

# Macroeconomic Analysis of 1998 FIFA World Cup

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**Abstract:** After holding FIFA World Cup in 1998, France experienced a turning point after four years of recession. We are aiming to discover the income and expenditure in the French economy before, during, and after the FIFA World Cup 1998. Including the government spending to support this event, some domestic and foreign investment, and the change amount of total output in the economy as well. Using method of literature review and macroeconomic analysis, we find out that the economic success of 1998 FIFA can be attributed to augment of demand for transportation, high foreign direct investment, and sponsorship.

**Keywords:** Macroeconomic Analysis; Economic Growth; Social Impact

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## 1. Introduction

### 1.1 Research Background

As a country with a great passion for sport, and football, in particular, the fact that France was allowed to host the World Cup in 1998 has to some extent lifted the spirits of its people. Therefore, people in football education, publicity, advertising, and other industries have greater investment and consumption. Hosting FIFA has certainly been a boon to French tourism, both in manufacturing and services. Moreover, in the era of rapid information and communication, FIFA's launch in 1998 attracted a large number of advertising investors, notably Coca-Cola. Most notably, France's victory brings the World Cup in France to a close and maximizes FIFA's profits. Because a victory by a home team as a host is rare and remarkable, both at home and around the world, France's success has largely inspired people, even those who are not football fans, to engage in more active work and production.

### 1.2 Significance of the Study

The impact of a large-scale sports event on the country and even the world economy can be deeply studied by examining and investigating the way of holding the FIFA World Cup. From the national perspective, we can better understand how to hold the next event and to prevent extra unnecessary money spent on the activity; in terms of individuals, sellers can know more comprehensively how to maximize the profit by using active resources and buyers will have a clearer idea on what's the most economical product.

## 2. Literature Review

According to "Economic impacts of the FIFA Soccer World Cups in France 1998, Germany 2006, and outlook for South Africa 2010", by (Swantje Allmers and Wolfgang Maennig 2009), analyzing overnight stays, service balance sheets, and retail sales, the author mentions that According to the comprehensive data analysis, the number of tourists and international tourism income did not increase significantly during the World Cup in France. In a word, the impact on the tourism industry is small. Also, the test according to deflated monthly retail sales index did not show any significant impact of WCs, the negative impact of the World Cup on retail sales. Though not significant on the statistical data, produced a "couch potato effect": consumers may be themselves, the World Cup stadium game or a mile "fans" street market transfer their normal consumer behavior, or, they may choose to entertain themselves at home, watch the football match, can only eat fast food "potato".

"The 1998 World Cup Impacts the French Economy"(anonymous writer in cip community), French stocks rose 40 percent in the first half of 1998. The 1998 World Cup also helped unite the French people, who had problems with racial integration. The problem is mainly between Algerian immigrants and French citizens, who have been united for a short period. An expert on football finance at the University of Leeds Business School said that "the French economy grew by 3% to 3%"; much of that was attributed to Frances winning the World Cup (Gerrard, 1998). As people thronged the streets to celebrate, it was seen as a sense of excitement that, albeit short-lived, provided a boost to

the economy.

The passage “THE QUEST FOR THE CUP: ASSESSING THE ECONOMIC IMPACT OF THE WORLD CUP” (Robert A. Baade) focused on whether the World Cup boosts the host economy and balances costs and risks. It mentions that in FIFA, most viewers are from other countries and their spending is counted as export spending. Despite not being in the city or community where the games are being held, residents of the host country who do not attend the games may not reduce their spending in that country. One might think that the direct expenditure of non-residents attending the event is close to the net effect, but this conclusion is not true if non-residents choose to reduce consumption because of congestion and high prices during the Olympics.

The essay “The Announcement Impact of Hosting the FIFA World Cup on Host Country Stock Markets” (Bijen Ramdas, Reinettevan Gaalen, and Jordy Bolton 2015) sums up some major economic effects on the French economy while preparing for and hosting FIFA World Cup. According to a paragraph, as the host of the World Cup, it naturally helps to boost the French economy by providing accommodation for tourists, creating new jobs through construction and selling services, selling goods, and other ways. People tend to spend more on hotel accommodations, restaurants, and alcohol to cater to happiness.

