

Vliv posledních olympijských her na ekonomiku – stojí za to hry organizovat?

Effects of Latest Olympic Games to the Economy – Is It Worthy to Organize Them?

Jan Procházka

*Faculty of Sport and Physical Education, Charles University in Prague
Fakulta tělesné výchovy a sportu, Univerzita Karlova, Praha*

Abstrakt

Jedním z hlavních důvodů uváděných pro organizaci velkých sportovních událostí jako jsou olympijské hry (Olympic Games – OG) je, že by měly mít pozitivní vlivy na organizující ekonomiku. Náš příspěvek analyzuje literaturu týkající se ekonomických dopadů londýnských OG a některých dalších akcí, abychom zjistili, zda dostupné analýzy tento argument potvrzují. Poznatky jsou poměrně neutrální nebo negativní. Hlavní použitou metodou byl rozbor dokumentů.

Abstract

One of the main used reasons for organizing big sports events such as Olympic Games (OG) is that they should have positive effects for the organizing economy. Our paper analyses literature regarding the economic effects for the London OG and some other events to see, if accessible analyses confirm this argument. The findings are rather neutral or negative. The main used method was analysis of documents.

Klíčová slova: *olympijské hry, londýnské olympijské hry, hospodářské vlivy, ekonomika sportu.*

Key words: *Olympic Games, London Olympic Games, economic effects, sports economics.*

INTRODUCTION AND METHODOLOGY

Olympics are not just a sporting event. Since the introduction of the modern Olympic Games (OG), countries compete to organize them. This includes costs for preparing and promoting the candidature. In this way, Chicago paid USD 100 million during three years in promotion, without winning the competition (Gersten (2012)).

For a long time, the organization of the OG was a question of honor, they took place with a financial loss. For instance, the 1976 Montreal OG finished with a 1.5 billion dollars debt, paid off only in 2006 (Gersten (2012)). In Los Angeles in 1984, it was shown that the OG can be even organized with a profit.

One of the main arguments for organizing the OG is its economic payoff to the country. This argument is used in order to convince the local public and governments for the cause.

But is it really worthy to organize the OG? Do they really bring the expected economic benefit? As we have no access to the real accounting of the organizers, we decided to analyze the existing literature on the benefits of organizing a major sporting event. The used method is qualitative analysis of accessible sources of information, including scientific literature.

RESULTS

Sterken (2006) says that the economic analyses of benefits of organizing a major sports event are quite optimistic before the event and much more “modest” afterwards.

As Parent, Rouillard & Leopkey (2011) conclude from their analysis, the real costs of organizing a major sporting event also include the not directly registered costs paid by the local, regional and national governments for the work of clerks regarding the organization. However, these costs are not only invisible, but they would be made anyway, because the wages of the governments clerks are fix. Sure, they might include some special costs that would not occur, such as travel and communication costs, but we can conclude that these costs can stay omitted.

Up to Preuss (2005), there are benefits of the country/region/city that are lost, because some locals and tourists spend their money elsewhere, choosing another destination. However, these opportunity costs are hard to estimate, so we cannot include them.

On the other side, Halbwirth & Toohey (2001) consider that organizing such an event brings new know-how to the participating institutions. With the right “knowledge management”, this can result in higher efficiency of their work, which brings lower costs in the future. Even these are hard to estimate. The authors mention that the costs for organization are higher anyway, because of lack of information transmission between the organizing cities.

Preuss (2004) mentions that the OG make all participating countries spend money on their teams and thus help their economies. However, this is out of the topic of this study, so we will abstract from these costs and benefits.

This argument is confirmed by Madden J., Giesecke J. (2012): Prior studies expected that the OG in Sydney would cause an increase in consumption by 5.6 billion dollars. On the contrary, the households decreased their consumption by 2.1 billion dollars. Through taxes, they paid 2.2 billion dollars to organize the Olympics.

Preuss (2004) mentions that a major share of the costs is paid by the “sponsors, media and donors”. Also, the opportunity costs are relatively low up to the author. These arguments are not really relevant for us, because we mainly consider the costs and benefits of the economy as a whole.

