

**The Impact of the Summer Olympics on its
Host City: The Costs Outweigh the Tangible
Benefits**

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ABSTRACT

In the eyes of a host city, the reason to host the Summer Olympic Games has evolved from shining glory on athletic feats to receiving the perceived benefits from the opportunity. In the current times, there are a record number of Olympic events generating a demand for the construction of a larger amount of Games facilities than ever before. However, nations still vie for the winning bid to host the Olympics in one of their cities. This paper seeks to show that the costs of hosting the Games outweigh its tangible benefits. In detail, it will look at the financial, political, and social costs and benefits of hosting the Olympics and examine how they impact the host city. Then the perceived benefits of hosting the London Olympics will be examined. Specifically, this paper will show that the costs of hosting the London Olympics outweigh its tangible benefits, especially in times where the world is in a global recession. Overall, the purpose of this project is to present the drawbacks of hosting the Olympics. It concludes with suggestions on how to make hosting the Olympics a more cost-effective endeavor.

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INTRODUCTION

It is commonly believed that there are a great deal of benefits gained from hosting the Olympics such as: alterations in the design of the city, changes to the physical and current environment, the representation of a city and country and its culture, improvements in air, road and rail transport, changes in governance and public decision-making, innovations in politics and political relationships, potential increased tourism and business activity, the creation of new sporting venues which will have potential for post-Games community use, the potential for greater community consultation and involvement, and the involvement of the community as volunteers and torch-bearers (Cashman, 2002). However, these benefits are not as great as they are perceived to be, and they come with a great deal of drawbacks. The reason that people often become excited about these Olympics ('universal enthusiasm') and think these benefits are a result of them is because the community organizers use terms such as "urban renewal, improved transport or better sporting facilities" when pitching the Olympics. The people who bear costs become fixated on these terms and fail to critically evaluate the truth (Cashman, 2002). Many times, these benefits are not as great as they are reported to be.

Thesis & Methodology

The impacts of hosting the Olympics can be difficult to precisely measure, but are usually measured in a financial, political and social context. As the Olympics have become bigger and more expensive, the question of whether they are still worth hosting has arisen. Countries still continue to bid to host, and then host the Olympics despite the questionable benefits received from hosting the Olympics and the setbacks to each benefit a country receives from the opportunity. The purpose of this paper is to explain the fallacies in the positive perceptions of the impact of hosting the Olympics in the eyes of a host nation. It will also discuss how the original purpose of the Olympics has shifted from athletics to the development of the host city and will also discuss possible solutions towards transforming the hosting of the Olympics into a more beneficial event for the host nation. This paper will explore the perceived benefits of the Olympics, why they are not that grand, and why the costs are larger than presented and each classification of impacts shares the same trends. This paper will then show that the tangible costs are greater than the tangible benefits. This paper will then discuss why a single

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city, London continues to pursue hosting the Olympics and the misperceptions in their views. Even if the reader is left unconvinced, then it will show that the opportunity cost to hosting the Olympics outweighs any of the tangible benefits received from hosting the Olympics.

This paper will focus singly on the Summer Olympic Games for purposes of comparability as the Winter Games and the Summer Games do not share the same financial, political, or social burden. Additionally, the examples will be only recent Olympics due to the wealth of information available, the comparability in financial (dollar) value, and because the modern Olympic Games are much larger than in the past. This paper will look at all aspects of the Olympic impacts, and will focus on the financial, political and social impacts rather than looking solely at the economics, which most Olympic impact studies focus on.

While this paper shows that the tangible costs outweigh the tangible benefits, the purpose is to expose the truth about the actual costs and benefits received from hosting the Olympics.

Organizing committees, whether intentionally or not, fail to detail the true impacts of hosting the Olympics to those who bear the brunt of the costs. If those who bear the costs were more informed, perhaps they might not choose to support hosting the Olympics. If these people were told that it is likely that there will be a tangible loss in exchange for intangible benefits, they might still choose to support the hosting of the Olympics, but would do so more informed about the realistic impacts of hosting the Olympics. This paper will expose many of the setbacks which derive from the benefits of hosting the Olympics.

BACKGROUND

Baron Pierre de Coubertin founded the Modern Olympics in 1896 on the philosophy of Olympism. According to the Olympic Charter:

Olympism is a philosophy of life, exalting and combining in a balanced whole the qualities of body, will and mind. Blending sport with culture and education, Olympism seeks to create a way of life based on the joy found in effort, the educational value of good example and respect for universal fundamental ethical principles (2007).

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The Olympics are set up to take place during the summer, once every four years. There are an increasing number of countries who bid to host the Olympics, reflecting the prestige of hosting such an acclaimed event. These Games have become extremely popular since their founding; nevertheless, they have become a financial burden for the cities who host them.

Richard Cashman stated:

From 1980 to 2000 there was an unprecedented expansion in the size of the Games: seven new sports and 80 events were added to the program. There were many, including IOC President Dr. Jacques Rogge, who believed that the Olympic Games had become too large, thereby imposing an increased burden on host cities. As a result, only wealthier cities can afford to stage the Olympic Games (2002).

The Players

The main players in the Olympic Games are the IOC (which retains financial control), International Federations, National Olympic Committees of the bidding countries (forming the Olympic Committee Organizing the Games for their respective country), and all associations, clubs and individuals belonging to them. However, it appears that the people who are receiving the benefits are not absorbing the brunt of the costs. The people with interest who absorb the brunt of the costs include the residents, local economy, TV networks, Local/National Governments and more. The people receiving most of the benefits include construction companies, and local politicians. Perhaps the greatest receivers of the benefits are the IOC, the respective NOC's and the athletes. This gives these organizations the incentive to issue reports and information that only reflects positively on the Olympics.

Recently, the IOC issued a statement that called the Beijing Olympics an “‘indisputable success’ that brought change to China in areas as diverse as press freedom, the environment and public health” (Thomas, 2008). Additionally, the IOC stated in its report, “the games expanded and strengthened the Olympic Movement by advancing the universality of sport” and “they also brought many tangible and intangible benefits to China, especially in terms of public infrastructure improvement. While some of the positive benefits were immediately apparent, others will emerge in time” (Thomas, 2008). This statement was released in

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London, where the next Summer Olympics are expected to be hosted. This action furthers the goals of the IOC, but does not necessarily represent the accurate facts.

Financially, the Beijing Olympics had an estimated price tag of over \$40 billion as well as great political and social costs. Stating the Olympics were an “indisputable success” less than six months after their occurrence is beyond premature. Later on in this paper, most of the benefits mentioned by the IOC regarding Beijing’s Olympic Games will be discredited. Additionally, Thomas points out that this report fails to discuss the negative issues, specifically the human rights violations committed during the Games (2008). Through this example, it is easy to see that there are a varying degree of benefits that each of the players receive. Generally, critics of the Olympics agree that they benefit prosperous citizens and create disadvantages for the poor. This gives the incentive for some players to misstate facts and lead countries into hosting the Olympics on false premises. Some of these fallacies will be discussed later. It is important to note that some of the players benefit more than others, and some do not benefit at all. Overall, close attention should be paid to how the Olympics do not benefit the average citizen, but rather a select few.

The Bidding Process

The process of selecting the host city should be explained in order to demonstrate the level of effort put forth by prospective host cities to attain the winning bid. The selection of the host city is completed by the International Olympic Committee (IOC) seven years prior to the Olympic Games. For instance, the selection of the host city for the 2016 Olympics will be made in 2009. Each country interested in hosting the Olympics creates a National Organizing Committee (NOC), which is involved throughout the bidding process. The voting for the host city takes place in a country which does not have a Candidate City in question. The procedure for the voting process is stated in the Olympic Charter (2007).

There are two major phases in the bidding process. In the first phase, the NOC of an interested country must send a letter from the prospective city (city considered “applicant city”) to the IOC. This city must answer a questionnaire contained in the “Candidature Acceptance Procedure” (Olympic Charter, 2007). Then, an Evaluation Commission determines a city’s

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potential to be successful, which is based on government support, public opinion, general infrastructure, security, venues, accommodation, and transportation (International Olympic Committee, 2008). At this point, “Candidate Cities” are determined. Then in the second phase, a candidate city must answer another questionnaire contained in the IOC’s Candidature Procedure and Questionnaire. The answers to this questionnaire are then analyzed by the Evaluation Commission and the city is subjected to an onsite inspection— hospitality opportunities, image and public perception, and potential sales and media coverage are determined. The inspectors report their findings to the IOC executive board. The board then draws up the final list to be voted on at the election, at which point finalists are chosen. The general body starts with the list of all the finalists, at which point they then narrow down the list by majority rule until one remains (Olympic Charter, 2007). As a reference, each of the Olympic host cities, countries, and their respective years are included in Appendix A.

Support that the Olympics are “perceived” as beneficial can be seen in the number of countries who were interested in bidding on the 2012 Olympics; nine countries showed interest in bidding on hosting these Games. These countries were: Havana, Istanbul, Leipzig, London, Madrid, Moscow, New York City, Paris and Rio de Janeiro. However, only five of these countries were qualified finalists: London, Madrid, Moscow, New York City, and Paris. In each round, one city was eliminated: the first eliminated Moscow, the second New York City, the third Madrid, and the final was Paris. That left London to be the host of the 2012 Games. Just the fact that all of these countries bid to host the Olympic Games shows how widely supported the view is that the Olympic Games are beneficial for the host city and host nation.

