An Economic Slam Dunk or March Madness? Assessing the Economic Impact of the NCAA Basketball Tournament


Matheson and Baade test the previously accepted notion that the NCAA Final Four tournament results in positive economic growth for the event’s host city. They look at both the men’s and women’s Final Four events—over the years 1970-1999 for the men’s event, and 1982-1999 for the women’s. The assert that previous studies have inflated the economic impacts by not fully isolating the sole impact of the event, and thus, inflating both the direct impacts and the multipliers. Particularly, they claim that the effects of a “crowding out” phenomenon are often overlooked, and also exaggerate economic impact. They describe this “crowding out” effect as the decrease in normal local economic activity resulting from a host city’s local population attempting to avoid the Final Four tourist crowds. Their model, then, predicts economic growth in each host city over the specified years, without accounting for the impact of the Final Four tournament. The model is defined as follows:

% change in income (GDP) in the ith metropolitan statistical area (MSA) = f(number of cities in the sample, nominal wages in the ith MSA as a percentage of the average for all cities in the sample, state and local taxes in the ith MSA as a percentage of the average for all cities in the sample, a dummy variable for oil boom and bust cycles for selected cities and years, annual trend, stochastic error)

They assess that the difference between these predicted growth rates and the actual reported growth rates should be large if the Final Four did indeed have a large impact. They find that this difference is small or non-existent, and conclude that the Final Four events have little if any impact on economic growth.

The economic data employed for each city is provided by the Regional Economic Information System at the University of Virginia. Additional data regarding state and local taxes is provided by the Tax Foundation in Washington, D.C.