Let's concentrate on the official costs and benefits of major sporting events only for the organizing regions/countries. Matheson, Baade (2006) analyzed the benefits of organizing the Superbowl for the organizing states and cities. For instance, it should have brought USD 393 million to Southern Florida. However, the average benefits were USD 92 million, but the outcome was negative in many cases. 32 years of Superbowl were studied, which seems to be a long time enough for a reliable study.

Preuss (2004) states that organizing a major event such as the OG can have different effects for different regions, but it forces the institutions to invest and to promote investment into the infrastructure, which can make them fasten the infrastructure development by ten years. This can be good only if these investments are in line with the long-term plans of the region/country.

The OG can also help the economy to promote its products abroad (Preuss (2004) and promote the economy of the country and the region: Up to Berlin (2003), the Sydney OG promoted the Pacific and Asian regions.

Up to Sterken (2006), organizing a FIFA World Cup does not increase the economic growth of the organizing country, but the OG do (although very slightly). That is a very interesting finding, probably it is so because the investments for OG are much larger and include more infrastructure and a larger part of the economy. On the other hand Sterken found that the consumers' behavior changed only in the case of one of the four studied Olympic Games, which means there is probably not a long-time effect on the economy.

Szymanski (2012) considered that the benefits of the 2012 OG to the economy would be very limited, for both the UK and London itself.

Bollough (2012) states that the benefits of the OG are not only direct effects for the economy, but also implicitly through higher sports participation of the citizens. They mention that there is also an expected benefit through indirect effects such as lower costs on health care, higher economic activity, but also through lower criminality.

Szymanski (2012) expects that the 2012 SOG will not modify the sporting behavior of the British citizens as it was expected. Up to them, these “benefits” are very limited.

One year after the London OG, an official study of the resulting benefits was published (Report 5 (2013a) and Report 5 (2013b), UK (2013)). It stated that the costs and the benefits are about equal in the short term. If we include the benefits till 2020, they are four times bigger than the costs. These results were commented by many authors, both in the press and in the scientific press (BBC News (2013a), Cecil & Beard (2013), Donovan (2013), Flanders (2013), Ross (2013), Sky Sport News (2013), Sloman (2013), SpecificationOnline (2013), Williams (2013) and others). In general, they consider the long-term estimation as a speculation proving no real benefits for the economy. In some cases (e.g. Flanders, 2013), the published numbers are considered as not reliable. Sloman (2013) stresses that future maintenance costs are not included.

Let's have a few comments on chosen economic benefits of the 2012 London Olympic Games and Paralympic Games. The source (Report 5, 2013a) used for the evaluation of the "overall economic impact" between others an "input/output framework". The values are estimated in 2009 pounds:

- "Given the available data and time periods used it is estimated that the Olympic related benefits could total between £28 billion and £41 billion of net GVA over the period 2004 to 2020. In terms of job years of employment, it is estimated that the impacts range from 618,000 to 893,000 over the period." Most of these jobs and GVA creations were expected to happen between 2011 and 2015.
- The skills of the British citizens (and workforce) would get improved and their employability increased.
- "The Government's legacy strategies anticipate that the Games would benefit a range of economic sectors not only through the direct effects of Games contracts but also through other commercial opportunities that the Games would generate." The main expected profiting sectors were retail, tourism, sports, leisure and amusement sector, "creative industries" and high-technology sector.
- British export and import were expected to increase, showing the abilities of its businesses.
- Thanks to this, the OG would promote the United Kingdom as a "place to invest".
- The overall net benefits for all regions would be almost 14 to 20 billion £.
- The abroad perception of the UK should have improved.

As mentioned above, these are only some chosen benefits that were/are to be expected, up to the post-data study. The following comments are about other (also a priori) announced benefits, as seen by experts and journalists.

First, to compare the costs and benefits at the date of the Olympics: Gersten (2012) reminds that the estimated costs of the London Olympics rose in 2012 to "nearly \$15 billion - almost four times the initial amount of \$4 billion" This was about 10 billion £. Compared to these 10 billion £, Specificationonline (2013) and other sources reported that up to the government, the boost of the Olympics was expected to be about 10 billion £. This boost was not a net boost, but an absolute boost, which means "zero profit". However, the officials argument that we have to watch in the long term, when 20 to 40 billion £ of GVA are expected (Report 5, 2013a, see above).