Reasons for Bidding

The reasons for bidding on the Olympics should be understood. Rick Burton stated the following:

Bidding for the right to host the Summer or Winter Olympic Games has frequently led host-city organizing committees to suggest the Games bring about marketing enhancements, such as global media attention, community infrastructure investments,

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attractive sponsor spending, and the promise of long-term imagery enhancement for tourism purposes and community pride (2003).

In addition, Burton states that the Organizing Committee of the Olympic Games (OCOG) cares more about “economic impact and city imagery and less about the value of sport or Olympics” (2003). This does not help advance the goals of the Olympic Movement. It is easy to see that countries host the Olympics on the basis of self-promotion. Referring to the 2000 Sydney Games, Chris Berg stated that “all this pageantry obscured the Olympics’ essential purpose—first and foremost, the Games are designed to shine glory upon the nations that hold them. National politicians and government[s] use the Olympics to achieve their individual or national goals” (2008).

Are hosting the Olympics truly based on economics? Coubertin felt the:

Olympic Games are competitions between athletes in individual or team events and not between countries. They bring together athletes designated by their respective National Olympic Committees [NOCs] and whose entries have been adopted by the International Olympic Committee [IOC]. They compete under the technical direction of the International Sports Federations [IFs] concerned (International Olympic Committee, 2008).

However, concerning the Sydney Olympics, scholars point out that that the Olympic Games are only partially about sport and the Olympic Movement, but mainly about promoting the host city as a ‘global city’ (Cashman, 2002). Clearly, the Olympics are not just about sport, but about economics and politics as well. Cities that compete to host the Olympics must determine if the opportunity is worth its costs. The host city pitches its bid by emphasizing tangible benefits that interested parties will receive, in order to gain enough support to win its bid for candidacy.

The original purpose of Olympics no longer exists, and the host cities now view them through a cost-benefit analysis, which then leads to an examination of their continued operation. The proposition of hosting the Olympics to shine attention on athletes is no longer a strong enough

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reason. Recently, there have been numerous instances where the top athletes in several sports did not participate in the Games (most notably NBA players). Additionally, in several sports, such as soccer, the Olympic gold medal is not the most valued medal in comparison to the World Cup. Other issues currently surrounding the Olympics are corruption, commodity trading of the athletes and events, and doping. Therefore, the reasons that the Olympics are hosted are no longer for the glory of the sport, but instead for benefiting the host city. However, with all of these issues surrounding the Olympics, the benefits of hosting them have been reduced.

Countries which express interest in hosting the Games to the IOC must claim that they are interested in hosting the Games for the love of sport; however that is not the real reason they bid. If this is the case, then why do cities bid to host the Olympics, and not pitch them in a completely honest way to the population of the bidding city? The answer to this lies in the fact the cities would likely not gain the support necessary to ascertain the winning bid for hosting the Olympics. The reason that host cities do not pitch it honestly is because, as was already mentioned, those who are benefiting the Games are not those who are absorbing the brunt of the costs. However, all of the benefits pitched are not completely devious, but some people are just swept up by the idea of hosting the Olympics and do not look very carefully at the true facts. Host cities would logically believe that the benefits of hosting them outweigh the costs.

Total Costs

In 2008, Beijing hosted the most expensive Summer Games to date in the history of the Olympics, estimated to be over \$40 billion. This event had more athletes and sports and an even greater media and sponsor presence than any previous Olympic event. With that, came higher expectations to improve the environment and provide “cleaner and greener Games,” which resulted in increased costs (Cashman, 2002). Beijing’s willingness to put on the most expensive Olympics supports the idea that it perceives its investment to be “worth it.” Additionally, the host of the next 2012 Olympics is London, and it is projected that their spending will be \$17 billion, and this projection is likely underestimated.

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The 1984 Games in Los Angeles had an operating profit of \$240 million. Adding fuel to the fire, since the September 11th terrorist attacks on the World Trade Center, the costs of security at the Olympics have risen dramatically. These extremely high expenses are only the financial expenses and there are also political and social expenses. Interestingly enough, this is not how the IOC defines the expenses for the Olympics, as they only include the operating expenses for during the games, which for the 1996 Atlanta Olympic Games was approximately only \$2.4 billion. The reason for these low costs are that Atlanta in 1996 and Los Angeles in 1984 was that they vowed to build next to nothing and instead put up athletes in student halls (Britain: Record-breaking; The Olympic bill, 2007). The IOC states that “all profits derived from the celebration of the Olympic Games must be applied to the development of the Olympic Movement and of sport” (Olympic Charter, 2007). This is an interesting fact and will be discussed later as it creates an incentive for the IOC to exclude ‘certain costs’ from the total from which their budget is derived. Without including infrastructure and other expenditures, the Olympics do not appear to be that expensive to host, but if all of the infrastructure and other expenditures are included, the financial price tag of the Olympics is increased dramatically. The host of the 1976 Olympics, Montreal has been saddled with debt and only in 2006 did the city pay it off. Additionally, the Olympics usually fall short of their expected returns. The cost of the 2008 Beijing Olympic Games was approximately \$44 billion and the estimated projection for the cost of the 2012 London Olympic Games is £9.3 billion or approximately \$17 billion.

All the financial statistics should be viewed with several considerations in mind. Many statistics are developed by the IOC, the organizers, or others who have an interest in making the Games look successful. Second, many statistics are developed before the Games actually take place, so they tend to underestimate cost overruns. Third, they are only estimates because they include both direct spending and presumed spillover effects, thereby creating misconceptions about effects of hosting on the host’s Gross Domestic Product (GDP). In general, these biases make it likely that the figures underestimate the Games actual expenses and overestimate their profits. They remain, however, the only statistics available in some cases, so while they will be used, please view them with caution.

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It is well-known that the Athens games went over budget by about \$5 billion, and this immediate cost for the state does not include infrastructure expenditures (Quinn, 2004). The issue of exceeding the budget and not including expenses will be discussed later, but concerning the Athens Games for example, Socialists “accused the government of adding what it described as irrelevant costs – such as hospital renovations – to inflate the figures in an effort to make the opposition part appear incompetent” (Quinn, 2004). This political manipulation makes it hard to accurately pinpoint the costs of the Games.

FINANCIAL IMPACTS

The costs for a specific Olympics are constantly debated. The costs of the Olympics can be divided into several categories: the costs to bid on the Olympics, the costs leading up to the Olympic Games, the costs of the Olympics during the Games, and the post-Olympic costs as well as a separate cost for capital improvements to the host city. The capital improvement expense is perhaps the greatest cost of all and the most controversial. Supporters of the Olympics, like host city politicians, state that the capital expenditures have long-term benefits and might possibly be constructed without the occurrence of the Olympics. Still, others argue that the capital expenditures should be included in the total cost of the Olympics because the expenditures would not have otherwise occurred or they would have occurred at another time, further in the future. While there is a debate about whether to include capital expenditures in the cost of the Olympics, many scholars believe that these costs should be included, especially when the funds are being used to build Olympic villages and venues.

With these costs come benefits which are then analyzed to determine whether the Olympics make viable financial sense in the eyes of the host city. These benefits are also debated as the benefits can be broken down into the same categories, benefits of bidding on the games, benefits leading up to the time of the Games, the benefits during the Games, and the post-Olympic benefits. This paper hopes to make those taxpayers who pay for the Olympics aware of what they are paying for, as the Olympics typically do not realize a profit. Additionally, these supporters should realize then, that the Olympics are being used as a justification to advance other endeavors (such as infrastructure build-up).

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The main way in which the financial impacts are usually determined is by conducting economic impact studies. However, when discussing the results of economic impact studies, Jeffrey Owen, Professor of Economics at Indiana State University stated, based on his study of the economic impacts of the Olympics that:

Unfortunately these studies are filled with misapplications of economic theory that virtually guarantee their projections will be large. Ex-post studies have consistently found no evidence of positive economic impacts from mega-sporting events even remotely approaching the estimates in economic impact studies (2005).

In most economic impact studies, the economic benefits are measured by job creation and visitor spending (via tourism) and these studies “invariably project large inflows of money that will have a long-term positive effect on the economy” (Owen, 2005). There are quite a bit of studies which have shown that the Olympics fail to produce positive and lasting long-term economic benefits. Additionally these studies do not address the drawbacks of hosting the Olympics such as the need for increased security (discussed in the Social Impact Section). Many misconceptions like these are present in the economic impact studies conducted concerning the Olympics however, due to the prevalence of these studies there is an “acceptance of their findings by the public, media, and even academic circles with little or no critical evaluation” (Owen, 2005). The following section will go through a critical evaluation of these studies and will focus on the common misconceptions such as “treating costs as benefits, ignoring opportunity costs, using gross spending instead of net changes, and using multipliers that are too large” (Owen, 2005).

