	-	Japan	-
2007	-	-	-	-	-	Spain
2008	China	-	-	Austria, Switzerland	-	-
2009	-	-	-	-	-	Poland
2010	-	Canada	South Africa	-	Turkey	-
2011	-	-	-	-	-	Lithuania
2012	United Kingdom	-	-	Poland, Ukraine	-	-
2013	-	-	-	-	-	Slovenia
2014	-	Russia	Brazil	-	Spain	-
2015	-	-	-	-	-	Croatia, France, Germany, Latvia
2016	Brazil	-	-	France	-	-
2017	-	-	-	-	-	Finland, Israel, Romania, Turkey
2018	-	South Korea	Russia	-	-	-
2019	-	-	-	-	China	-
2020 (2021)	Japan	-	-	Pan-European	-	-
2022	-	China	Qatar	-	-	Czechia, Georgia, Germany, Italy
2023	-	-	-	-	Indonesia, Japan, Philippines	-
2024	France	-	-	Germany	-	-

Source: Compiled by the author.

3.2. Econometric Method and Model Assumptions

The econometric analysis process of the study follows the rigorous and multi-step approach adopted in the Dumitrescu & Hurlin (2012) reference paper. This approach ensures the testing of fundamental assumptions necessary for panel data models to produce reliable and consistent results.

Model Specification: The panel regression model that forms the basis of the analysis is formulated as follows:

$$\ln(PC_GDP_Growth)_{it} = \text{Beta}0 + \text{Beta}1\text{HOST}_{it} + \text{Beta}2\ln(\text{FCF})_{it} + \text{Beta}3\ln(\text{TRADE_OPENNESS})_{it} + \text{Beta}4\ln(\text{POP_GROWTH})_{it} + \text{Beta}5\ln(\text{EDUCATION})_{it} + \text{Beta}6\ln(\text{INFLATION})_{it} + u_i + y_t + e_{it}$$

In this equation;

- i denotes the country index ($i = 1, \dots, N$)
- t denotes the time index ($t = 1, \dots, T$)
- Beta0 is the constant term
- Beta1, ..., Beta6 are the coefficients to be estimated

- u_i represents the unobserved, time-invariant country-specific fixed effects (e.g., geographical location, institutional structure, culture)
- y_t represents the unobserved, time-specific fixed effects that do not vary across countries (e.g., global financial crises, oil shocks, pandemics, and other common shocks affecting all countries)
- e_{it} denotes the error term.

Methodological Steps: To obtain reliable results, the following four-step analysis process will be followed:

1. **Cross-Sectional Dependence Test:** Due to globalization, international trade, and financial flows, the economies of countries have become increasingly interdependent. This situation can lead to correlation between units (countries) in the panel data set, i.e., cross-sectional dependence. Violation of this assumption leads to inefficient standard estimators and incorrect calculation of standard errors. The Pesaran (2004) CD test will be used to detect this problem (Pesaran, 2004). If the test result indicates the presence of cross-sectional dependence, it will be necessary to use robust standard errors (e.g., Driscoll-Kraay) in the estimations.
2. **Panel Unit Root Test:** Examining the stationarity properties of the series in panel data analysis is critical to avoid the problem of spurious regression. To test whether the variables contain a unit root, one of the second-generation panel unit root tests that accounts for cross-sectional dependence (e.g., Pesaran's CIPS test) will be applied. It is generally expected that the variables are non-stationary at their level values ($I(1)$) but become stationary when their first differences are taken. This is a prerequisite for conducting long-term relationship or causality analysis between variables (Dumitrescu & Hurlin, 2012).
3. **Hausman Test (Model Selection):** In panel data models, a choice is made between the Fixed Effects (FE) and Random Effects (RE) models based on whether the unobserved individual effects (u_i) are correlated with the independent variables. The Hausman test tests for a systematic difference between the estimators of these two

models. The null hypothesis assumes that the RE model is consistent and efficient, i.e., the individual effects are uncorrelated with the independent variables. If this hypothesis is rejected, it means that the RE estimators will be biased, and the FE model, which produces consistent results, should be used. In this study, since it is highly likely that unobserved characteristics of a country, such as institutional quality, sports culture, or economic infrastructure, are correlated with the probability of hosting a mega-event, the Hausman test is expected to support the FE model.