### **3. Analysis**

#### **3.1 Methodology**

The methodology chosen for this research was very crucial and important. The chosen methods were based on the topic and the research questions and this gave a guidance about the philosophical principles guiding the entire research procedure (Easterby-Smith et al. 2012). Hosting the world cup was greatly dependent and based on the positivist and constructivist epistemologies (Cresswell, 2013; Creswell & Plano Clark, 2011). Quantitative data used in this study, though dependent solely on numerical values, was concise and created an objective study based on the perceptions (Lather, 2014). The qualitative approaches depend on the ‘interpretive’ or social constructivism (Krathwohl, 2010). This approach focused on the “why” and “how” of the study not solely on the “what” of the study and as such provided the investigator different experiences of the population sample regarding the teaching strategies under review.

#### **3.2 Data analysis**

Inferential quantitative research is targeted at studying the relationship between two variables. According to the submission of Easterby-Smith et al (2012, p.43), inferential techniques “adopt an internal realist ontology” by examining the existing beliefs that have been concealed. Examining from the perspective of internal realism, the methodology and instruments adopted for this study were able to unmask the hidden fact(s) about the relationships that exist between hosting the FIFA world cup and economic growth of France in 1998. Thus, this confirmed the effectiveness of the strategies used in the data collection process and the methodology and the research questions. The research aims, research objectives and the research question have all been linked together (Evans et. al., 2004). Data analysis gave room for assembling, disassembling, and breaking up, separating, putting together research materials which were then sifted into smaller pieces of manageable information for logical, coherent and clarity purposes (Hesse-Biber & Leavy, 2011). Data were arranged by sections to reveal any underlying structure in the data.

#### **3.3 Ethical considerations**

Ethical considerations which enhance research validity, protect the rights of research participants and maintain research integrity were well catered for in this research. Ethical issues considered were anonymity, confidentiality, and dissemination of findings, informed consent and avoidance of data fraud (Baud et. al, 2013) since research ethics are important for integrity, rights and dignity of in the society. In order to get accurate information from the secondary sources, the researchers were equipped with assurance of confidentiality and anonymity (Calahan, 2019). Ethical issues were decided before the commencement of the research and it was considered throughout the research process (Brooks et al., 2014).

## 4. Findings/Results

### 4.1 Hosting The World Cup brings France dramatic economic growth.

In 1998, French experiences 1.25% of economic growth, which is a large number compared to other years. Before the World Cup in France, GDP growth was negative; After the World Cup, especially in the year following France's World Cup triumph, its GDP not only turned negative into positive but grew by 4%.

### 4.2 The World Cup brings high brand sponsorship revenue.

Explanation: The sponsorship of the World Cup has different levels, divided into global partners, sponsors, and regional sponsors. Together, they support and provide financial assistance to the World Cup.

### 4.3 The selling of broadcasting rights brings huge economic benefits.

Some statistics about the 1998 World Cup in France reveal the huge financial benefits of its televised nature. The cumulative television audience for the 64 matches was approximately 40 billion people, the largest for a single event in history and 14,000 times larger than the stadium audience. The final was watched by 1.7 billion people, making it the largest collective experience in human history. Audience and viewing figures show the marketing potential of the event.

### 4.4 WorldCup increases traveling transportation companies' income.

More people will travel long distances to the host country and tend to travel by vehicle. As the result, companies that provide transportation products and services will gain more revenue.

### 4.5 World Cup advertising is a big source of profits.

Worldwide, 12 multinational companies, including Coca-Cola and McDonald's, MasterCard, and Adidas each paid about \$35 million for the privilege of being associated with the event. It is also a big source of advertising revenue for the World Cup.

### 4.6 The host of the FIFA World Cup brings more foreign direct investment.

According to the diagram below, the investment rate increases sharply during 1997-2000, which is exactly the time period in which FIFA World Cup is being hosted. A possible reason for that is the advertising and increment of the French products' value.

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