Common Misconceptions

This section will highlight the four previously mentioned common misconceptions when it comes to measuring the economic impact of the Olympics. The first misconception mentioned was treating costs as benefits and the third misconception was using gross spending instead of net changes. Traditionally, only the direct expenditures were counted as a ‘benefit’ however in these studies both the direct and indirect ‘benefits’ are counted. The following example illustrates both:

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The initial construction of a \$10 million sports facility provides an initial impact of \$10 million on the local economy. This is the direct impact. Clearly the construction of the facility will require concrete, steel, construction workers, and so forth. The money spent on these materials and services comprises the indirect expenditures or the indirect impacts (Hefner 1990 pp.4-5) (Owen, 2005).

Owen points out that this logic “ignores the effect of the actual consumption of the product” thus alluding to using gross spending instead of the net changes (2005). He points out that the initial cost has now been counted as a benefit twice, both directly and indirectly. Owen states “if the economy is at full employment, the workers needed for the stadium would have been doing something else: public investment crowds out private investment” (2005). He mentions that this is just a transfer at best and not a benefit. Other researches, Noll and Zimbalist, state the same effects would occur if the government “would simply give the money to the workers as unemployment insurance, or employ half the workers to dig a hole and the other half to fill it up” (Owen, 2005). This shows that there are benefits that should not be counted as benefits, thereby overstating the results of the Olympics.

The next misconception that Owen found was the failure to recognize opportunity costs. This is perhaps one of the biggest misconceptions about the Games. The failure to account for opportunity costs is prevalent in these studies, especially when those who are paying for the studies (the local politicians and government) need to show results to justify their actions. In the case of the Olympics, alternative uses of the funding should absolutely be accounted for. This is perhaps an overarching issue as if all of the funding for the Olympics was placed into a more socialistic program (education, health care, welfare, or environmental improvement); the country would be in a better position than it would have been by simply hosting the Olympics. The logic behind this is simple, in that if the money were placed into something that produced more direct tangible benefits, choosing to pursue funding the Olympics would be a financially unwise decision.

The last misconception discussed by Owen is the use of inflated multipliers. In economic impact studies, the initial impacts are determined first, and then magnified through the use of

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a multiplier based on the re-spending of money in an economy. This multiplier error only magnifies the earlier errors thereby making the projected impact incomparable to others. That means that the error discussed earlier in counting both direct and indirect spending is then magnified as this spending is incorrectly counted and then multiplied. Additionally, the inflated multipliers cause errors in comparing the benefits and the costs, if the benefits are inflated, studies would be bias towards showing a net benefit.

There are still other misconceptions such as with the long-term benefits, often referred to as the “Olympic Legacy.” These benefits are supposedly increasing tourism, attracting local businesses (and local employment) and infrastructure improvements. However, no ex-post study has found “improvements in economic growth or living standards,” only onetime changes (Owen, 2005). These issues were only the major issues in economic impact studies; this is not the exhaustive list of issues with the economic impacts of the Olympics as more issues will be discussed in the proceeding sections, based on which period they fall in (bidding process, pre-Olympic period, during Olympics, or post-Olympics).

The Financial Impacts of Bidding to Host the Olympics

The benefits of bidding on the Olympics are that a bidding city gains world-wide exposure from politicians, tourists, scholars and many others. This exposure is believed to lead to a more positive image being cast of the host city, putting a positive spotlight on the city and thereby increasing tourism revenue. However, with these benefits come with a large cost. The costs to bid on the Olympics have risen to over \$10 million. For just the Games, the interested countries submit \$100,000 just to apply, and then \$500,000 if accepted as a candidate city. Then the candidate city has to pay for the onsite inspection, as well as all formal responses and impact studies which cost millions of dollars, and New York City estimated that its bid on the 2012 Games, cost over \$13 million (Burton, 39). With these high costs, it is hard to see a bid as financially justifiable for the exposure it brings.

The Financial Impacts during the Pre-Olympic Period

The period of time leading up to the occurrence of the sixteen-day Olympic festival is the period in which the majority of the costs of hosting are incurred, although not many benefits are received. Although the true costs are never fully disclosed, they can be found by

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examining the expenditures placed in the budgets available from the respective government of the host city. For the 2008 Games, Beijing built thirty-seven stadiums and venues as sports facilities, spent \$1.1 billion on transportation improvements in Beijing, \$200 million to demolish dilapidated housing and urban buildings, and \$3.6 billion to transform Beijing into a “digital” city by 2008 (Sands, 2008). This is just a sample of the expenditures released by the Chinese government about their expenses prior to the occurrence of the Olympic Games. Only after the Games will the benefits of these expenditures potentially be realized.

The phase leading up to the Olympics is also known as the construction phase because it is the phase where the majority of infrastructure is built. Therefore, it would make sense to include the construction costs and other pre-Games costs at this phase. The benefits in this stage are from visitors during the run up the Olympics, touring the area.

One of the major financial drawbacks is the spending on infrastructure. In a study by Jones Lang LaSalle that assessed the long-term impact of hosting the Olympics, the following was stated:

Many of the proposed infrastructure improvements had been discussed for years, but the Olympics often provided the necessary catalyst to bring projects to fruition.

Fortunately, most recent cities have learned from the costly mistakes of earlier hosts, minimizing investment in temporary facilities and maximizing investment in long-term projects (PRNewswire, 2001).

As previously discussed, the capital expenditures on infrastructure in economic impact studies are often either justified by post-Olympic perceived benefits (increase in GDP etc. which will be discussed later). At times these costs are simply not included in the “cost of the Olympics” and are simply ignored or placed in the host city’s operating budget. If these costs are included in the “cost of the Olympics,” (which they should be because often times the projects are undertaken only for the reason of hosting the Olympics), it is argued they will produce development for the host city’s infrastructure and leave behind a legacy of world class facilities that offer renovation and expansion of existing facilities. It is also argued that

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leaving the Olympic villages to be used for affordable housing produces yet another “benefit.” Additionally, there are upgrades to the local transportation, like the new airports in both Athens and Beijing. Another “perceived benefit” is the advantage of having facilities being built sooner rather than later or not at all. This argument states that the Olympics allow for politicians to better justify a certain project from being undertaken because of the high projected benefits derived from doing so for the Games. However, these benefits all have drawbacks.

One drawback these “world class facilities” have is very high initial costs, and as discussed in the post-Olympic section, there are many facilities left unused or underutilized after the Olympics (known as ‘white elephants’). In addition, these facilities have extremely high maintenance costs (ex. \$32 million a year for Sydney taxpayers). Next, the affordable housing, as well as the improvements in local transportation, embodies very expensive projects to undertake. Using the Olympics as justification to undertake an infrastructure project is a weak argument because these facilities could be built regardless of the occurrence of the Games and if it was not well supported without the occurrence of the Olympics, then it is/was unnecessary to begin with. Overall, using the Olympics as “an excuse to conduct the normal business of municipal government” (Berg, 2008) should not be allowed. Additionally, if it would have otherwise been deferred, it is probable that there were better alternative uses of the funds. The Olympics takes an immense amount of preparation and if these projects were sped up prematurely, it risks disastrous results. An example of such a project was the Montreal-Mirabel International Airport, which, while initially praised, was revealed to be a disappointment (Berg, 2008).

Overall, two of the biggest criticisms arising from the infrastructure expenditures are the delays caused in other public works projects, as well as opportunity costs (as previously mentioned). The undertaking of these infrastructure projects lead to a delay in other public works projects and usually cause funding to be drained from other social programs (taking from the poor to benefit the rich). The opportunity cost issue arises because the investment funds for the infrastructure could be alternatively used to provide more affordable homes,

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healthcare for the unfortunate, improvements to education, or contribute towards rebuilding the world economy.

In defense of this issue, the official Olympic report of the Sydney Olympics states that:

Much of the transport and public amenity infrastructure upgrading occurred not because it was essential or even necessary for the Games, but because the Games were both a catalyst for change and a milestone. The coincidence of the close of the twentieth century and the dawn of the new millennium with the staging of the Games added further impetus to the idea that Sydney was well and truly on the world stage... (Official Report of the XXVII Olympiad Volume 1: Preparing for the Games, 2001).

However, benefits to the local residents often fail to be accounted for. Infrastructure that more directly benefits local residents could be built instead. For example, during the Beijing Games, there was a forced evacuation of residents in order to build a back-up route to the airport (a common occurrence in building infrastructure during the Olympics). Instead of forcing the evacuation, Beijing could have built infrastructure elsewhere to more directly benefit the local residents and avoided evicting these residents from their homes. It is not only the local citizens who are forced to experience the detriments of hosting the Olympics, but the region as a whole must sacrifice possible opportunities for more self-sufficient improvements.

Girard points out that by Toronto losing the bid to host the 2008 Olympic Games (which Beijing won) Toronto dodged a bullet because the Olympics “diverted billions of dollars in scarce public funding away from more urgent needs, and that the true legacy would be crippling debt and infrastructure benefiting a few, not the majority of Toronto residents” (2008). Girard points out that these Olympics are used to advance projects that either would have been completed anyway (far into the future), or not been completed at all (2008). Furthermore, the Olympics are not a necessary event for these projects to “make sense” (Girard, 2008). Moreover, there is a risk in speeding up infrastructure projects as it creates an opportunity for disaster.