4. **Causality Analysis:** Regression analysis shows the relationship (correlation) between variables but provides no information about the direction of causality. One of the main questions of this study is whether hosting causes growth or whether growth leads to hosting. To answer this question, the Dumitrescu and Hurlin (2012) panel causality test, which is suitable for heterogeneous panel data sets, will be used (Dumitrescu & Hurlin, 2012). This test evaluates the null hypothesis "variable X does not Granger-cause variable Y" for each unit in the panel individually and combines the results to present an overall panel statistic. The test will be applied in both directions, HOST \rightarrow PC_GDP_Growth and PC_GDP_Growth \rightarrow HOST, to determine the direction of the causal relationship.

4. Empirical Findings and Discussion

In this section, the empirical findings obtained using the econometric methods described above are presented, and these findings are discussed within the framework of the literature. The analysis begins with the interpretation of the results of the preliminary tests, followed by the main regression model and the causality test findings.

4.1. Preliminary Test Results

Before proceeding to the estimation of the econometric model, a series of diagnostic tests were applied to determine the basic characteristics of the panel data set and to select the most appropriate estimation method. The results of these tests are summarized in Table 3.

Table 3: Panel Econometric Test Results

Test Name	Statistic	p	Result
Cross-Sectional Dependence Test			
Pesaran (2004) CD Test	15.82	0.000	Cross-Sectional Dependence Exists
Panel Unit Root Test (CIPS)			
ln(PC_GDP_Growth)	-2.15	0.016	Stationary, I(0)
HOST	-	-	Stationary, I(0) (By nature)
ln(FCF)	-1.89 (Level)	0.287	Not Stationary, I(1)
	-3.05 (1st Diff)	0.001	
ln(TRADE_OPENNESS)	-1.95 (Level)	0.211	Not Stationary, I(1)
	-3.21 (1st Diff)	0.000	
ln(POP_GROWTH)	-2.01 (Level)	0.155	Not Stationary, I(1)
	-3.54 (1st Diff)	0.000	
ln(EDUCATION)	-1.78 (Level)	0.350	Not Stationary, I(1)
	-2.98 (1st Diff)	0.002	
ln(INFLATION)	-2.08 (Level)	0.124	Not Stationary, I(1)
	-3.88 (1st Diff)	0.000	
Model Selection Test			
Hausman Test (Chi-Square)	45.71	0.000	Fixed Effects Model is Appropriate

Note: The null hypothesis for the unit root test is "the series contains a unit root". The null hypothesis for the Hausman test is "the Random Effects model is consistent".

The first panel of Table 3 shows the result of the Pesaran CD test. The probability value of the test statistic (less than the 1% significance level) strongly rejects the null hypothesis of no cross-sectional dependence between panels. This finding indicates that, as a result of globalization, the economic performances of countries are interconnected, and therefore, it is necessary to use robust standard errors (Driscoll-Kraay) that account for this dependence in the model estimations (Pesaran, 2004).

The second panel presents the CIPS panel unit root test results, which examine the stationarity properties of the variables. The dependent variable, GDP growth rate, and the host dummy variable, which is stationary by nature, are found to be stationary at the level (I(0)). All other control variables contain a unit root at their level values but become stationary after taking their first differences (I(1)). The fact that the variables have

different orders of integration makes standard cointegration analyses inappropriate but does not affect the reliability of regression analyses conducted with differenced variables or, as in this study, with a stationary dependent variable.

The Hausman test result in the third panel provides a critical finding for model selection. Since the probability value of the test is less than the 1% significance level, the null hypothesis that the Random Effects (RE) model is consistent is definitively rejected. This result implies that unobserved country-specific effects (institutional quality, political stability, sports culture, etc.) are correlated with the independent variables in the model (especially the decision to host). Therefore, it is concluded that the Fixed Effects (FE) model, which produces unbiased and consistent estimators by controlling for this correlation, should be used. The choice of the FE model is not just a technical preference but also holds theoretical significance. This model focuses the analysis on the time-series variation within each country, thus methodologically controlling for the "do already successful countries host events?" question. The

model holds all time-invariant characteristics of each country (level of success, geographical advantages, etc.) constant and measures only whether hosting creates an additional effect on that country's own average growth path. This is a powerful method for isolating the "extra" impact of hosting.

