Economic Aspects and the Summer Olympics: a Review of Related Research

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ABSTRACT

As the Summer Olympics are growing with larger media coverage and sponsorship, host cities have started to attach great importance to the tourism and other likely economic effects that occur by staging such a special event. As a result, a number of studies have been conducted to consider the various economic implications on the hosts. This paper examines and evaluates methods and assumptions used by the economic studies. It also compares ex-ante models and forecasts with the ex-post approach. The aim is to improve the information available to policy makers and potential future hosts of Summer Olympics and other mega-events. Copyright © 2003 John Wiley & Sons, Ltd.

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INTRODUCTION

The modern Olympic Games were first held in Athens in 1896. Over the years, the Games have survived many trials, including wars and boycotts, and each set of Games is held every 4 years. In recent years, the interest of countries and regions in staging a future edition of the Games has grown because of the perception that doing so would help attract tourists and generate income.

As well as the likely impacts on the socio-cultural and environmental areas, host cities place great emphasis on the economic implications of the Olympics and the tourism development. These implications have received increasing attention over the past two decades, involving economic studies to provide a measure of the net gains that hosting the Games may provide. Although economic impact analyses prepared by or on behalf of Olympic advocates have demonstrated economic advantages from hosting the Games, potential host communities pose the question of whether, in fact, the economic benefits of the Olympics are pragmatic and, if they are, the extent to which such benefits offset the costs (Haxton, 1999).

Much of the published literature on the Olympics emphasises long-term benefits such as newly constructed event facilities and infrastructure, urban revival, enhanced international reputation, increased tourism, as well as improved public welfare, additional employment, local business opportunities and corporate relocation (Ritchie and Aitken, 1985; Hall, 1987; Kang, 1988; Robin, 1988; Walle, 1996; French and Disher, 1997). In contrast, potential negative impacts include high construction costs of public sports infrastructure and related necessary investments (usually placing a heavy burden on the government budget), temporary crowding problems, loss of visitors,

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property rental increases and temporary increases in employment and business activities (Hiller, 1990; Darcy and Veal, 1994; Mount and Leroux, 1994; Leiper, 1997; Spilling, 1998).

The objective here is to review existing literature that focuses on the economic impacts of the Summer Olympic Games. No economic impact studies were found for Games before Los Angeles in 1984. Seven cases of the modern Games are examined, dated between 1984 and 2012. Thirteen studies are considered that investigate various economic variables related to the hosting of the Games and they have been categorised into *ex-ante* and *ex-post* economic impact assessments.

This review does not attempt to draw any conclusion as to which Games have the most favourable economic impacts. This would require a comprehensive study involving the review, comparison and justification of the models from both theoretical and empirical standpoints. Instead, our implicit objective is more modest. The goal is primarily to provide an overview and evaluation of the different approaches and demonstrate the differences that may appear in the results.

The remainder of this article is organised as follows. It begins by explaining the link between direct, indirect and induced economic effects, which is the principal theory embraced by economic impact studies. It then goes on to examine the alternative modelling approaches taken to ascertain the economic implications generated by the Summer Olympics. Finally, the article analyses each study in turn, evaluates the assumptions made and outlines directions for further research.

**UNDERSTANDING THE OVERALL ECONOMIC EFFECT**

When a city is awarded the Summer Olympics, a large amount of new money is expected to flow into the host economy and recirculate within it. An economic effect through hosting the Games arises because an inflow of funds, which have not been switched from elsewhere in the economy and probably would not otherwise have come without the Games, will enter the local, regional or national economy. This inflow of money stems from broadcasters, sponsors, Olympic family, athletes and dignitaries as well as non-area travellers who would be defined as ‘tourists’ by those in the tourism business.

There has been a tendency to assess the economic impact of Summer Olympics using the ‘multiplier’ concept. Briefly, a multiplier estimates the number of times a unit of currency, once spent within an economy, is respent within the borders of that economy. The overall effect of the new money on the local/regional/national economy is broken down into three major elements.