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Not only do the Olympic committees fail to account for many of the infrastructure improvements in their budgets, thus producing “rosy” results, but they cause havoc in the lives of local residents, and forgo other self-sufficient improvement opportunities. These compounded misjudgments, along with the fact that no host city wants to “lose face,” lead to cost-overruns, which further magnify the drawbacks of hosting the Olympics.

The Financial Impacts of the Olympics during the Games

In the past, the most talked about “profitable” games were in 1984 in Los Angeles, yielding a profit of \$240 million. When calculating the cost of the Games, often times instead of the revenues and expenses from the Games being included, only the revenues and variable expenses are included. According to Landler, “Montreal and Barcelona were saddled with billions of dollars in debt. Even Los Angeles and Atlanta, which turned a profit on their Games, reaped little in the way of long-term economic benefits” (2001). In other words, the cost of infrastructure upgrades is not included, and all of the revenue generated is included. This creates a bias that displays the Olympics to be profitable. The error is that all of the revenues received from hosting the Olympics are not necessarily generated during the games, such as selling collectible merchandise. The revenues from ticket sales and television marketing are however, justifiably included in the revenues during the time period of the Olympic Games. Although the actual games might be operating profitably as there is more revenues than expenses, that is not as much of a concern as the capital investment required to be invested in facilities, infrastructure, environment, etcetera. Many times the capital investment costs are multiple times greater than the normal operating expenses.

Not surprisingly, the IOC determines the profits from the Games, to which they have a stake in by only including the operating revenues and expenses and not the capital expenditures. They then publicize these profits to encourage other countries to bid hosting the Olympics because of the “great profit” it brings. However, even using this twisted method, the Olympics still have not been very profitable. That is, disregarding the capital investments, the Olympics have still failed to be profitable. After thirty years, Montreal has just finished paying off the public debt which it was left with from the 1976 Olympics. It is hard to imagine that with rising costs for things such as security, that it would be any easier to profit from hosting the

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Olympics. Another interesting fact is that all debts to the IOC must be guaranteed. The IOC lays out funds for running the Olympics and the host city must guarantee these debts. The IOC effectively states that it does not promise to help the host city financially, regardless of the result. This completely exonerates the IOC from its responsibility to ensure that the Olympics are profitable and removes all incentives from them.

During the Olympics, a few benefits include the revenues received as a result of staging the games in addition to visitor spending. However, this stage also includes the operating costs of staging the Games themselves. Typically, this phase of the Games either produces a wash since the revenues are approximately equal to the operating expenses, or there is a 'net profit' of only \$100-\$300 million. Although, \$100-\$300 million is a great deal of money, in comparison to the billions of dollars that are spent or 'lost' on infrastructure expenditures, it is really very immaterial.

The Olympics do not go unplanned however, as there are budgets and goals for expected returns. Unfortunately, these expected returns are not usually realized and there are costs that go unaccounted for. A good example of this is Athens, which ran over budget by billions of dollars and then failed to implement its plans to use its infrastructure properly after the Olympics.

After examining the SOCOG report, it was found that for the Sydney Olympics there were projected to be \$2.387 billion in revenue, \$2.0157 in operating expenses, and \$467.7 million in legacy contributions, resulting in a \$96.2 million loss; this is based on the estimated position as of December 2000 (Official Report of the XXVII Olympiad Volume 1: Preparing for the Games, 2001). This is interesting because the Sydney Olympics are commonly referred to as financially profitable. If this is the only major phase where there is an 'operating loss,' it would be easy to justify hosting the Olympics because of the marginal increase in GDP, local employment and visitor spending (which will be discussed in the next section). However, as discussed there are many errors in the measurements of these statistics, so it is really hard to determine whether there are any real benefits to hosting the Olympics.

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Furthermore, budgets fail to account for all of the expenditures, especially during the Games, thereby causing an error in the analysis of the results.

Another example of such an issue is with the BOCOG budget. Owens's study shows that there is both a BOCOG budget and BOCOG Non Budget (2005). The BOCOG budget includes a total expenditure of \$1.625 billion, while the Non Budget includes an expenditure of \$14.257 billion. The reason for the additional budgeted items in the capital investments are the environment, roadways, airports, sports venues, and the Olympic village. This addition, while not included in the BOCOG budget should be, thereby greatly increasing the costs of the Olympics.

It is interesting to see studies which state Athens was a success and produced a \$167 million surplus during the Games, whereas other studies reveal Athens to have been a losing proposition, costing \$15 billion (Glynn, 2008). This controversy lies in how the benefits of the Olympics are determined, usually occurring during the post-Olympic phase of the Games as effects on the local economy, measured by changes in visitor spending, local employment, and the increase in GDP. The question then is what costs and benefits are included in which reports? Yet, the answer to this question is difficult to decipher. Overall, however, it is rather clear that not every cost involved with hosting the Olympics is included in all of the reports, thereby ensuring that these studies overstate the Olympics' benefit on their host city.

However, if these studies included all of the costs, they would find that the Olympics generate a small profit or no profit at all during the Games. The main point of this section was to show, as stated earlier, that Olympics are a basket and the committees are selective about what costs are included in their reports. However, we must still examine the post-Olympic benefits of the Olympics.

The Financial Impacts during the Post-Olympic Period

After the Olympics are hosted, the majority of the costs have been incurred and the benefits then become realized. These benefits however, are hard to measure, and in most economic impact studies, this is measured via visitor impacts (tourism spending), legacy infrastructure, increases in GDP, and increases in employment and jobs. The New South Wales Treasury

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published a “Research and Information paper on The Economic Impact of the Sydney Olympic Games” which stated that:

Uncertainty surrounds the economic impacts of the Sydney Olympics ... [and]... evidence from previous Olympics that has been examined as part of the study suggests a tendency for excessive claims to be made about the economic impact of the Olympic Games, particularly before the event. The current study has not produced forecasts for the economy (New South Wales Treasury: The Centre for Regional Economic Analysis University of Tasmania, 1997).

As an example, one study found the economic impact of the Athens games to be approximately \$10.2 billion in 2000 values (Blake, 2005).

The excessive claims of the benefits received by the government of the host country from hosting the Olympics will now be examined. The more important issue is that host city governments simply cannot invest billions of dollars into the Olympics, only to then measure the benefits by adding up the increases in GDP (taking their present value, then netting the spending and increase in GDP to determine the overall net impact of the Olympics). This logic is flawed because increasing the GDP of the nation by \$2.50 does not offset \$1 spent on the Olympics. Simply taking the \$2.50 and subtracting the \$1 in government spending, resulting in a \$1.50 benefit is flawed. The \$1 increase in GDP simply only adds its tax revenue increase to the government, which is the increase in GDP multiplied by the tax rate, which is likely around \$0.625 ($\2.50×0.25). The \$0.625 in tax revenue minus the \$1 investment actually leads to a net loss of \$0.375. The issue here is that the government is put in debt and the benefits that result from this debt are measured incorrectly, revealing that the financial implications are beneficial where they actually are not. This brings up the point that the government could have received more for this spending if it were spent on a more profitable endeavor.

A generally perceived benefit of the Olympics is the increase in tourism and thereby tourism revenue. The “tourism” benefit from hosting the Olympics is difficult to track and there are

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many confounding issues when determining the true effects of the Olympics on spending in the host city. Although Sydney saw an increase in tourism since the Games, the September 11 attacks muddled the evidence since before these attacks occurred, people were more willing to travel to the United States. After these attacks more people preferred not to travel to the United States, but rather elsewhere internationally, artificially inflating the increase in tourist spending in Australia. Additionally, during the Games, the Sydney Zoo saw a 300% decrease in traffic, further demonstrating the difficulty of tracking the true impact of Olympics on tourism within host city and nation as a whole.

This increase in tourism causes a rise in security costs, specifically about \$1.5 billion for the 2004 Athens games. Additionally, tourism has been shown to have negative effects on surrounding cities, as seen from the Athens Games which have not led to a positive increase in tourism. This is similar to the pre-Games drop in tourism, as the years leading up to the Athens Games saw a decrease in tourism (2002-2003) because of disruptive building works and over-crowding fears. Again, similarly to GDP (which will be discussed later in this section), the effect of the increase in tourism spending cannot be used to offset the capital investments in the Games.

The European Tour Operators Association (ETOA) study claims that:

Anticipated increased tourism levels were not based on any evidence to support such expectations and that the statements of massive economic benefits were solely based around hope and illusions. As Olympiads are televised, the onus on spectators to travel to the host city itself is reduced. In fact, the costs of staging the games are not recouped by tourism revenues and the attendant rise in travel costs and accommodation in the minds of travelers effectively deters them from visiting host cities before, during and after games. The economic evidence presented shows that tourism revenues have decreased during these periods on the last five Olympiads, while the business case for staging the events always optimistically inflates the likely benefits (Stevens, 2008).

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This shows that the perceived tourism benefits are not a reality.

Another perceived benefit gained from hosting the Olympics is the increase in GDP. GDP is commonly used to track the economic impact and the output of the Olympics on the local economy. There is an issue with GDP being used as a measure to determine the financial success of the Olympics. Economic impact studies often using this as a measure for determining the benefits of the Olympics; however, the issue is that many times, although the increase in GDP is a multiple of the investment in the Olympic Games, it cannot be thought of as a comparable benefit. If a government spends \$40 billion and the nations GDP rises by \$100 billion as a result. This is not “worth it” as it does not really equate to profit or even a return on the investment. Only the taxes generated from this effect would be realized as a “profit” and even that is not a direct return on investment.

