

# Is Every Dollar “Invested” Really a Winner?

## Economic Impact Analysis and Local Spending

A city the size and location of Chicago will routinely chalk up many events and activities as a matter of course. Home to professional sports teams, pop-concert appearances, our world-class cultural institutions, the occasional political or social protest in the streets. But 2023-24 appears to be a period with an usually large number of dates to mark on our calendars.

Taylor Swift and 200,000 “Swifties” that took over Soldier Field in June, NASCAR racing downtown the first weekend in July, the Democratic National Convention in August '24 (and the Republican counterpart in nearby Milwaukee the month before), the Chicago or Arlington Heights or Naperville Bears building something, plus our standard fare: our annual fall marathon, street fairs, Taste of Chicago, and our wealth of cultural amenities.

**BY ALLEN R. SANDERSON**

Each of these will be accompanied by media coverage and throw-away lines as to the number of outside visitors it will draw, expenditures on hotels and restaurants, how they will enhance the city’s reputation, and the significant economic impact each will add to Chicago’s coffers.

Largely missing from the treatment, however, is the negative side of ledgers when things “go south” or turn ugly. Think the teen weekend street protests and riots this past April, or, further back, the anti-war protests that accompanied the 2012 NATO Summit we held. Further afield, domestic terrorism and the 2013 Boston Marathon bombings. Or, further back, the protests and police riots that forever etched the 1968 Democratic National Convention in Chicago’s history. No reason to have to even mention the weather! And we, along with most every other metropolitan area, list crime as one of its major concerns.

Given our modern environment and the country’s mood when it comes to race and gender sensitivities, abortion, immigration, gun control and mass shootings, and each



XXXXXXXX XXXXX

party likely nominating a wish-it-weren’t-him figure for president, certainly activists are already lining up their protest ducks to be out in full force for demonstrations next summer in Milwaukee and Chicago.

Estimates of economic impacts rarely dwell on the ex-ante risks cities have to take. For example, given 9/11, Olympic host cities now have to include a \$5 billion line item to factor in the security costs associated with the risks of terrorism. This is one major consideration down the road as the IOC and major cities around the globe weigh their decision to serve as an Olympic host; it has simply become unaffordable for many (most? all?) cities. These risks and this analysis are not simply a US matter. Good luck, Paris, for the Summer Games in 2024.

And if I come to Chicago and lay down \$200/night for a hotel room, how much of that gross tab actually stays in the local economy as opposed to leaving for Sheraton, Hilton, or Marriott headquarters? Net v. gross is the issue. As is: Who benefits and who loses?

It may well be that some curious visitors

will descend on Chicago next August to witness history, but others will postpone their annual trip to see the Cubs or Sox, or spend their family day at the Shedd, Adler, and Field some other weekend, to avoid congestion. How did these world-class museums do on July 1-2 with race cars making access impossible? They, and Macy’s, do not draw large crowds on Sundays when the Bears are home. They much prefer road games.

And if the IOC (International Olympic Committee) or NFL, not registered 501 3-c organizations, can play one locale against another in bidding for the right to host an event, should it not be able to exercise some of its market power to extract most of the expected financial gains from its event in the form of the price it charges the host upfront or expenditures it requires the city to commit to?

For these reasons, when asked about the purported economic impact of this or that activity, I often tell reporters to take the estimate given by the sponsor or Chamber of Commerce and move the decimal point one place to the left. That’s a pretty good place to start one’s counting. □