1. **Direct effect**: the first economic effect of the new money spent by outside visitors. As Figure 1 illustrates, new money is injected into the host economy in industries such as accommodation, food, transportation, etc.
2. **Indirect effect**: the subsequent effects of the injected money within the economy, after allowing for leakages.
3. **Induced effect**: the proportion of household income then respent in other businesses in the economy.

The indirect and induced effects together are collectively referred to as *secondary impact* (Crompton, 1995).

The multiplier analysis has been a common form of estimating the respending impact of an initial inflow of money in an economy. Adopting this approach, if errors occurred in estimating the direct effect then those errors of calculation are compounded in estimating the secondary effect. Therefore, an accurate calculation of the direct spending is essential in order for the economic impact estimates to be reliable (Baade and Matheson, 2002).

The three most commonly reported multipliers are those of sales, income and employment (Crompton, 1995). *Sales or Transactions multipliers* measure the direct and secondary effect of the injected money on the business activity and turnover. *Household Income multipliers* concentrate on the direct and secondary effects on the household income. *Employment multipliers* measure the number of new full-time jobs resulting from the money injected in the economy.

Although the sales multiplier is the one most often used in the economic impact studies, Crompton (1995) argues that the household income multiplier is the most relevant for assessing the economic impact of hosting a...
sport event. The reason for this is because it focuses particularly on the effect of the injected money on residents’ income and their standard of living. In other words, the host community is not interested in knowing how many sales are attributable to the hosting of the Summer Olympics, but rather what proportion of these sales will end up as residents’ income.

In contrast, the employment multipliers are the least reliable among the others (Fletcher and Snee, 1989; Crompton, 1995). Their basic assumption of full utilisation of existing employees may create errors in calculating the increase in the level of employment, particularly for ‘one-time’ mega-sports events such as the Summer Olympic Games. The short duration of the Games does not necessarily justify the hiring of new employees, the generation of permanent full-time jobs and the sustainability of the employment effects. Entrepreneurs will probably exhaust other alternatives such as asking existing employees to work overtime or perform other tasks, before hiring additional work force to satisfy the temporary high demand (Crompton, 1995).

A short review of the literature reveals that the multiplier is a particularly contentious measure. A study by Hunter (1988, p. 16)
argues that ‘economic impact studies based on multipliers are quite clearly an improper tool for legislative decision-making’. In contrast, Crompton (1995, p. 34) comments that despite its shortcomings, this technique can be valuable ‘if it is implemented knowledgeably and with integrity’.

In event economic studies, problems usually arise when researchers do not clearly identify what type of multiplier (sales or income) is used in their methodological approach, and as a result misleading conclusions can be derived from the data. Because sales multipliers include higher numbers compared with income multipliers, they tend to be attractive tools for advocates of sport events to use in their attempt to justify the economic benefits of hosting the events (Crompton, 1995). In addition, misapplication of the data may arise when spending generated by local residents or which occurred outside is included in the overall economic effect. Furthermore, it is crucial to exclude both spending by tourists who rescheduled a previously organised trip to coincide with the Games or by those who visit the host for other reasons but also end up attending from an economic impact study (Howard and Crompton, 1995).

**TYPES OF MODELLING APPROACH**

In order for economists to identify and quantify the economic consequences of hosting an event, such as the Summer Olympic Games, a modelling approach must be adopted. In the published literature examined, two main approaches have been used under the broad label of the input–output (I–O) and the computable general equilibrium (CGE) framework.