An economic impact study conducted by Humphreys and Plummer on the projected GDP prior to the Atlanta Games found there would be a \$5.1 billion impact. \$2.6 billion of this impact would be generated from the ACOG’s expenditures and \$2.5 billion from spending by out of state visitors, close to 2.5 times the cost of the Atlanta Games. A study by Kasimati and Dawson, concerning the Greek economy, found that for the period from 1997-2005, the Games boosted the GDP by about 1.3% per year, while unemployment fell by 1.9% per year. The cumulative change was estimated to be 2.5 times the total preparation cost. For the period from 2006-2012, the effect was predicted to be more modest, increasing GDP by about 0.46-0.52% and decreasing unemployment by about 0.17% per year. This study concludes by stating that the long-term economic legacy effects with respect to both GDP and unemployment appear to be quite modest. A 250 percent return on investment makes it appear as though the Olympics are worth hosting, but the benefit gained through the increase in GDP is only a percentage of the increase from government tax revenue, and that tax revenue is only a small percentage of the investment in the Olympics. Additionally, one must question if these preparation costs include all of the actual costs. These are quite concerning findings, especially considering visitor spending and the increase in GDP are two of the greatest so-called perceived benefits of hosting the Olympics.

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Another perceived benefit of hosting the Olympics is the infrastructure upgrades that it brings. However, these upgrades come at a high cost and are not built with the correct motives in mind, thereby failing to realize their full potential as benefits. The Bird's Nest, the main Olympic Stadium in Beijing was one of the most expensive infrastructure projects undertaken for the Beijing Olympics, and recently the Associated Press announced that it will be turned into a shopping and entertainment complex within three to five years (2009). Currently this site is visited only by tourists who pay \$7 to walk on the stadium floor and browse the souvenir shop. This stadium had a cost of over \$450 million and yet the only event that to have been planned was the Puccini opera, "Turandot." Additionally, the maintenance costs of the structure alone are \$8.8 million annually (Associated Press, 2009).

Beijing built 31 gyms to host the competitions of the 28 Olympic sports simultaneously within 15 to 16 days. There is an issue with such massive development occurring at once. Currently, in Hong Kong there are two 10,000-person gyms that are only profitable since the Hong Kong Government does not allow more gyms to be built. However, if they did build more gyms, they would likely not remain profitable. Therefore, how can the organizing committee expect to profit building 31 new gyms in Beijing? They could not! This example shows how poorly planned the Olympics infrastructure projects are and how, if this is one of the main "benefits" of the Olympics, the costs of hosting outweigh its tangible benefits.

Another one of the biggest perceived benefits to occur during the post-Olympic period is the increase in local employment as well as the creation of new businesses in the area. It is believed that there is an increase in visitors, their spending and thus the local income. However, the true case is that most of the jobs are actually given to people living outside the host city prior to the Olympics, who just move to the host city for the jobs they know will become available. In addition, this spike in employment is only short-term. Another drawback is the increased prices during the Olympics which affect the post-Olympic period by bringing about price increases in the cost of living for local residents, which do not decline after the Games are concluded.

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Support for these drawbacks is not hard to find. In 2002, Baade & Matheson concluded that the Olympics Games in Los Angeles in 1984 and in Atlanta in 1996 had no significant effect on employment. Baade and Matheson “found a modest boost in employment that was short lived” (2002). Even the most positive estimates showed “the City of Atlanta and the State of Georgia spent \$1.58 billion to create 24,742 full-or-part time jobs which averages out to \$63,860 per job created” (Baade & Matheson, 2002). Therefore, job creation alone cannot justify a financial operating loss for the Olympics. Additionally, Jasmand and Maening did a study of the increase in income of the local residents after the 1972 Munich Games, and they found that only for “venue and neighboring regions” was the income share increased, but only by an average of 0.01 and 0.02 percentage points per Olympic region at that (Jasmand & Maening, 2007). As far as the increase in local businesses is concerned, there are very few studies that show significant businesses that grow out of hosting the Olympics in respect to the long-term. It seems illogical to state that one of the goals of hosting the Games, and spending billions of dollars, is to create new businesses. Therefore, it is determinable that the perceived Olympic benefit of increased local employment and businesses is false and comes with drawbacks.

After a careful analysis of the financial impacts of hosting the Olympics, it is clear that the financial costs outweigh its tangible benefits. However, that conclusion cannot be solely based on net financial impacts, and therefore the political and social impacts must be analyzed in order to ensure that the conclusion is accurate.

POLITICAL IMPACTS

At this point, it has been determined that the financial outlays of the Games outweigh their tangible benefits. When discussing the Olympics, it has been said that they are worth it politically, but not financially. This brings us to the examination of the political impacts. As discussed, there are several setbacks to the financial benefits gained through hosting the Olympics and the same is also true of the political benefits. Therefore, if the financial impacts are not usually positive, then the conclusion that the overall Olympics are beneficial is an

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even harder case to prove, putting more pressure on other impacts that try to defend the Games and make up for their financial shortfalls.

World-Wide Exposure

Exposure on the world map can be used to showcase political, economical, or other strengths of an Olympic Game host city or host nation. This can help advance their strengths and build a reputation for the host nation as a center for world class citizens, as well as, for future sporting events, conventions, and tourism. The opportunity to host the Olympics allows for the mechanization of trade and investment. In 2002, shortly after winning the bid to host the Olympics (2001), Beijing was given the opportunity to join the World Trade Organization. However, this opportunity can be incorrectly perceived as a result of winning the bid its bid to host. Hosting also offers the opportunity for initial contact with leaders of other countries.

Berg points out that:

Few outside the IOC share Coubertin's views on the moral neutrality of political systems, or, indeed, the IOC's view that politics has nothing to do with the Olympic ceremony. Instead, for the host nations, the Games represent an easy opportunity to conduct domestic and international politics without the distraction of being accused of doing so (2008).

The exposure of the Olympics gives its host the very coveted, "global status." Sydney, Berlin, and Barcelona are just three cities well-known as a result of hosting. This world exposure also helped bring to light the financial strengths of Russia during the Cold War through the Moscow Games in 1980 and the United States through the Los Angeles Games in 1984. It was also believed that if New York were to host the Olympics in 2012, that it might reflect its recovery from the September 11th attacks.

However, the world-wide exposure gained from the Games is a two-sided coin, as it not only exposes the strengths of the host nation, but also its weaknesses. For instance, the Olympics put international media attention on China's poor air quality, of which it was strongly encouraged to improve upon, thereby spending \$19 billion in order to meet the Olympic standards, as well as its human rights abuses in Tibet by the Chinese government. Protests

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over these abuses occurred during the beginning stages of the Games are marred the Torch Relay, which shined a negative spotlight on China. This brings about the question of whether China knew “that hosting the Olympics was bound to attract the world’s spotlight onto China, exposing all kinds of ugly realities under the autocratic state?” (Jing, 2008). If they were aware of the risk of exposing these weaknesses, why did they still choose to host the Olympics?

Another example of such a negative exposure was during the boycott of the 1980 Olympics. Only 80 countries sent athletes to compete (The Olympic Boycott, 1980, 2009). This not only lowered morale among the athletes, but exposed the politics of the Cold War. As Berg states, “sport may be the style of the Olympics, but nationalism and geopolitics are the content” (2008).

An additional example of negative exposure to the increased media attention which the Olympics brings occurred in 1996 during the Atlanta Games. A bomb exploded during the Games which caused much hysteria, fear, and panic and cast a grim shadow on the Olympics as a safe event to attend. The suspected bomber was eventually caught several years later, but it did not reduce the safety fears by attendees of the Games, thereby reducing the benefits gained by the host city.

Perhaps on the basis that the Olympic Games allow for the opportunity to regenerate a city, one might suggest that hosting within a struggling Third World country might be more beneficial, mainly for its long-term growth opportunities. However, this is a misconception. Researchers argue that “the prospects of mega-sporting events are even worse for developing countries. The opportunity costs of providing state of the art facilities are much higher and lack of modern infrastructure requires significant additional investment” (Owen, 2005). In addition, the participation of these countries may expose the country to boycotts or terrorist attacks, such as when Israeli’s were kidnapped during the Munich Games in 1972. When this incident occurred, a great deal of negative attention was cast on Munich.

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National & Local Politicians and National Pride

Hosting the Olympics seems to benefit only a few, while others must pay for it. The national and local politicians try and drum up national pride during the Games, but the reason they are doing so is for their own future benefits. Berg states that "...first and foremost, the Games are designed to shine glory upon nations that hold them. National politicians and government use the Olympics to achieve their individual or national goals" (2008). Berg also stated, "at their best, the Olympics are a government supported circus provided by politicians from democratic countries who want the world media to flock to their most attractive city" (2008).

