

# The Democrats are coming: What it means to the Boston economy

An analysis of the economic impact of  
the 2004 Democratic National Convention  
in Boston by the  
Beacon Hill Institute  
at Suffolk University

In the fall of 2002, and with much fanfare, the Democratic National Convention's site advisory committee selected Boston to host the party's 2004 national convention. The combination of Boston's financial bid of \$49.5 million, including a promise of \$20 million in cash, and intense lobbying by local politicians helped beat out bids from Miami, New York and Detroit. The 2004 Democratic Convention will be the first time that Boston hosts a national political convention.

The event will run from July 26 to 29, 2004. Nearly 5,000 convention delegates will gather at the Fleet Center arena to select their presidential candidate and party platform for the general election in November. In addition to the official delegates, the convention will draw about 30,000 guests, visitors and members of the media.<sup>1</sup>

According to Boston Mayor Thomas M. Menino, the convention presents an opportunity "to showcase Boston not only as a vibrant city with its historical

atmosphere and its contemporary, international flavor, but also as a premier destination for tourists and conventioners alike."<sup>2</sup>

Another reason that the city competed so vigorously for the convention was the promise of economic benefits to the Boston metropolitan area. To be sure, there will be costs. There will be the need for extensive security arrangements, disruption of commuting by Boston workers and some displacement of normal economic activity for the period of the convention. But there will be a substantial infusion of new spending that will directly and indirectly benefit the metropolitan area.

### *The Benefits of the Convention*

The Beacon Hill Institute has estimated that there will be \$113 million in new spending attributable to the

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convention. Once we adjust that infusion of new spending to account for the portion that “sticks” to the Boston economy and for the resulting multiplier effects, we find that the convention will generate \$122 million in economic benefits. The Democratic National Committee pegs its estimate higher, at \$150 million.<sup>3</sup>

**Table 1: Daily Spending by Convention Visitors (\$)**

<b>Expenditure</b>	<b>Delegate</b>	<b>Non-Delegate</b>
<b>Hotel</b>	<b>188.00</b>	<b>188.00</b>
<b>Food/Beverage</b>	<b>62.00</b>	<b>42.35</b>
<b>Retail</b>	<b>38.00</b>	<b>25.96</b>
<b>Transportation</b>	<b>18.00</b>	<b>12.30</b>
<b>Entertainment</b>	<b>16.00</b>	<b>10.93</b>
<b>Other</b>	<b>8.00</b>	<b>5.46</b>
<b>Total</b>	<b>342.00</b>	<b>285.00</b>

### *Measuring the Benefits*

We derive our estimate of the convention’s positive impact to the local economy from two sources. The 35,000 anticipated visitors will spend money while in town for the convention, and the event organizers will spend to produce the convention and related events. The delegates will spend money for hotel rooms, meals, entertainment, and in retail shops. According to the Greater Boston Convention and Visitors Bureau, in 2003 the average delegate spent \$342 per day while attending conventions in Boston while other visitors spent \$285 per day while in Boston.<sup>4</sup> Table 1 contains the breakdown of spending by industry. All convention visitors, delegate and non-delegate, are expected to visit Boston on average for 6.25 days, based on figures from the 2000 Los Angeles Democratic National Convention.<sup>5</sup> The total anticipated spending by all convention visitors comes to \$48.5 million.

The convention organizers will spend money to put on their show. These expenditures will include office space, construction, security, insurance, catering and other production needs. According to Wesley Everly of the Boston 2004 Inc host committee, the total budget for the convention is \$39.5 million dollars. In order to allocate these expenditures to the proper categories we utilized the percentage allocation figures from the 2000 Los Angeles Democratic National Convention and applied them to the total budget for the Boston

convention.<sup>6</sup> The federal government allocated an additional \$25 million to cover convention security costs. For the purpose of modeling, we split this money between the local, state and federal government sectors since each will have a security role at the convention.

The \$48.5 million in spending by convention visitors plus the convention budget of \$39.5 million plus the \$25 million for security comes

to \$113 million in new spending. We used proprietary software called IMPLAN to model the effect of this new spending on the Boston economy.