4.2. Panel Regression Results

In line with the findings of the preliminary tests, the analysis was conducted with a Fixed Effects model that includes country and time fixed effects and was estimated using Driscoll-Kraay robust standard errors. The regression analysis results are presented in Table 4.

Table 4: Panel Data Regression Results (Fixed Effects Model) *Dependent Variable: $\ln(PC_GDP_Growth)$*

Variables	Coefficient (β)	Std. Error*	t-statistic	p
HOST	0.105	(0.258)	0.41	0.682
$\ln(FCF)$	0.852	(0.174)	4.90	$p < 0.01$
$\ln(TRADE_OPENNESS)$	0.315	(0.102)	3.09	$p < 0.01$
$\ln(POP_GROWTH)$	-0.421	(0.155)	-2.72	$p < 0.01$
$\ln(EDUCATION)$	0.560	(0.210)	2.67	$p < 0.01$
$\ln(INFLATION)$	-0.088	(0.035)	-2.51	$p < 0.05$
Constant	1.245	(0.451)	2.76	$p < 0.01$
Number of Observations	5,100			
Number of Countries	150			
R-square (within)	0.685			
Fixed Effects	Country and Year			

Note: Values in parentheses indicate Driscoll-Kraay robust standard errors.

The results in Table 4 provide a clear answer to the study's main research question. Although the coefficient of the main variable of interest, HOST (0.105), is positive, it is statistically insignificant (p -value = 0.682). This finding shows that, holding all other factors constant, hosting a major sports organization does not have any significant effect on a country's per capita GDP growth rate on average. The magnitude of the coefficient is also economically negligible; it implies that hosting would increase the growth rate by only 0.1 percentage point, an effect that is statistically indistinguishable from zero. This result strongly supports the critical and skeptical view in the literature. It is particularly consistent with the findings of previous studies using panel data methods and provides evidence that mega-events are not a reliable tool for economic growth (Brückner & Pappa, 2010; Burbank et al., 2002).

The coefficients of the control variables in the model are consistent with standard economic growth theory. As expected, the coefficients for fixed capital formation (FCF) and trade openness (TRADE_OPENNESS) are positive and significant at the 1% level. This confirms that investment and foreign trade are important drivers of economic

growth. The coefficient for the education variable (EDUCATION), representing human capital, is also positive and significant, highlighting the importance of an educated workforce for productivity and growth. On the other hand, the coefficients for population growth rate (POP_GROWTH) and inflation (INFLATION) are, in line with expectations, negative and statistically significant. This indicates that rapid population growth suppresses per capita income and that high inflation adversely affects growth by creating macroeconomic instability. The fact that the control variables are consistent with theoretical expectations suggests that the model is generally specified correctly and that the insignificant result obtained for the HOST variable is not due to model misspecification.

4.3. Panel Causality Analysis Results

The regression analysis showed no significant correlation between hosting and economic growth. However, this does not provide a complete picture of the direction of the causal relationship. To investigate this relationship more deeply and to answer the question "does growth trigger hosting?" the Dumitrescu-Hurlin panel causality test was applied. The test results are summarized in Table 5.

Table 5: Dumitrescu-Hurlin Panel Causality Test Results

Null Hypothesis (H_0)	W-Statistic	Z-bar Statistic	p	Result
HOST does not Granger-cause $\ln(\text{PC_GDP_Growth})$	2.05	0.98	0.327	No Causality
$\ln(\text{PC_GDP_Growth})$ does not Granger-cause HOST	3.12	2.15	0.031	Causality Exists (at 5%)

Note: Prob. values indicate the probability of rejecting the null hypothesis.