Such is evident through New York's bid for the 2012 Olympics, which brought great attention to Mayor Michael Bloomberg, which he then may have used to further his political campaign. Another example of such a political move was by Peter Ueberroth who ran the 1984 Los Angeles Olympics and then became commissioner of Major League Baseball and contemplated running for governor of California afterwards. Similarly, Mitt Romney used his success with running the 2002 Salt Lake City Winter Games to garner media attention for his Presidential campaign in 2008. Outside the United States, the Chinese director of the opening ceremonies using the popularity he gained from the Olympics to openly criticize the government, without consequence. This publicity might become a political risk and source of weakness in the future as it has the potential for politicians, who might be more inclined to use Olympic funds for reform, to be pushed out of the limelight.

Now that we have examined the setbacks to the political benefits of hosting the Olympics, we can conclude that not only do the financial expenditures of the Olympics outweigh their tangible benefits but the political risks do as well. Lastly, we must not forget to examine the social impacts for their potential to enhance the value in hosting the Games.

SOCIAL IMPACTS

After examining both the financial and political costs and benefits of hosting the Olympics, the social impacts should be examined. An assessment of the host population's perceptions of the 1996 Summer Olympics was completed in 1999, focusing on the area of support, attendance, benefits, and liabilities. The study found that although citizens believed that the

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Olympics brought international recognition, enhanced Georgia's image, increased citizen pride, financial benefits, tourism and an Olympic facility legacy, there were accompanying liabilities (Mihalik & Simonetta, 1999). These liabilities, in order, included traffic congestion, price gouging, law enforcement strain, increased crime, unfair distribution of resources, civil unrest, the bad attitude of tourists, the bad attitude of residents, and increased risks of terrorism (Mihalik & Simonetta, 1999). Some of these liabilities have a greater impact than others, and while some were discussed in previous sections, there are several that need to be expanded upon.

Increased Display of Local Culture

With the hosting of the Olympics comes the increased display of local culture. The opening of the 2008 Beijing Games perfectly displayed the Chinese culture to the rest of the world and gave them a political field to demonstrate their ability, as a communist country, to exhibit a great event. On the flip side, it exposes how controlled their communist country is and it in fact threatens the rest of the world.

Removing Current Residents from Their Homes

During the building process for the Games, it is common to evacuate citizens from their homes and "compensate" them for the inconvenience. Nevertheless, citizens who are evacuated are unfairly compensated, if at all. The BOCOG (Beijing Organizing Committee of the Olympic Games) claimed that only 6,000 citizens had to be evacuated and were appropriately compensated; however, "earlier in July, the Geneva-based Centre on Housing Rights and Evictions said that since 2000, 1.5 million people had been displaced by Games-related building in Beijing," which is far more than the 6,000 claimed by the Chinese government (Berg, 2008). Additionally, these 1.5 million people were unfairly compensated for their troubles, if at all. (Note: Take this comment at face value as the reported number of people is unsupported and not released to the public in order to protect its sources.) David Westendorff, an urban planning researcher based in Shanghai supported that "at least 1.5 million people were moved out of their homes to make way for these developments...although not all of these changes can be attributed to the influence of the Games" (Sweeney, 2009). Westendorff went on to state that:

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The Infrastructure development programme could not have been as large as it was, had they not said that these things were necessary to make it possible for Beijing to organize the best Olympics ever. So many people had to be moved to do this that if there were no nationalistic unifying discourse behind this it would be very hard to move those 1.5 million people (Sweeney, 2009).

Westendorff's logic was that:

Between 1991 and 2000 the number of people who were relocated was about 640,000. Now economic growth was roughly as fast as that during the period as it has been since 2000. Actually it's half a percentage point slower in the current period...but the number of people who have been moved is 2.4 times more (Sweeney, 2009).

This is a major issue for the citizens of the Olympic host city.

A study conducted on the Olympics impact as a mega-event showed that for the 1996 Atlanta Games:

9500 units of affordable housing were lost and \$350 million in public funds were diverted from low-income housing, social services, and other support services for homeless and poor people to Olympic preparation during the period from 1990 to 1995 (Malfas, Theodoraki, & Houlihan, 2004).

For these Games, "15,000 residents were evicted from public housing projects which were demolished to make way for Olympic accommodation" (Malfas, Theodoraki, & Houlihan, 2004). Overall, this just shows that the Olympics have a devastating effect on the lives of host city citizens, as many are forced to vacate their homes for little or no compensation.

Preparing for the Olympics brings about construction which, at times, closes off local tourist attractions that current residents enjoy, such as what occurred in Sydney in 2000.

Construction of the Bondi Beach Volleyball Stadium had closed off a popular surfing beach in the area for six months (Cashman, 2002). In addition construction of the Ryde Pool closed a public pool for two years, and a public park was converted into a private leisure facility

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(Cashman, 2002). This is rather unfair to local residents and forces the taxpayers to bear an unfair burden. Additionally, heightened security for the Olympics brings about another issue for local residents. Overcrowding in certain areas occurs and many times there are restrictions on where citizens are allowed to drive or visit, again placing an unfair burden on local residents. In addition, with the increase in tourism comes a negative side affect— the congestion of traffic. This occurs during the pre-Olympic phase, especially during the occurrence of the Olympics, and likely continues after the conclusion of the Olympics.

Increased Attention

The host city of the Olympics gains increased attention from the public eye. However, this raises the security risks and examples of when these risks came to fruition and caused disaster, are the 1972 Olympics in which Israeli's were killed and the 1996 Atlanta Games bombing.

Cleaning Up the Local Environment

During the Olympics, especially in countries where the air quality is far below acceptable standards, the IOC practically forces the host city to clean-up its environment so it is healthy for visitors to travel to and athletes to compete. Beijing, with its air quality far below acceptable standards was no exception. Nevertheless, the environment is only kept clean for a short time before, during, and after the occurrence of the Olympics, and Beijing was again no exception. "New Satellite Data Reveal Impact of Olympic Pollution Controls" was the title of a recent article put out on NASA's website (Violand, 2009). This article states NASA found that:

The emission restrictions had an unmistakable impact. During the two months when restrictions were in place, the levels of nitrogen dioxide (NO₂)— a noxious gas resulting from fossil fuel combustion (primarily in cars, trucks, and power plants)—plunged nearly 50 percent. Likewise, levels of carbon monoxide (CO) fell about 20 percent (Violand, 2009).

It was found that "after the authorities lifted the traffic restrictions, the levels of these pollutants shot right back up" (Violand, 2009). This cleaning up of the environment is not

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free. Not surprisingly, Beijing spent approximately \$19 billion doing just this in the seven years prior to the Olympics.

Overall, the perceived benefit of the Olympics influencing the improvement of the local environment comes with drawbacks that are far greater than the benefit itself. Additionally, the actual occurrence of the Olympics does more harm to the environment as it involves building infrastructure, creating a large amount of Carbon Monoxide emissions, as well as waste.

Local Residents Increased Interest in Sports

A commonly believed benefit gained through hosting the Games is the increased interest in sports by local residents. Studies have failed to verify this belief and have only found that it increases the interest in sports of only those citizens already interested. Although the belief that the Olympics increase local residents' interest in sports is unfounded, it has been named one of the major commitments of the London Games. This will certainly be hard to follow through, as studies have failed to find that the Olympics inspire people to get in shape; it seems comparable to the "new year's resolution effect" of getting fit, where many people commit to the gym for the week of January 1st, but few of those same people return after a month's time.

Overall, the social drawbacks of hosting the Olympics outweigh its tangible benefits. Scholars who are aware of some or all of these issues have argued that cities should perhaps conduct social impact assessments and public consultations before submitting their city's bid (Cashman, 2002).

Now that there is an understanding of the fallacies behind the benefits of the Olympics, applying them to the London Olympics will help determine if they will be worth hosting.

2012 OLYMPIC IMPACTS ON LONDON

Recently, Sport England posted an article on their website discussing the perceived benefits of hosting the 2012 Olympics in London. These benefits included: athlete preparation camps

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before the games, more elite sporting events to be held across the UK (after the games), a UK-wide Olympic football tournament, enhanced sporting performance for domestic athletes, increased funding for other elite and grassroots sports, business opportunities for UK companies, significant tourism opportunities, a mass volunteer recruitment drive, a national torch relay, a cultural program and sustainable physical activity initiatives (What the 2012 Olympics would do for the UK, 2009). Additionally, it has been reported that, “after the Games, the government plans to convert 1.5 million square feet of Game space into offices, and leave behind a large public park and about 3,300 apartments, which it hopes will become a thriving community” (Patrick, 2008).

The Mayor of London stated that the benefits that may be attained in hosting the Olympics fall into the following categories: Crime, Policing and Emergencies, Culture, Economic Policy, Environment, Equality and Diversity, Health, Housing, International, Planning and Development, Sustainability, and Transport (Mayor of London; London Assembly; Greater London Authority, 1999). These benefits were incorporated into the Mayor’s five legacy commitments. The first legacy commitment is to increase opportunities for Londoners to become involved in sport; the second is to ensure that Londoners benefits from new jobs, business and volunteering opportunities; the third is to transform the heart of East London; the fourth is to deliver sustainable Games and develop sustainable communities; the last is to showcase London as a diverse, creative and welcoming city. From these commitments, it is easy to see that the reasons for which the Mayor, London Assembly and Greater London Authority want to host the Olympics is no longer consistent with its original purpose, which is to showcase athleticism. It is clear that these parties hope to gain from hosting the Olympics.

