

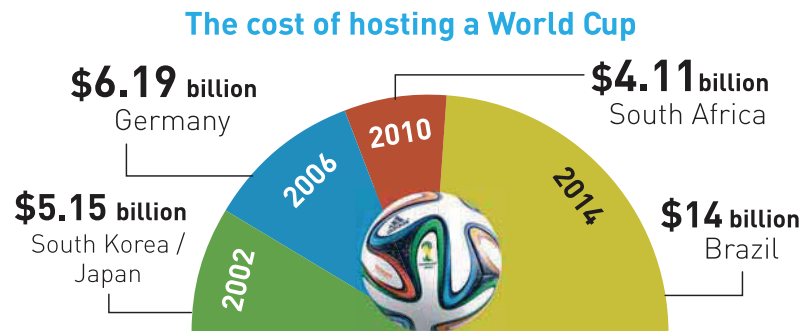
The beautiful game?

There is anger on the streets of Brazil, which is reeling under economic hardships, as it plays host to the most expensive Football World Cup so far. BY R. SURESH

Even before the greatest market-driven spectacle on earth got underway on June 12, Brazil witnessed a series of violent protests against spending huge sums of money for playing host to this year's FIFA World Cup and the 2016 Olympics (in Rio de Janeiro).

The cost of hosting the World Cup alone is estimated at \$14 billion—for 64 games for 32 teams over the course of 30 days. The costs include modernising old stadiums, building new ones and improving the transport infrastructure. There were huge cost overruns, interminable delays and monumental corruption. Much of the money for the mega event comes from federal funding; private contribution is less than 15 per cent. The price of building or renovating the 12 stadiums has quadrupled from pre-construction estimates to \$4.2 billion.

It is argued that Brazil's economy is big enough to absorb such costs, but it is still to recover from the slowdown. Unemployment rates are



Brazil as World Cup host

1950		2014
Rio de Janeiro	Capital city	Brasilia
52,000,000	Population	201,000,000
\$1.3 billion	GDP	\$2.4 trillion
1,043,500	Total attendance	3,300,000 (expected)
13	Teams competing	32
22	Games played	64

\$4.2 billion Cost of building and renovating the 12 venues for 2014 World Cup

The 12 host cities

These six cities were venues of the 1950 World Cup too

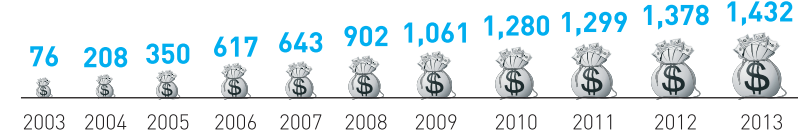


FIFA economy, 2007-10 (in \$ million)

	Revenue	Expense	Profit
World Cup 2010	3,655	1,298	2,357
Other activities*	534	2,260	(1,726)
Total	4,189	3,558	631

* FIFA also conducts less lucrative competitions such as the junior and women's World Cups and the Confederation Cup

FIFA's reserves (in \$ million)



high and spending on public infrastructure has been drastically reduced. An estimated 20 per cent of Brazilians live in abject poverty. Hence the anger on the streets.

FIFA and corruption

Only a few days ago, a story surfaced on the alleged corruption in FIFA's choice of countries to host the 2018 (Russia) and 2022 (Qatar) World Cups. FIFA's history since 2006, says The Guardian, is "a catalogue of slush funds, kickbacks, bribes and favouritism. Commercial offshoots are said to be run by insiders and family members of the FIFA president, Sepp Blatter."

FIFA's "reserves"—a euphemism for profits because FIFA is classified as a non-profit organisation in

Switzerland—have steadily increased over the years. The World Cup provides the vast majority of its revenue and profits. Its largest revenue element is the sale of television rights and the second largest source of income comes from the marketing of the World Cup rights.

Hosts come a cropper

In a paper "The bidding paradox: Why rational politicians still want to bid for mega sports events", the Dutch academics Michiel de Nooija and Marcel van den Bergb say that the economic arguments of the proponents of hosting mega events contrast sharply with academic literature, which consistently shows that mega sports events are in

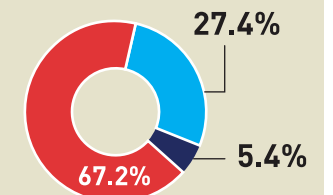
general economically unprofitable in terms of spending, GDP or employment. They find that the true costs, such as those associated with security, preparations by civil servants, distortionary taxes imposed to publicly finance the event, or even the costs of participating in the bidding process, are frequently ignored in the process of submitting a bid. Brazil 2014 is set to be the most expensive World Cup so far. But compared with the \$120 billion Qatar is spending for the 2022 event, it is loose change.

The Brazilian economy

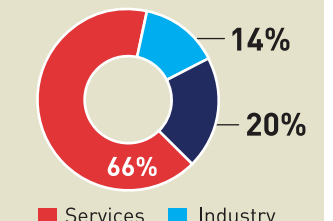


In 2013, the economy of Brazil was the world's sixth largest by nominal GDP

What makes up Brazil's GDP?

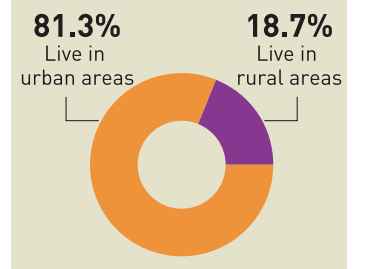


Labour force by occupation



Unemployment rate

6.2%



* World Bank data