Donovan (2013) considers that the human capital investments were lower than promised and that most of the 70,000 created jobs were only temporary. Thus, the resulting benefits were lower than promised.

Cecil & Beard (2013) see positive benefits for the British exports, including regarding the organization of the 2014 FIFA World Cup and the 2014 and 2016 Olympic Games.

BBC News (2013a) discusses the increase of the number of sporting people. Up to some results, this number increased by 1.4 million every week, up to others, it decreased by 200,000 in a year. This does not show very positive results. The article quotes Lord Coe who says that the Games should be evaluated only ten years afterwards.

Ross (2013) quotes other official benefits of the OG in London, which do not only regard the economic side and the PR of the British organization and management. Thanks to the OG, the

number of volunteers increased and thanks to the Paralympic Games, the attitude of the British citizens towards handicapped people improved. These are official conclusions, probably hard to verify.

BBC News (2013a) showed that the fears about the future of the premises were overrated. For instance, the “Olympic village” was successfully changed into buildings. Up to them, the overall costs for both the OG and the Paralympic Games were lower than originally published.

DISCUSSION AND CONCLUSION

As we can see, most authors question the official arguments about the benefits of organizing major sporting events such as the Olympics. These events seem to hardly have any positive direct economic benefits to the city, region or country, where they are organized.

At the same time, they can help the region to make high investments in infrastructure, which can help in the future (Hiller (2006)). However, as we have seen, this must be done in line with the long-term plans. These events can also help with the promotion of the region of the country. It is true that these goals might be reached more efficiently and in a cheaper way, but the OG organization is highly motivating to really make such investments and to attract new tourists.

The real economic effects highly depend on how the public administration can cope with the remaining premises and the costs to maintain them.

As Chatziefstathiou (2007) stresses, the goals to organize the OG and other major sporting events should not be only economical, but mainly towards social marketing and influencing the population towards better goals: They should also help to improve the values.

References

- BBC NEWS (2012a). London 2012 Olympic legacy ‘needs leadership’, BBC News, 7. 12. 2012, online 18. 11. 2013 from <http://www.bbc.co.uk/news/uk-politics-20604173>.
- BBC NEWS (2013a). London 2012 Olympics ‘have boosted UK economy by £9.9bn’, BBC News, 19. 07. 2013, online 18. 11. 2013 from <http://www.bbc.co.uk/news>.
- BBC NEWS (2013b). London 2012 Olympic legacy: ‘Success must be built on’, BBC News, 24.1.2013, online 18. 11. 2013 from <http://www.bbc.co.uk/news/uk-england-london-21185983>.
- BBC NEWS (2013c). London 2012: Olympic Park venue future secured, BBC News, 16. 5. 2013, online 18. 11. 2013 from <http://www.bbc.co.uk/news/uk-england-london-22552588>.
- BBC NEWS (2013d). Mayor missed long-term London Olympic jobs targets, says report, BBC News, 19. 7. 2013, online 18. 11. 2013 from <http://www.bbc.co.uk/news/uk-england-london-23371731>.
- BBC SPORT (2013a). London 2012: Olympics and Paralympics £528m under budget, BBC News, 19. 7. 2013, online 18. 11. 2013 from <http://www.bbc.co.uk/sport/0/olympics/20041426>.
- Berlin P. (2003). What did Olympics bring Sydney? The New York Times, online 18. 11. 2013 from http://www.nytimes.com/2003/12/24/news/24iht-t1_2.html?pagewanted=all.
- Bullough S. J. (2012). A new look at the latent demand for sport and its potential to deliver a positive legacy for London 2012, *International Journal of Sport Policy and Politics*, 4:1, 39–54
- Cecil N. & Beard M. (2013). Olympic legacy ‘gave London a £4bn windfall’, *London Evening Standard*, 19. 07. 2013, online 18. 11. 2013 from <http://www.standard.co.uk/news>.
- Chatziefstathiou D. (2007). The History of Marketing an Idea: The Example of Baron Pierre de Coubertin as a Social Marketer, *European Sport Management Quarterly*, 7:1, pp. 55–80.
- Donovan T. (2013). Mayor missed long-term London Olympic jobs targets, says report, BBC News, 19. 07. 2013, online 18. 11. 2013 from www.bbc.co.uk/news.
- Flanders S. (2013). The great Olympic stimulus, BBC News, 19. 07. 2013, online 18. 11. 2013 from <http://www.bbc.co.uk/news/>.
- Gersten B. (2012). 2012 London Olympics: Economic Benefits Not What You Think, *Money Morning*, 9. 8. 2012, online 18. 11. 2013 from <http://moneymorning.com>.
- Halbwirth S. & Toohey K. (2001). The Olympic Games and knowledge management: A case study of the Sydney organising committee of the Olympic Games, *European Sport Management Quarterly*, 1:2, pp. 91–111.
- Hiller H. H. (2006). Post-event Outcomes and the Post-modern Turn: The Olympics and Urban Transformations, *European Sport Management Quarterly*, 6:4, pp. 317–332.