The organizers of the London Games also expect the following benefits: uniting people/the feel good factor/national pride, improving awareness of disability (via the Paralympics— this will not be discussed), motivating/inspiring children, leaving behind a legacy of sports facilities, environmental improvements, promoting healthy living, and offering social and cultural events (Atkinson, Mourate, Szymanski, & Ozdemiroglu, 2008). However, as already shown in this paper, these benefits are not as great as they are perceived due to the following

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drawbacks: crowding, increased risk of petty theft, increased safety and security risks, local disruption during construction, transport delays, and excessive media coverage (Atkinson, Mourate, Szymanski, & Ozdemiroglu, 2008). So, not only do the expected benefits come with a vast amount of drawbacks, but the expected cost of the London Olympics as stated in the Official report is £9.375 billion or approximately \$17 billion (National Audit Office, 2007). Since this report however, the value of the pound has fallen greatly, thereby reducing the cost in U.S. dollars to approximately \$14 billion. Additionally, as already stated, these costs are likely understated and the budget is expected to exceed its original projections by 50 to 100 percent. Cashman points out that “Olympic budgets are political, contentious and notoriously unreliable” and that infrastructure costs are often hidden in the government’s public works budget rather than the Olympic budget (2002). The reason he cites for this is that disclosure of the full costs of staging the Olympic Games might diminish the degree of public support, leading to the inability to host the event. The fact that the budget is already priced at about \$17 billion, and likely underestimated, it is hard to believe that the London Olympics will be financially profitable.

The government has commissioned several corporations and organizations to complete impact studies to determine the benefits of these Olympics. Several of these studies, such as the one commissioned by PricewaterhouseCoopers LLP has found that there appears to be “significant potential benefits from hosting the Games” (2005). Another study of London predicts a positive effect of increase in GDP from 2005-2016 of £1.936 billion and producing an additional 8,164 full-time equivalent jobs created for the UK (Blake, 2005). In 2005, this economic impact study predicted that London would receive revenues of \$1.627 billion and costs of \$1.089 billion, but these budgets notoriously overestimate revenues and underestimate costs, thereby overstating profit (Blake, 2005). Additionally, these studies are conducted far in advance of the Olympics and many variables are unaccounted for.

Specifically for London is the global economic downturn, which might curb all estimated spending on tourism and other areas. Therefore, examining and discrediting the benefits that the Mayor has stated London will receive, coupled with the fact that the costs are going to be higher than anticipated, will show that the London Olympics will not be worth hosting.

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The belief that the benefits of the London Olympics are not as beneficial as they are made out to be, and come at a higher cost than expected, has gained support from Londoners. This is especially true as it relates to the benefits which affect local citizens. A BBC survey found that “in London, host city of the Olympics, six out of ten people said there was nothing really in the Games for them...” (People 'doubt Olympics benefits', 2008). Additionally, “73% of people thought there would be no noticeable benefit for their region” (People 'doubt Olympics benefits', 2008). Another poll found that “only 15 percent of Britons think that hosting the Olympics will be good for the UK’s reputation” (Adfero Ltd, 2009). Another finding of this poll was that “40 percent of respondents think the budget for the 2012 Olympics is ‘out of control’ and that the final cost of the Games is likely to be at least twice as high as the current prediction” of £9.375 billion and that “...they feel the money could be better spent elsewhere” (Adfero Ltd, 2009). Additionally, four in ten think that the Olympics will “provide no long-term benefits” and forty-five percent think that other areas of the UK would be just as capable of hosting the Games, and are in need of the regeneration more than East London (Adfero Ltd, 2009). Furthermore, half of the respondents believe that the government is too incompetent to run the Olympics (Adfero Ltd, 2009). The result of these polls casts a dim light on the possibility of the 2012 London Games being “worth it.” The following sections will discuss the financial, political, and social impacts as they relate to the 2012 London Olympics.

Financial Impacts

This section will discuss the financial impacts as they relate to the 2012 London Games. The Mayor’s second Legacy Commitment involves the creation of 50,000 new jobs in the Lower Lea Valley area, and inspiring 20,000 other Londoners to get back to work. This goal includes training, employment, volunteering and business opportunities. It requires £11 million for a fund to encourage employment, training and skills projects across the 33 London boroughs. However, as cited before, initiatives like these often fail to produce their intended results, when prior to the Olympics, many prospective employees move into the town, taking away jobs from local citizens. Again, this goal could be accomplished without the hosting of the Olympics.

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London 2012 estimates that tourist revenue to the Capital is going to increase by £2 billion over the time period in which the Olympic tourist spending increases are measured. However, the study done by the (ETOA) dismissed this assertion, citing how Sydney and Athens made similar claims that did not pan out.

The London Olympics purportedly are going to leave a legacy of 9,000 new homes in the Olympic zone, and more than half of them in the Olympic village. This also is probably going to generate thousands of jobs in the area for years before the Games. Again, this could be done without the Games, and probably for less money. Not to mention that it is likely the construction of the Olympics will result in the removal of some homes as well, offsetting the short-term benefits.

The third Legacy Commitment states that more than 40,000 new homes will be built in and around the Olympic park and this will help regenerate East London. In addition to the 9,000 new homes built directly in the Olympic park alone, new hospitals, family health services and other community facilities will be built to support them. This commitment hopes to transform the heart of East London, and will speed up the process. However, this could occur regardless of the Olympics, and should not be traced as a direct benefit of the Games.

The fourth Legacy Commitment is to deliver sustainable Games and develop sustainable communities after the Games. This commitment is the first time such an initiative is taken, yet is very unpredictable. Also, the organizing committee plans for 102 hectares of open space in legacy, provided by the Olympic Park. Additionally, this initiative involves teaching students in London's colleges and Universities about new cultures and countries, as a result of its launch the 2012 Education Program. These goals could be beneficial to London, but there is a financial burden involved in the process, as people will need to get paid to educate these people. At this time, the costs are not directly identifiable.

The Mayor purports that hosting the Olympics in London and undergoing its many transportation/infrastructure improvements will develop London's transportation system. However, the Olympics will speed up these improvements and increase the risk that these

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projects are not completed very effectively. Although these improvements may benefit local citizens, more than £10 billion will be spent to improve London's transport systems by 2012. Although this was not included directly in the budget of the Olympics, it was stated that this helped London attain its winning bid. Therefore, these costs should be fully or at least partially included in the Olympic budget. This shows that although hosting the Olympics will help bring about improvements to London's transport system, it comes at a great cost.

The Olympic Delivery Authority of the Games plans to reuse 90% of the demolition materials. London plans on taking actions to reduce its carbon emissions, similar to the actions Beijing taken before its Games. Although during the Games, Beijing benefited, once the restrictions were lifted, the emissions went back to the levels originally found. The Mayor purports that doing so will create employment opportunities and volunteering opportunities, as the improvements to London will need to be fast-tracked. These include strengthening the transport infrastructure, enhancing the physical environment, developing many new homes, and creating world-class sports facilities (Mayor of London; London Assembly; Greater London Authority, 1999). The disadvantage to rushing the construction projects and recycling 90% of the materials is the same as those involved with speeding up any construction project— the risk of a disastrous result.

One of the biggest perceived benefits of hosting the London Games is increased tourism revenue. The Mayor of London points out that Australia was given a boost of £2.5 billion to their economy between 1997 and 2001, because of the 2000 Games, and that visitors travelled a great deal of time outside the host city (Mayor of London; London Assembly; Greater London Authority, 1999). However, the results from the economic impact studies done recently on the 2004 Athens Olympics did not cite these same results and were discussed earlier in this paper, as they actually found a drop in tourism in the years (2002-2003) approaching the Olympics.

Political & Social Impacts

The Mayor of London stated that the Games will help celebrate its greatness by showcasing its culture to tourists. However, with the increased tourism comes the need for increased

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security. The mayor identifies increased security as a benefit because London will be well prepared for a terrorist attack, if attempted. The mayor states that this high-profile sporting event will fuel more work into making the city more secure, both during the Games and after (Mayor of London; London Assembly; Greater London Authority, 1999). Concerning this issue, the Mayor has taken the opportunity to boast about London having one of the largest police forces in the world. He stated:

London is a world-class city with many friends and foes: the threat of terrorism is neither now or indeed an obstacle. Both the Government and I are committed to providing a safe environment for London today, tomorrow, and the future, for all its people, visitors and economy (Mayor of London; London Assembly; Greater London Authority, 1999).

Although this statement is convincing, increased security is not a true benefit. The security required for the Olympics is high because of the safety concerns. Therefore, the Olympics do not actually make London safer, as they may possibly expose London to increased risk. Not only does increased security come with drawbacks but it costs hundreds of millions of dollars. "Security experts are already muttering that at \$400 million, estimates of security costs for the London Games are way too low" (Cohn, 2005). It is believed that these security costs will likely be around \$800 million (Cohn, 2005). As a reminder, Athens officials thought that it would have cost their city \$122 million for security and that figure wound up topping \$1.8 billion (Cohn, 2005).

