



## THE ECONOMIC PATH TO WORLD CUP SUCCESS

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Rather than being written in the stars (human or celestial), a nation's soccer fortune is written in the stats – the *economic* stats.

Those endless newspaper column inches and radio call-ins devoted to World Cup squad selections, team tactics, and player form are increasingly redundant. During the past month, most punters and bookies would have been better off studying each competing nation's performance on a very different scale: an economic one.

In 2002, economic researchers concluded that per capita wealth, among other factors, is important in determining a national team's performance.<sup>1</sup> Eight years later, my own analysis of each World Cup nation's level of economic freedom provides a fairly reliable guide to their performance in South Africa.

A tournament full of upsets should not have surprised us. That's because, statistically speaking, a nation's ability to play The Beautiful Game correlates as well with a nation's willingness to set its citizens economically free as with a nation's World Cup history or its squad of elite club players.

If one lists the 32 nations competing in South Africa according to the rankings provided by economists James Gwartney and Robert Lawson's *Economic Freedom of the World 2009*<sup>2</sup>, two-thirds of the 16 World Cup nations that ranked highest on Gwartney and Lawson's Economic Freedom Index (EFI) progressed from the Group to Knockout Stage.<sup>3</sup>

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When the quarter-finals kicked off on Friday, Holland's upset of Brazil wasn't really an upset; Brazil ranks only 102<sup>nd</sup> out of 141 nations in the EFI – and a lowly 28<sup>th</sup> out of the 32 World Cup teams. The Dutch, meanwhile, are a fairly impressive 19<sup>th</sup> in the EFI.

Most Africans were united in their support of Ghana, their continent's only surviving representative after the Group Stage. Coincidentally or not, Ghana's also the freest economy among the African contenders. In contrast, Nigeria's surprisingly tepid performance is less surprising when one considers Nigeria's pitiable 87<sup>th</sup> EFI ranking, which placed the country 25<sup>th</sup> of the World Cup nations.

The free-flowing, Lionel Messi-led Argentinian attack proved no match at the quarter-final stage for a very young and, initially, very unfancied German team. A more reliable predictor than Argentina's undoubted entertainment value on the pitch was her comparative lack of economic freedom on the domestic front: Argentina ranks just 103<sup>rd</sup> in the EFI; Germany ranks 20<sup>th</sup>. Maradona's men never stood a chance.

The World Cup's biggest surprise – the New Zealand team's performance – occurred during the tournament's first fortnight. Even the most loyal Kiwi predicted nothing but humiliation for the All Whites, a team that began the tournament as the rankest of outsiders. Yet, New Zealand left South Africa undefeated. As the world's third freest economy, New Zealand had ample economic, if not conventional, wisdom on her side.

Most experts gave two other nations – Australia and the USA – only a modest chance of making an impact. Yet, the Americans (EFI rank 7<sup>th</sup>) were eliminated in the Round of 16 only after extra-time, while Australia (EFI rank 10<sup>th</sup>) went out in the Group Stage only on goal difference.

Both France and Italy left the World Cup with heads bowed, which was unnecessary given that both national teams performed at the (mediocre) level – and did so for the second time in three World Cups – predicted by their respective levels of economic freedom.

The economically statist French are ranked a so-so 38<sup>th</sup> in the EFI, as the national economy, à la the national football team, continues to live off past glories. Handicapped by a leadership unable to introduce radical, but essential, changes to outdated policies, the

Italians are a poor 68<sup>th</sup> in the EFI and, in footballing terms, are now a poor cousin to their comparatively youthful, liberated peers.

The French only qualified, of course, courtesy of Thierry Henry's infamous double handball in their qualification playoff with Ireland. Given the Irish rank 6<sup>th</sup> in the EFI, it probably required something on the order of The Hand of Henry to keep them from enjoying a successful World Cup.

If one were looking for flaws in this economic model's predictive powers, one could point to Switzerland, which had the highest EFI rank at the World Cup (and 3<sup>rd</sup> world-wide) but didn't make the Round of 16. Yet, the Swiss did beat the 'unbeatable' Spanish and conceded only a single goal in three Group Stage matches.

But, there's always England. Based on the UK's EFI ranking (8<sup>th</sup> overall and 5<sup>th</sup> at the World Cup), England's underachievement looms even larger. Nonetheless, a quarter-final birth was the economically realistic limit to English ambitions, as had been demonstrated in the respective 2002 and 2006 tournaments.

By the 2014 World Cup in Brazil, perhaps the Conservative-Liberal Democrat coalition government will have retrenched the State sufficiently to provide the English team with the impetus to live up to its economic, if not its footballing, billing. Or, eternally optimistic English supporters can hope that, as the noted economic thinker (and Sky Sports football analyst) Chris Kamara says, 'Statistics are there to be broken'.

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<sup>1</sup> Robert Hoffman et al. 'The Socio-Economic Determinants of International Soccer Performance' *Journal of Applied Economics* 5 (2002): 253-272.

<sup>2</sup> The book is published jointly by Canada's Fraser Institute and America's Cato Institute.

<sup>3</sup> These nations are Spain, Holland, Germany, Chile, Portugal, USA, England, Japan, South Korea, and Slovakia.