- Madden J. & Giesecke J. (2012). Hosting the Olympics: cash cow or money pit? *The Conversation*, 25. 7. 2012, online 18. 11. 2013 from <http://theconversation.com/>.
- Matheson V. A. & BAADE R. A. (2006). Padding Required: Assessing the Economic Impact of the Super Bowl, *European Sport Management Quarterly*, 6:4, pp. 353–374.
- Parent M. M., Rouillard C. & Leopkey B. (2011). Issues and Strategies Pertaining to the Canadian Governments' Coordination Efforts in Relation to the 2010 Olympic Games, *European Sport Management Quarterly*, 11:4, pp. 337–369.
- Preuss H. (2004): Calculating the regional economic impact of the olympic games, *European Sport Management Quarterly*, 4:4, 234–253
- Preuss H. (2005): The Economic Impact of Visitors at Major Multi-sport Events, *European Sport Management Quarterly*, 5:3, pp. 281–301.
- REPORT 5 (2013a). Report 5: Post-Games Evaluation, Meta-Evaluation of the Impacts and Legacy of the London 2012, Olympic Games and Paralympic Games, Summary Report, Department for Culture, Media and Sport, July 2013.
- REPORT 5 (2013b). Report 5: Post-Games Evaluation, Meta-Evaluation of the Impacts and Legacy of the London 2012 Olympic Games and Paralympic Games, Economy Evidence Base, Department for Culture, Media and Sport, July 2013.
- Richardson H. (2012). Olympics has not boosted school sport, survey suggests, *BBC News*, 19. 11. 2012, online 18. 11. 2013 from <http://www.bbc.co.uk/news/education-20358298>.
- Ross T. (2013). Olympics are delivering economic gold but volunteering legacy is at risk, *Telegraph*, 19. 07. 2013, online 18. 11. 2013 from <http://www.telegraph.co.uk>.
- SKY SPORTS NEWS (2013). London Olympics still costing the taxpayer one year on, *Sky Sports News*, 19. 07. 2013, online 18. 11. 2013 from www.skysports.com.
- Sloman J. (2013). The London Olympics legacy: a cost–benefit analysis, *The Sloman Economics News Site*, online 18. 11. 2013 from <http://pearsonblog.campaignserver.co.uk/?p=9515>.
- SPECIFICATIONONLINE (2013). Government announces almost £10bn economic boost from London 2012, *Specification Online*, 19. 7. 2013, online 18. 11. 2013 from <http://specificationonline.co.uk/>.
- Sterken E. (2006). Growth Impact of Major Sporting Events, *European Sport Management Quarterly*, 6:4, pp. 375–389.
- Szymanski S. (2012). The costs and benefits of London Olympics, *Forbes*, 25/07/2012, online 18. 11. 2013 from www.forbes.com.
- UK (2013). Inspired by 2012: The legacy from the London 2012 Olympic and Paralympic Games, A joint UK Government and Mayor of London report, July 2013, from www.gov.uk.
- UKTI (2013). London 2012, Delivering the economic legacy, Progress report from UK Trade & Investment, UK Trade & Investment, July 2013.
- Williams Z. (2013): London 2012 added up to more than pounds and pence, *The Guardian*, 19/07/2013, online 18. 11. 2013 from www.theguardian.com.