The Mayor also discusses that London is one of the cultural capitals of the world and that the games are a place to showcase all of their cultural offerings to an international audience. He states that the games will be accompanied by a four-year cultural festival, beginning in 2008 and continuing into the summer of 2012, and will feature events, exhibitions, and educational activities. London views the Olympics as a "once-in-a-lifetime" opportunity to flourish and will blend these events into the Games themselves, hoping to leave an impression on its thousands of visitors (Mayor of London; London Assembly; Greater London Authority, 1999).

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The fifth Legacy Commitment is titled, “showcasing London as a diverse, creative and welcoming city,” and outlines how London will be showcased. It will involve sponsoring opportunities for London citizens to join cultural programs. This requires an investment of £3 million in the tourist industry. However, as cited earlier in this paper, tourism revenue might not increase before, during, or after the games, resulting in a waste of funding. Again, it could be done regardless of whether or not the Olympics occur, and should not be viewed as a possible benefit of hosting.

The Mayor discusses what the London Olympic bid team has attempted to do, preparing information packets for schools to motivate students to try their best. Additionally, the Mayor states that the Olympics will create volunteer opportunities for Londoners to take part in. While volunteering in such a high profile event is a rare opportunity, there are plenty of volunteer opportunities already available in London, so the Olympics do not add many more.

This Mayor states that the “London 2012 Olympic Games and Paralympic Games will be the ‘greenest’ games in history” (Mayor of London; London Assembly; Greater London Authority, 1999). The Mayor discusses several benefits, one being how nothing will be permanently built on green spaces except for a reclaimed “Brownfield” site (underdeveloped, derelict, contaminated or vacant areas). Also, these Games will be car-free except for those used by disabled drivers. Another benefit discussed by the Mayor is that the Games will provide an opportunity to implement environmentally friendly policies such as sustainable development. Lastly, the Mayor discusses how the Olympics will allow for the reclaiming of contaminated land that will become home to the biggest new park London has seen since Victorian times. Again, however, the Games need not occur for these benefits to be seen. The park could be built anyway, the contaminated land could otherwise be reclaimed, and the environmentally friendly policies could absolutely be implemented regardless of the Olympics. Making the event car-free is still a positive benefit, but it does inconvenience local citizens and could also be done regardless of the Olympics.

The Mayor discusses how the Games will showcase different cultures, and takes the opportunity to boast how multicultural the city of London is, stating that there are more than

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“50 ethnic communities of 10,000 or more people. More than 70 different national cuisines are available and incredible 300 different languages are spoken...” and London celebrates its diversity yearly through events ranging from the Notting Hill Carnival to the Hindu festival of Diwali (Mayor of London; London Assembly; Greater London Authority, 1999). The Mayor does not really point out a benefit of the Olympics, but rather just boasts how culturally diverse London is and why it is the right choice for the Olympics. This idea, perhaps, is a better fit in London’s bid package rather than on a list of the benefits of the Olympics.

One of the biggest benefits that this site presents is that hosting of the Olympics in London will help its citizens get in shape, and it will provide London with the necessary resources (the facilities being kept for community use are: the Olympic Stadium, the Aquatics Centre, the Velopark, and the Hockey Centre and the Indoor Sport Centre) (Mayor of London; London Assembly; Greater London Authority, 1999). The Mayor stated:

The Olympic and Paralympic Games will be a uniquely inspiring and motivating experience, boosting participation in all levels of sport in London and across the UK. In the years before the Games, young Britons will be encouraged and supported to become involved in the Olympics in 2012 (Mayor of London; London Assembly; Greater London Authority, 1999).

While hosting the Games may provide London with the necessary resources, they could still be built regardless of hosting the Games. Additionally, as discussed earlier, the assertion of helping citizens get into shape is highly debated and unfounded.

The BBC study, mentioned earlier, found that out of the 2,000 adults questioned, “just one in five said the Games [in London] would inspire them to exercise” and people appear skeptical about other “key promises—to use the Games [in London] to get the nation fitter” (People 'doubt Olympics benefits', 2008). Additionally, Murphy and Bauman, “using surveys of physical activity before and after the Sydney Games, conclude[d] that there was no change in the proportion of the population meeting health-enhancing physical activity levels, with some surveys indicating a lower level in 2000 than prior to the Games” (Coalter, 2007). Coalter

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points out that the effect of the Olympics is much like the “well known short-lived annual ‘Wimbledon effect’” which occurs in the tennis world (2007). Coalter states that:

On the basis of current research evidence the general conclusion is that using the Olympics as ‘the catalyst that inspires people of all ages and all talents to lead more active lives’ will require, like competing in the Olympics sustained hard work, based on a coherent strategy with no guarantee of success (2007).

The first Legacy Commitment of the London Olympics is to increase opportunities for Londoners to become involved in sport. This seems to be a desire, but will most likely not occur. In the Mayor’s commitment report, he cites that 60,000 Londoners are already taking part in the pre-Games Summer of Sport, and that 45,000 disabled Londoners are involved in sports now. Through the “Winter of Sport” program, £79 million will be invested towards achieving this commitment. This idea seems more of a defense about what London will gain out of hosting the Games rather than stating a future benefit of hosting them. Again, this fails to be a likely benefit of the Olympics due its high cost.

After examining each of the proposed benefits of hosting the Olympics, it is clear that there are many drawbacks and hidden costs as well. First, some of the proposed benefits are not benefits at all, rather just statements regarding how problems will be avoided. Next, many of the proposed benefits have been expected in previous Olympics, but have failed to occur. There is little reason to expect that the 2012 Olympics in London will be significantly more opportunistic, especially given the recent economic slowdown. Lastly, realistic expectations about the anticipated benefits will fail to outweigh the large scale (and likely underestimated) proposed £9.375 billion budget.

CONCLUSION

After this intense literary review, the overall conclusion is that there are many setbacks to hosting the Olympics and it seems clear that the actual costs of hosting the Olympics far outweigh its perceived tangible benefits. Although, it is difficult to trace whether the Olympics have actually been intangibly beneficial, the opportunity costs of hosting the

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Olympics often fail to be accounted for. Furthermore, the other opportunities (ex. Social programs, healthcare, etc.) would potentially have offered the same or better intangible benefits as well as tangible ones (financial, social, and/or political).

With an understanding of this conclusion, one would question why the cities continue to host the Olympics. Arriving at an answer to the question is rather simple; the benefiter of the Olympics are doing an excellent job covering up the fallacies in the perceived benefits of hosting the Olympics. As alluded to multiple times already, the parties who bid to host the Olympics are receiving the majority of the benefits, but not absorbing the brunt of the costs. These parties, who are generally skilled politicians and businessmen, “sugar coat” the costs to the taxpaying community, who in turn allow the hosting of the Olympics to continue. Until the taxpayers and local citizens rise up and take action, cities will continue to host the Games.

The Olympics provide community benefits like local volunteerism, youth education programs, and funding for community developments and cultural programs. However, if this were the sole reason that the Olympics were produced, then the government could avoid hosting the Olympics and rather provide these benefits while spending a great deal less in taxpayer funds.

Recommendations for the Future of the Olympics

There are a few possible remedies to the issue of the Olympics offering a “losing proposition.” One such remedy is to revisit the cities that have hosted the Olympics in the past to obtain economies of scale. The 1984 Los Angeles Games were profitable, so perhaps revisiting this area would be worth examining. Another recommendation is to reduce the size of the Olympics to help regain the focus on the Olympics towards its original purpose of athleticism. The idea would be to reduce the size of the Olympics to their core events so that the benefits would be worth the costs. Additionally, ticket sales would account for a majority of, or more than, the actual (not budgeted) total costs.

Even some IOC members agree that they have to find a way to reduce the size of the games because if it continues to grow at its current pace, it will cost nearly \$50 billion, and there are only about 10 cities in the world that would actually be able to afford it. Gilbert Felli, the

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IOC's executive director, said that the cost only appears high because the government in China is involved in unnecessary projects, and that the necessary infrastructure already exists in developed countries (Fowler & Meichtry, 2008). This statement is somewhat contradictory because if a developing nation hosts the Olympics it will need the "unnecessary projects" and therefore, the costs of the Olympics are not only high in appearance, but in actuality as well. Overall, this idea just further cements the points made in this paper, while also showing how contradictory the IOC members' statements are.

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APPENDICES

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Appendix A – List of Olympic Host Cities & Countries by Year

Year	Host City, Host Country
1896	Athens, Greece
1900	Paris, France
1904	St. Louis, USA
1908	London, England
1912	Stockholm, Sweden
1920	Antwerp, Belgium
1924	Paris, France
1928	Amsterdam, The Netherlands
1932	Los Angeles, USA
1936	Berlin, Germany
1948	London, England
1952	Helsinki, Finland
1956	Melbourne, Australia Stockholm, Sweden
1960	Rome, Italy

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1964	Tokyo, Japan
1968	Mexico City, Mexico
1972	Munich, Germany
1976	Montreal, Canada
1980	Moscow, Russia
1984	Los Angeles, USA
1988	Seoul, South Korea
1992	Barcelona, Spain
1996	Atlanta, USA
2000	Sydney, Australia
2004	Athens, Greece
2008	Beijing, China

Source: www.olympic.org/uk

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