The I–O method is a long-established technique originated by Leontief in the 1940s and since then it has been very widely applied in economics. Classic I–O models are structured around input–output tables and their production or price categories, but make little or no use of regression-based behavioural equations. The disaggregation of classic I–O models is limited by the disaggregation of the published input–output table. As these models account for intermediate exchanges, they are useful for assessing industry level impacts for changes in final demand, indirect tax rates or commodity price shocks (West, 1995). However, projections normally are made by specifying final demands (consumption, investment, exports and imports) exogenously. Intermediate consumption, prices and income are determined with strict identities. Consequently, there is no integration between final demand and prices or income and no guarantee that there will be economic consistency among, for example, consumption, prices and income (Werling, 1992). Moreover, attempts to build ‘dynamic’ I–O models by endogenising investment based on the capital equipment ‘requirements’ for future output often lead to severe instability problems (Almon, 1966; Steenge, 1990).

Studies that adopted the I–O analysis to evaluate the total economic impact of hosting a mega sporting event made use of linear assumptions. They calculated a set of multipliers suggesting particular proportions of consuming the inputs and used them intact, regardless of the scale of the injected funds and the surge in the economic activity. As a result, they failed to take into account economies of scale, production close to full capacity and price adaptations to demand changes. Ignoring these factors tended to result in miscalculating the multiplier values.

The shortcomings described above apply to the regional input–output modelling system (RIMS II), a computer program often used by studies examined the Summer Olympics in the USA. The RIMS II has been proven to be successful for measuring effects at several levels of industrial aggregation, when initial tourist spending is known, but fails to examine the effect on nearby areas, because it is a single-region model (Humphreys and Plummer, 1995). An alternative I–O computer program, also developed in the USA, is IMPLAN (IMpact analysis for PLANning).

Although a comparatively large number of the referenced economic studies have been carried out in an I–O framework (see Table 1), studies of the Sydney Olympics turned towards the use of CGE models. The CGE frameworks are disaggregated representations of the economy, which use input–output structure for the production side of the economy. The CGE models include sectoral-level production functions and disaggregated demand
<table>
<thead>
<tr>
<th>State/country</th>
<th>Host/bid city</th>
<th>Year</th>
<th>Reference</th>
<th>Analysis</th>
<th>Type of approach</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Houston bid</td>
<td></td>
<td>Airola and Craig, 2000</td>
<td>Ex-ante</td>
<td>I-O (RIMS II)</td>
</tr>
<tr>
<td>Texas</td>
<td></td>
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<tr>
<td>Greece</td>
<td>Athens</td>
<td>2004</td>
<td>Balfousia-Savva et al., 2001</td>
<td>Ex-ante</td>
<td>Macroeconometric</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Papanikos, 1999</td>
<td>Ex-ante</td>
<td>Multiplier</td>
</tr>
<tr>
<td>Australia</td>
<td>Sydney</td>
<td>2000</td>
<td>Arthur Andersen, 1999</td>
<td>Ex-ante</td>
<td>CGE (MMRF)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>NSW Treasury, 1997</td>
<td>Ex-ante</td>
<td>CGE (MMRF)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>KPMG Peat Marwick, 1993</td>
<td>Ex-ante</td>
<td>I-O</td>
</tr>
<tr>
<td>Georgia</td>
<td>Atlanta</td>
<td>1996</td>
<td>Baade and Matheson, 2002</td>
<td>Ex-post</td>
<td>Econometric</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Humphreys and Plummer, 1995</td>
<td>Ex-ante</td>
<td>I-O (RIMS II)</td>
</tr>
<tr>
<td>Spain</td>
<td>Barcelona</td>
<td>1992</td>
<td>Brunet, 1995</td>
<td>Ex-ante</td>
<td>No modelling</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Brunet, 1993</td>
<td>Ex-ante</td>
<td>No modelling</td>
</tr>
<tr>
<td>South Korea</td>
<td>Seoul</td>
<td>1988</td>
<td>Kim et al., 1989</td>
<td>Ex-ante</td>
<td>No modelling</td>
</tr>
<tr>
<td>California</td>
<td>Los Angeles</td>
<td>1984</td>
<td>Economics Research Associates, 1984</td>
<td>Ex-ante</td>
<td>I-O (RIMS II)</td>
</tr>
</tbody>
</table>

*Apart from the official reports, no economic impact studies were found for Moscow (1980), Montreal (1976), Munich (1972), Mexico City (1968), Tokyo (1964), Rome (1960) and Melbourne (1956).*
functions for consumption, imports, investment, etc. They combine input–output structure and behavioural functions. Normally, however, behavioural parameters are not estimated with regression analysis but are deduced from the single year’s set of data or specified exogenously (Werling, 1992). In the determination of prices, CGE models assume flexible prices that move to clear all the markets simultaneously (although some CGE models will assume some sticky prices, such as in the labour market).

