The Republican National Committee (RNC) chose New York City as the site of the 2004 Republican National Convention for the first time in the party’s history. The event will bring 4,853 delegates and alternates to Madison Square Garden for the week of August 30 to September 2, 2004. The organizing committee expects the convention to draw 48,000 visitors, including 15,000 members of the press.

Convention supporters are touting the symbolic benefits of the convention for demonstrating the resiliency of New York City, in its recovery from 9/11, and the economic benefits to stem from the new spending that the convention will bring to the City. Mayor Michael Bloomberg said, “It will create thousands of jobs in the months and weeks leading up to and during the event, and generate as much as $260 million in economic activity.”

Shrouding the convention is a veil of secrecy about how the mayor came up with his economic estimate and about security considerations that may ultimately force the closing of Pennsylvania Station and of roads in the vicinity of Madison Square Garden.

The Benefits of the Convention

The Beacon Hill Institute at Suffolk University has undertaken to provide an independent estimate of the economic benefits of the convention. We find that, given the facts currently at hand, the convention will provide a positive economic benefit of $184 million.
million, $76 million dollars less than the $260 million figure quoted by Mayor Bloomberg.

Measuring the Benefits

The convention’s impact derives from the additional spending by the attendees and other visitors and by the convention host committee.

Spending by Visitors

The visitors will spend money on hotel rooms, dining, entertainment and shopping. We calculate daily spending amounts for delegate and non-delegate visitors and present the breakdown in Table 1. We assume that convention visitors will stay in New York City for an average of 6.25 days, based on estimates from the 2000 Los Angeles Democratic National Convention.\(^2\) Multiplying daily spending by 6.25 and then by the number of delegates or non-delegates yields the total anticipated spending in the amount of $98 million.

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Delegate(^4)</th>
<th>Non-Delegate(^5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>167.34(^6)</td>
<td>139.30</td>
</tr>
<tr>
<td>Food/Beverage</td>
<td>65.18</td>
<td>87.56</td>
</tr>
<tr>
<td>Retail</td>
<td>39.68</td>
<td>55.72</td>
</tr>
<tr>
<td>Transportation</td>
<td>34.01</td>
<td>51.74</td>
</tr>
<tr>
<td>Entertainment</td>
<td>36.84</td>
<td>51.74</td>
</tr>
<tr>
<td>Other</td>
<td>8.50</td>
<td>11.94</td>
</tr>
<tr>
<td>Total</td>
<td>350.55(^7)</td>
<td>398.00</td>
</tr>
</tbody>
</table>

\(^3\) “2004 Corporate Travel Index: Daily Cost of Doing Business, Business Travel News,” Business Travel News, February 23, 2004, p. 6. The total per day spending figure from the 2004 Corporate Travel Index ($445) was adjusted to reflect the delegate hotel spending figure ($156 per night) cited in footnote 5 below.
\(^4\) NYC & Company, “NYC Tourism Highlights-2002,” December 8, 2003, p. 4. The figure was allocated to different visitor spending categories based on percentages (also adjusted for the $156 per night hotel figure) to arrive at daily spending totals for each category.
\(^5\) Ibid., The total non-delegate visitor spending was calculated by dividing the total NYC visitor spending figure by the total visitors and adjusting for length of stay to get $398 per day. This figure was then applied to the percentages of visitor spending by category to get a total dollar figure for each spending category.
\(^7\) The difference between the hotel spending figure from the “2004 Corporate Travel Index” and the $156.00 cited in the pervious reference ($250.22 - $156 = $94.22) was used to reduce the total per day figure from the 2004 Corporate Travel Index ($445 - $94 = $351).
Spending by the Host Committee

The convention organizers will spend money on salaries, office space, construction, security, and other production costs. The Republican National Convention organizers declined to provide specific budget details to the Beacon Hill Institute. This lack of information forces us to make assumptions about the convention budget and spending allocations. In light of the different host committee spending figures cited in the media and conflicting information received from other sources we use the most conservative numbers available.

Funding to pay for the convention comes from four sources: private donations to the New York City Host Committee, the Federal Elections Commission, and the federal government, which will provide money to defray security costs. The host committee has budgeted some $64 million, including $15 million from the Federal Elections Commission.\(^8\) In order to allocate these expenditures into proper categories we utilize the percentages from the 2000 Democratic National Convention in Los Angeles.\(^9\)

Spending for Security

New York City has budgeted $76 million to cover security and safety costs with $25 million reimbursed by the federal government.\(^10\) We consider $51 million of the $76 million to be a transfer, inasmuch as it will be defrayed out of local tax revenues. Therefore, we recognize only the $25 million federal reimbursement as additional new security spending. For the purpose of modeling, we split this money between the local, state and federal government sectors, since each will have a role at the convention.

Total Spending

When we combine the $98 million in spending by visitors with the $64 million in spending by the host committee and with the $25 million in spending by the federal government for security purposes, we get $187 million in total spending.

Total Benefits from Spending

To determine the benefits of this new spending to the City, we apply the Regional Input-Output Modeling System (RIMS II) model of the Bureau of Economic Analysis, which enables the user to obtain detailed analyses of the direct and indirect economic impacts of different shocks to a local economy. RIMS II, which accounts for interindustry relationships through the use of output, earnings and employment multipliers, is a widely-used tool for conducting regional economic impact analysis.

\(^8\) Randal C. Archbold, “G.O.P. Quick to Get Big Donors to Cover Cost of Convention,” The New York Times, June 19, 2003, sec. A, p. 1. We assume the $64 million dollar figure includes the $15 million from FEC based on the DNC Boston experience.

\(^9\) PKF Consulting, “Economic Impact.”

The data for the RIMS II tables are derived from BEA’s national I-O table, consisting of nearly 500 industries, and BEA’s regional economic accounts, which are used to adjust the national I-O table. The combination of these two sources of data results in a regionalized table capturing the local economy’s industrial structure and trading patterns. RIMS II is available at the county level and can be used for a multiple county region as long as the counties are contiguous. We obtained RIMS II multipliers for the New York City area, which includes Bronx, Kings, New York, Queens and Richmond counties.

The Results

In Table 2, we combine spending by the host committee and spending on security measures to obtain a total of $89 million. Then, we determine from RIMS II the new output that will result from this spending and from the spending by visitors. Finally, we determine how much of this new output will result in value added to the local economy. Summing the values added for the two categories, we get $184 million in benefits. Value added is the appropriate measure of economic effect because it represents new economic activity that sticks to the local economy.

Table 2: Convention Impact Details ($ millions)

<table>
<thead>
<tr>
<th>Source</th>
<th>Spending</th>
<th>Total Output</th>
<th>Value Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visitors</td>
<td>98</td>
<td>160</td>
<td>91</td>
</tr>
<tr>
<td>Host Committee &amp; Security</td>
<td>89</td>
<td>152</td>
<td>93</td>
</tr>
<tr>
<td>Total</td>
<td>187</td>
<td>312</td>
<td>184</td>
</tr>
</tbody>
</table>

Negative Impacts Unknown

In contrast to the organizers of the Democratic National Convention in Boston, New York City officials have yet to release a security plan, as city officials and convention organizers are keeping a tight lid on convention related information. In news reports, New York City officials claim that major streets surrounding Madison Square Garden and Pennsylvania Station will remain open during the convention.12

Despite the statements by New York City officials, it seems likely that the security plans for the convention will disrupt the lives of some workers and residents and displace some normal economic activity for that week. Nevertheless, the Beacon Hill Institute cannot provide estimates of these effects in the absence of security plan details. We will provide revisions, if necessary, as the convention security plans and other pertinent information become available.