The causality test results provide important evidence that complements the regression findings and offers a deeper understanding. The first row tests the null hypothesis that "hosting does not Granger-cause economic growth." Since the obtained probability value (0.327) is larger than even the 10% significance level, this null hypothesis cannot be rejected. This means there is no statistically significant causal relationship from hosting major sports organizations to economic growth. This finding confirms the result of the regression analysis and weakens the idea that hosting can be used as a proactive economic growth strategy.

The second row tests the reverse direction of causality, i.e., the hypothesis that "economic growth does not Granger-cause hosting." The probability value obtained for this hypothesis (0.031) is smaller than the 5% significance level, so the null hypothesis is rejected. This result indicates the existence of a statistically significant causal relationship from economic growth to the decision to host.

When these two findings are evaluated together, the picture that emerges is quite clear: Major sports organizations are not a cause that triggers economic growth; on the contrary, countries with higher economic growth or that show growth potential are more likely to host such costly and complex organizations. This implies that mega-events can be seen as a result or indicator of economic success rather than a tool for economic development. This also sheds light on the rationale behind hosting decisions. Countries may be bidding for these events not to grow economically, but to showcase the economic power and global status they already possess—a display of "soft power" (Kobierecki & Pierzgałski, 2022).

5. CONCLUSION

This study analyzed the impact of hosting major international sports organizations on the economic growth of countries during the 1990-2024 period, using a comprehensive panel data set and robust

econometric methods. The empirical findings do not support the common belief that mega-events promote economic growth.

The Fixed Effects regression model results clearly show that after controlling for other important growth determinants, hosting a mega-event has no statistically significant effect on the GDP growth rate. This result implies that the claimed positive economic effects of the events (increased tourism, employment, etc.) are either exaggerated or neutralized by negative effects such as substitution, crowding out, and leakages.

More importantly, the Dumitrescu-Hurlin panel causality test illuminated the direction of this relationship. The test results rejected the existence of a unidirectional causal relationship from hosting to economic growth. Conversely, a significant causal relationship was identified from economic growth to hosting. This finding is one of the most critical conclusions of the study: Mega-events do not create economic welfare; rather, they emerge as a result of existing economic welfare. Economically strong and dynamic countries have a greater capacity and desire to undertake such costly and prestigious projects.

In light of these findings, the following recommendations can be developed for policymakers in countries considering hosting mega-sporting events:

1. **Rationalization of Economic Expectations:** Governments and bidding committees should avoid presenting mega-events to the public as economic saviors or engines of growth. The empirical evidence does not support these claims. Budget and investment decisions should be based on more realistic and critical *ex-post* academic findings, not on exaggerated *ex-ante* impact analyses (Burbank et al., 2002; Dick & Wang, 2010).
2. **Independent and Comprehensive Cost-Benefit Analyses:** Before a bidding decision is made, comprehensive cost-

benefit analyses should be conducted by independent organizations using more advanced and realistic methodologies, such as Computable General Equilibrium (CGE) models, rather than methods that systematically produce optimistic results like Input-Output models (Kavetsos & Szymanski, 2010; Whitson & Horne, 2006). These analyses must clearly state potential cost overruns, the risk of idle infrastructure, and the long-term debt burden.

3. **Legacy-Oriented and Sustainable Planning:** Investment decisions should be shaped according to the country's long-term development goals, not just the needs of a few-week-long event. The use of existing infrastructure should be encouraged as much as possible, and it should be mandatory for newly built facilities to have a sustainable post-event use plan. Infrastructure investments should be projects that the country needs and that are economically rational, even independent of a mega-event (Ferris et al., 2022; Whitson & Horne, 2006).
4. **Fiscal Discipline and Risk Management:** Given the fact that mega-event budgets are systematically overrun (Ferris et al., 2022), the risks to public finances must be minimized. Private sector participation should be encouraged, and public guarantees should be strictly limited. Transparent and realistic contingency funds should be established for unexpected costs.

In conclusion, this study empirically demonstrates that mega-sporting events do not create an economic miracle but, on the contrary, carry serious financial risks. The potential benefits of these events should be sought in areas that are harder to measure, such as social (national pride, social cohesion), cultural, and diplomatic ("soft power") domains, rather than in economic growth. The task of policymakers is to carefully weigh whether these potential abstract benefits are worth the concrete and often very high economic costs.

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