Earlier CGE models were used to estimate different static equilibriums under Walrasian general equilibrium theory. Most contemporary CGE models have been expanded to incorporate dynamic adjustment. The MMRF (Monash multi-regional forecasting) model, used by Australian studies to measure the economic impact of the Sydney Olympics, is an example of a dynamic CGE model.

The MMRF used the so-called ‘bottoms-up’ approach. A number of regional economic models are included and then are linked using interregional flows of commodities, factors of production and population. The bottoms-up approach allows the modelling of economic agents’ behaviour at the regional level and then their aggregation is attempted. Although MMRF explicitly distinguishes the economies of Australia’s eight states and territories and generates results for all regions in a steady multiregional accounting framework, its size limitation hinders the application of a similar model to larger countries compared with Australia.

Owing to vague technical details often found in the economic studies, a deep penetration proved to be a difficult task. The economic models rely on assumptions that reduce the economy to a level of simplicity so that it can be analysed. Each technique is subject to its own limitations defined by its assumptions. Most of the theoretical assumptions used in MMRF, such as perfect competition in product markets, zero pure profits and constant returns to scale production functions, labour market equilibrium, are not always valid for the Australian States. It is therefore important to consider whether these assumptions may have a significant impact on the Games modelling results.

In the case of I–O analysis the assumption that the I–O coefficients remain unchanged or can be extrapolated into the future in a reliable manner is of particular importance. This is still more so when the I–O model is being used to analyse the impact of major structural changes or shocks such as that of hosting a mega sporting event. The import coefficients have particular relevance in this case. A further consideration, pertinent perhaps to all forms of analysis, is differentiating between the short-term and the long-term impact of hosting the Games. For example, the examination of the extent to which the employment generated is sustainable in the long run. From the short overview, however, it is our understanding that the I–O model has been comparatively more popular, because it might be cost effective and simple in comparison with CGE models.

**EX-ANTE AND EX-POST ECONOMIC IMPACT ASSESSMENTS**

The importance of the relationship between tourism and the Summer Olympics has gained increased recognition in recent years. The tourism effect is one among several that bid and host cities seek, arguing that the international media coverage preceding and during the Games presents a tremendous opportunity to advertise themselves in the global marketplace.

In an attempt to assess the likely growth in tourism as well as other economic effects, ex-ante assessments have been carried out to forecast the impacts of the Summer Olympics. Table 1 shows that a number of ex-ante economic analyses have been conducted, but the research significantly lacks ex-post impact assessments. An ex-post analysis examines the economic situation of the geographical influence zone before and after the event and manages to isolate the event from other factors that may run at the same time and may have contributed to the economic impact (Baade and Matheson, 2002).

The majority of studies listed in Table 1 were commissioned by proponents of the Olympic process, and the reader must bear in mind that the report writers were potentially motivated to come up with a favourable result (Baade and
Matheson, 2002). This interpretation could more likely be the case when reports were prepared to justify an Olympic bid. A good way to provide some balance to these views would be to read economic impact studies prepared by ‘anti-Olympics’ groups, but there are none currently available. There is, however, a growing non-affiliated literature that can be used as a counterweight.

