

Value: a new decision-making tool based on the total economic value of the sporting spectacle?

The paradox of value

Value is at the heart of what constitutes the very essence of economic analysis: what are the foundations of value? What is the relationship between value and price? The first question relates to the opposition between utility value and labour value. For neoclassical economists, the value of goods depends on the utility that each individual attaches to it and thus conditions the willingness to pay. For the Classicals or Marxists, the value of goods depends on the amount of work required to produce it. This opposition between utility value and labour value culminated at the end of the 19th century in the "quarrel of methods" and saw the triumph of utility value with that of the methodological individualism that became the standard of scientificity in economics. The second question deserves particular attention insofar as it is common to observe divergences between value and price, which reveals market failures if we remain within the framework of neoclassical economics.

Traditionally, economic analysis is used to distinguish between use value and exchange value: use value is the subjective utility attached by an individual to goods and the satisfaction he derives from their use. It is a value that does not necessarily require the existence of a market and exists for an individual isolated from his fellow men; exchange value is the objective measure of the capacity of goods to be exchanged for other goods on a market. It is therefore a social value. The price is an expression of exchange value.

From there, we find the paradox of value when we compare these two elements: some goods can have a very high use value and a zero exchange value (and vice versa). This paradox is known in economic literature as the water-diamond paradox. While the former has a high use value (water is life), it has a very low exchange value. For the latter, its very high exchange value is not justified by its utility. This paradox has been resolved in the history of economic analysis by taking into account both the utility and the scarcity of goods. Nevertheless, economic theory has been primarily concerned with exchange value. The objectivity that presides over its determination was more in keeping with a research programme that claimed to be scientific, but it is at this level that one of its main weaknesses lies. Perhaps other social choices would have been made if economists had paid more attention to use value rather than systematically seeking to produce what could be sold for profit without considering the utility of what was put on the market. This is why, in recent years, with the growing awareness of the scarcity of

resources on a global scale, there has been an attempt to reconsider the issue of value. This has given birth to new concepts that are overturning the economic calculation. Let's take the example of the sporting spectacle.

Total economic value of the sporting spectacle

- **Definitions**

The use value corresponds to the actual utility felt by the consumer of the sporting spectacle. The willingness to pay is partly revealed by the expenditure for access to the spectacle (tickets) or various purchases. By reconstructing the demand curve for the event, it is then possible to calculate the consumer surplus.

The intrinsic value or value in itself of a good is its value when not in use. How much are goods worth even if you don't use them? Applied to the sporting spectacle, it is the utility that an individual derives from knowing that this spectacle exists, with all that this can represent from an economic, social, cultural and symbolic viewpoint, even if he does not attend the event.

Option value refers to a good that does not have a high use value today but may have a high value tomorrow. Individuals may wish to preserve the option to use these goods in the future. This is the case for the sporting spectacle, where the aim is to preserve the option of its organisation to avoid its disappearance.

Legacy value is the value attributed to giving up the immediate use of a good for the benefit of future generations. For the sporting spectacle, it essentially measures the value that can be attributed to the sporting culture as a heritage of humanity.

The sum of all these values gives the total economic value of the sporting spectacle. As many of these values are non-market, economists have tried for the last thirty years to experiment with various methods to reveal the agents' willingness to pay, which is not without a certain number of difficulties.

- **Methods**

Several methods have been developed by economists of revealing and evaluating the preferences of individuals as a means to assess the value of the environmental externalities. These methods from environmental economics were then transposed to the field of sports economics:

- Substitution markets: the preferences of individuals concerning the environment are evaluated by examining their behaviour in three markets linked to the environment: transport (costs), protection (expenditure) and housing (hedonic prices). The travel-cost method has been most widely used in the field of sports economics.

- Hypothetical markets: also known as the contingent valuation method (CVM), are increasingly used to estimate the intrinsic or potential value of environmental goods. It is called a direct method because it seeks to find out directly the preferences of individuals and their willingness to pay by way of questionnaires and interviews. This method has been used to assess the non-market value of mega-sporting events such as the Rugby World Cup or the Davis Cup.
- Indirect methods: the aim is to calculate a dose-response relationship and then to carry out a monetary evaluation of the physical effects. These methods have been used in the context of the relationship between sport and health or in the analysis of the environmental consequences of mega-sporting events.

All of these methods are attractive in theory, but they present difficulties in application, especially at the level of information collection. Moreover, the results obtained by different methods cannot be compared and, at the level of the same case study, the results may differ considerably depending on the method used. These methods must therefore be the subject of much transparency in the presentation of research protocols. On this condition, it is possible to put the results into perspective, in order to become aware of all the biases inherent in all these methods and to conclude that it is better to have an imperfect method than no method at all. This implies, however, that it may be dangerous to move directly from an assessment to decision-making without considering a negotiation between the stakeholders involved. Furthermore, it is all the more important to carry out this calculation of the total economic value as it is possible to obtain a different typology of sports events than that obtained with the criterion of their economic impact.

From economic to social

- ***Another typology of sporting spectacles***

The legitimacy of hosting a sporting event is usually assessed by the extent of its economic impact. This criterion is considered sufficient to demonstrate to public opinion the relevance of the decision. Sports economists have long denounced the insufficiency of this reasoning and have instead recommended a calculation of social profitability extended to externalities and using this notion of the total economic value of the sporting spectacle. Such a calculation would be desirable to improve decision-making and avoid expensive mistakes, such as the organisation of the football World Cup in South Africa and Brazil, or the hosting of the Winter Olympics in Sochi.

By cross-referencing the results in terms of economic impact and social profitability, a new typology of the sporting spectacle

emerges. Obviously, the ideal is to have an event with high social profitability and a strong economic impact. Conversely, it is not desirable to support the organisation of an event with low social profitability and little economic impact. Beyond these two obvious cases, there are two very interesting situations. Firstly, there are events with a low economic impact but a high social utility. This is the case for most of the world championships in 'minor sports', which do not have a significant economic impact but which play an essential role in the dissemination of sporting values. Secondly, there are events with a high economic impact but low social utility. These are sporting events that generate strong negative social or environmental externalities. In the latter case, the Sochi Olympic Games and the Paris-Dakar rally are emblematic examples.

- **The need for collective bargaining**

The ex-ante social profitability calculation is not carried out for many reasons: such an evaluation of externalities would be long and costly; a simple economic impact calculation is much easier to carry out; such an impact calculation generally gives a positive view of the event with results that are often overestimated; the social profitability calculation risks tarnishing the event's reputation in the event of significant negative externalities.

Therefore, it seems unlikely that public commissioning of ex-ante studies on the social profitability of sporting events can be envisaged at a time when it is still difficult to demand serious economic impact studies. The solution may be to make decision-makers aware of the existence of negative externalities that could jeopardise the social profitability of the event. The aim is not to carry out a true cost-benefit study but to make decision-makers aware that there are other criteria to take into account than just the simple economic impact. This can also lead to an awareness of the need for collective negotiation to avoid going directly from an economic calculation to a decision.

Further information:

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