### *Using IMPLAN*

IMPLAN provides regional industry multipliers, which enable the user to provide detailed analyses of the direct, indirect and induced economic impacts on the local economy of a change in final demand for certain industries.

IMPLAN multipliers are designed to model a variety of scenarios and are traditionally used to model a shock to a regional economy. Examples of uses of the model include opening or closing military bases, new energy facilities, new sports stadiums, opening or closing manufacturing plants and airport or port facilities. All these scenarios are modeled by estimating changes in final demand by industry and entering them into the IMPLAN model for the region.

Any systematic analysis of economic impacts must account for the interindustry relationships within a region. IMPLAN, accounts for interindustry relationships through the use of a regional transaction table that is algebraically manipulated to produce a set of regional multipliers.

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Convention attendees' spending and the spending by the host committee serve as the shock to the Boston economy, i.e. the change in final demand. These changes are entered into IMPLAN and used to calculate the impact on output, value added and labor income by industry in the local economy. IMPLAN is available at the county level and can be used for a multiple county region as long as the counties are contiguous.

IMPLAN captures the direct effects of changes in final demand and local purchases made by local companies as a result of this increase in final demand. Because IMPLAN is based on regional industry multipliers it will also capture the ancillary effects arising from the income earned from the local companies' input purchases. This allows BHI to provide a complete analysis of the Democratic National Convention's economic impact on the Boston metropolitan area, as local companies' transactions ripple through the local economy.

IMPLAN is based on a national transaction table that is regionally adjusted through the use of Regional Purchase Coefficients (RPC). RPC's represent the portion of local demand purchased from local producers. Once the transaction table is regionalized, a coefficient matrix is derived by dividing each industry column by the column total. This coefficient matrix is also called the A matrix. Through the algebraic manipulation performed below the regional multipliers are derived:

$$X = (I - A)^{-1}Y,$$

where

$X$  = Industry output,  
 $I$  = Identity matrix,  
 $A$  = A matrix,  
 $Y$  = Final Demand.

Our analysis accounts for changes  $Y$ , in the form of spending by convention attendees and Host Committee expenditures. After we apportioned these changes in final demand by industry as documented

above, we use IMPLAN to determine how output and value added changes throughout the economy.

## *The Results*

The total change in final demand, consisting of host committee expenditures and visitor expenditures, totals \$113 million. This change in direct final demand translates into a increase of \$73.1 million in direct value added, which consists of labor income, other property type income and indirect business taxes. Value added is the appropriate measure of economic effect because it represents new economic activity. After applying the appropriate industry multipliers to the change in direct final demand, the overall effect on the Boston metropolitan area economy is an increase of \$121.6 million in direct, indirect and induced value added.

These estimates do not include possible economic effects arising from additional spending by private local corporations or citizens due to the convention nor do they include possible negative economic effects due to additional congestion and closing of companies in the downtown area.

## (ENDNOTES)

<sup>1</sup> "Fact Sheet", Boston 2004 Inc, available at [http://www.boston04.com/media\\_center/fact\\_sheet.asp](http://www.boston04.com/media_center/fact_sheet.asp); Internet; accessed on 26 March 2004.

<sup>2</sup> Thomas M. Menino, "A Message From the Mayor", available at [http://www.boston04.com/about\\_your\\_hosts/message\\_from\\_the\\_mayor.asp](http://www.boston04.com/about_your_hosts/message_from_the_mayor.asp); Internet; accessed 25 March 2004.

<sup>3</sup> "Democratic National Committee Places \$7 million in local Banks", 2004 Democratic National Convention Committee, 13 August 2003, available at [http://www.dems2004.org/press\\_office/releases/081303\\_release.html](http://www.dems2004.org/press_office/releases/081303_release.html); Internet; accessed on 24 March 2004.

<sup>4</sup> Greater Boston Convention and Visitors Bureau, Boston Tourism Statistics 2003, available at <http://www.bostonusa.com/images/admin/logos/TourismStats.htm>; Internet; accessed 23 March 2004; quoting Business Travel News 2004 Corporate Travel Index.

<sup>5</sup> "Economic Impact of the Democratic National Convention 2000 in Los Angeles", PKF Consulting, Los Angeles, December 2003.

<sup>6</sup> *Ibid*, p. 11.