For example, the anti-Olympic alliances ‘Bread not Circuses’ (BNC) and ‘People Ingeniously Subverting the Sydney Olympic Farce’ (PISSOFF), based in Toronto and Sydney respectively, made use of the Internet to promote their Olympic critique (current addresses are www.breadnotcircuses.org and www.cat.org.au/pissoff). The main argument of BNC was that the public money spent for the Games would be taken from other more important sectors (e.g. education, health, environment, prosperity). Now with almost every potential Olympic city’s bid there tends to be the creation of an anti-Olympic alliance such as the recent example from Vancouver’s bid for the 2010 Winter Games. In the case of Vancouver, ‘The Impact of the Olympics on Community Coalition’ (IOCC) defines itself as a community watchdog rather than an anti-Olympic group and aims to ensure that the environmental, social, economic and civil rights issues remain outstanding and the Olympic benefits apply to everybody.

On the other side, the bidding process itself has gained attention. In his book, Hill (1996) described the experience of the unsuccessful bids by Birmingham and Manchester to host the 1992 and 2000 Olympic Games respectively, focusing especially on the politics involved, and Hiller (1999) has discussed the strategy used by Cape Town in its bid to host the 2004 Olympic Games. Further dimensions of the bidding process, however, have been revealed by assertions of bribery and corruption. Books such as ‘Lords of the Rings’ (Simson and Jennings, 1992) and ‘New Lords of the Rings’ (Jennings, 1996) criticised intensively the legitimacy of the bidding process, claiming that IOC members corruptly requested bribes and accepted generous gifts from potential host cities in return for their votes. In addition, the Salt Lake scandal further emphasised the need to address such problems (McIntosh, 2000) and virtually prompted a revamping of the IOC’s rules with respect to the host-city bidding process.

The review will now analyse the studies mentioned in Table 1 with reference to a specific question: What are the economic implications of the Summer Games on the host?

Three studies commissioned for the Sydney Olympics predicted the event would generate substantial extra revenue for Australia, and New South Wales (NSW) in particular. Table 2 shows the predictions made by each study.

Although KPMG Peat Marwick (1993) adopted a different modelling approach, its figures broadly concurred with those released by Andersen (1999) and NSW Treasury (1997). The I-O framework used in the study by KPMG Peat Marwick (1993) ignored supply-side constraints and therefore made its estimates questionable. More specifically, supply-side constraints such as investment crowding out, price increases owing to resource scarcity and public financing of infrastructure expenditures are of great importance.

Table 2. Sydney Games impact summaries. Sources: KPMG, 1993; NSW Treasury, 1997; Andersen, 1999

<table>
<thead>
<tr>
<th>Projected figures</th>
<th>Andersen(^a)</th>
<th>NSW Treasury(^a)</th>
<th>KPMG(^b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsor of analysis</td>
<td>Sydney OOC</td>
<td>NSW Treasury(^a)</td>
<td>Sydney Bid Committee</td>
</tr>
<tr>
<td>Addition to Australian GDP</td>
<td>A$6.5 billion</td>
<td>A$6.4 billion</td>
<td>A$7.3 billion</td>
</tr>
<tr>
<td>Addition to NSW’s GDP</td>
<td>A$5.1 billion</td>
<td>A$6.3 billion</td>
<td>A$4.6 billion</td>
</tr>
<tr>
<td>International arrivals in Australia</td>
<td>1.5 million</td>
<td>2.3 million</td>
<td>1.3 million</td>
</tr>
<tr>
<td>Additional tourist spending</td>
<td>A$2.7 billion</td>
<td>A$4.3 billion</td>
<td>A$3.0 billion</td>
</tr>
<tr>
<td>New Jobs (Australia)</td>
<td>90000</td>
<td>98700</td>
<td>156198</td>
</tr>
</tbody>
</table>

\(^a\) 1996 values.

\(^b\) 1992 values.
in the study of the Summer Olympics and the consulting firm should take this into consideration. Investigating the tourism impacts of the Games, Andersen (1999) and NSW Treasury (1997) gave little consideration to the likely loss of visitors as a result of hosting the 2000 Games. This subject is of particular interest in light of the argument put forward by Leiper (1997), which mentions that although mega-events such as the Summer Olympics may encourage new tourists, the holiday-makers, business travellers or even local residents will be diverted elsewhere to escape expected disturbances and congestion problems.

A number of ex-ante studies are also available for the next Summer Olympics, which will be taking place in 2004 in Athens, Greece; prominent amongst these are the studies by Balfousia-Savva et al. (2001) and Papanikos (1999). Balfousia-Savva et al. (2001) had the advantage of utilising the most recent estimates of the direct impacts of the Games (Table 3), including updated estimates for the Olympics budget. However, scepticism is raised regarding data estimates related to the level of induced tourism, total Olympic construction expenditures and Olympics operating profits. Despite major methodological differences between the studies by Papanikos (1999) and Balfousia-Savva et al. (2001), their results do not differ significantly, with both suggesting growth in tourism and revenue. The macro-econometric model utilised in the Balfousia-Savva et al. (2001) study implied different scenarios in macroeconomic settings, but failed to take into account possible resource constraints. On the other hand, Papanikos ‘borrowed’ the value of multipliers from other studies in related cities. This probably happened because the direct estimation of the value could be both complicated and costly. However, it might affect his results, because economic relationships may be different between communities. Both studies make predictions on a national level and lack an explicit spatial dimension in assessing the impact of the Games. The choice of the nation as a reference area is doubtful, because as Howard and Crompton (1995) illustrated, the larger the assessed area, the smaller the leakages that are likely to happen and then the larger the multiplier is likely to be. It is noteworthy to mention that difficulties were experienced in providing a further evaluation of the Balfousia-Savva et al. (2001) model as there are few published details relating to its theoretical structure.

Other ex-ante studies that have looked at the economic impact of Summer Olympic Games are those of Brunet (1993, 1995) and Kim et al. (1989). Quantifiable data describing expenditures, contracts, jobs, investments and tourism were based almost exclusively on secondary research and the studies did not provide any predictions using a form of modelling. Rather they were more theoretical in their approach aiming to identify and collate evidence of the economic benefits of the Barcelona and South Korea Games respectively. It is our understanding that the studies were conducted with a view to capturing and aggregating disparate pieces of evidence regarding the economic activities flowing from the conduct of the Games.

An attempt to offer an ex-post economic impact analysis of the Summer Olympics was made by Baade and Matheson (2002). Their aim was to assess changes in employment in Los Angeles and Atlanta that were attributable to the staging of the 1984 and 1996 Olympics respectively. In other words, their ex-post approach was targeted to estimate the level of employment in the Games’ absence. To achieve this, they constructed an econometric equation including as independent variables those of population, real per capita personal income, wages, taxes as well as dummy variables for the occurrence of the Olympics and the oil boom. Using standard regression analysis techniques, Baade and Matheson (2002) found that the coefficient for the Olympics variable was insignificant. The econometric equation was then used to estimate changes in employment and isolated the contribution of the Games by comparing this estimated value with the actual employment levels. Their results for employment growth were more divergent by far than those released by ex-ante studies of Economic Research Associates (1984) and Humphreys and Plummer (1995) and have brought to light possible over-estimation reported by the latter studies. Another key finding was that the economy virtually returned to its ‘normal’ pattern after-
<table>
<thead>
<tr>
<th>Summer Olympics</th>
<th>Sponsor of analysis</th>
<th>Reference</th>
<th>Total economic impact</th>
<th>Tourists</th>
<th>New jobs</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington–</td>
<td>Greater Baltimore</td>
<td>Fuller and Clinch, 2000</td>
<td>US$5.3 billion(^a)</td>
<td>1.3 million</td>
<td>69,758</td>
<td>2012 Washington–</td>
</tr>
<tr>
<td>Baltimore</td>
<td>Alliance/Committee</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Baltimore metropolitan</td>
</tr>
<tr>
<td>bid, 2012</td>
<td>Greater Washington</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>area</td>
</tr>
<tr>
<td></td>
<td>Board of Trade/</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td>Initiative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Houston bid, 2012</td>
<td>None</td>
<td>Airola and Craig, 2000</td>
<td>US$4.3 billion(^a)</td>
<td>0.8 million</td>
<td>64,216</td>
<td>2012 Houston metropolitan area</td>
</tr>
<tr>
<td>Athens, 2004</td>
<td>Centre of Planning and Economic Research</td>
<td>Balfousia-Savva et al., 2001</td>
<td>GRD 2850 billion(^a) (medium scenario)</td>
<td>4.8 million</td>
<td>30,040</td>
<td>2000–2010 Greece</td>
</tr>
<tr>
<td></td>
<td>Greek Hotel Chamber’s Tourism Research Institute</td>
<td>Papanikos, 1999</td>
<td>US$15.9 billion(^b) (medium scenario)</td>
<td>5.9 million</td>
<td>44,500</td>
<td>1998–2011 Greece</td>
</tr>
<tr>
<td>Atlanta, 1996</td>
<td>None</td>
<td>Baade and Matheson, 2002</td>
<td>Not examined</td>
<td>Not examined</td>
<td>42,448</td>
<td>1994–1996 State of Georgia</td>
</tr>
<tr>
<td></td>
<td>Atlanta OOC</td>
<td>Humphreys and Plummer, 1995</td>
<td>US$5.1 billion(^c)</td>
<td>1.1 million</td>
<td>77,026</td>
<td>1991–1997 State of Georgia</td>
</tr>
<tr>
<td>Seoul, 1988</td>
<td>Seoul OOC</td>
<td>Kim et al., 1989</td>
<td>WON 1846.2 billion (income effect only)</td>
<td>n.a.</td>
<td>336,000</td>
<td>1982–1988 South Korea</td>
</tr>
<tr>
<td>Los Angeles, 1984</td>
<td>None</td>
<td>Baade and Matheson, 2002</td>
<td>Not examined</td>
<td>Not examined</td>
<td>50,43</td>
<td>1984 Los Angeles</td>
</tr>
<tr>
<td></td>
<td>Los Angeles OOC</td>
<td>Economics Research Associate, 1984</td>
<td>US$2.3 billion(^d)</td>
<td>0.6 million</td>
<td>73,375</td>
<td>1984 Southern California</td>
</tr>
</tbody>
</table>

\(^a\)2000 values.  
\(^b\)1999 values.  
\(^c\)1994 values.  
\(^d\)1984 values.
wards and any increase in economic activity attributable to the Games was temporary. However, Baade and Matheson’s (2002) conclusions rest heavily on the model being correctly specified, which invites one to wonder how sensitive these results are to alternative specifications.

Covering the period of 1984 through to 2012, all the ex-ante economic studies indicate the significant role of the Summer Olympic Games in the promotion of the host economy. They highlighted the extension of the Games economic impact well beyond the actual period of the event occurrence itself. Economic growth, increased tourism and additional employment were some of their major findings.

However, the high expectations released by most of them could be considered to be potentially biased, because the ambition of those commissioning the studies is to favour the hosting of the Games. This issue has received a great deal of attention from scholars investigating the Games and other mega-events (Mills, 1993; Crompton, 1995; Howard and Crompton, 1995; Kesenne, 1999; Porter, 1999; Preuss, 2000; Baade and Matheson, 2002). Nevertheless, it is our opinion that if the estimation process is made transparent, then the findings are reliable. Taking into account the strengths and weaknesses of all the methods and techniques used, the discussion here shows that ex-ante models and forecasts were not confirmed by ex-post analyses and this therefore prompts the need for improved theory.

Research in this field needs to further consider a substantial element, which is the opportunity cost involved in hosting the Summer Olympic Games or other mega-events. Host communities often pose the question of whether financing the Games is the most effective and efficient use of public money. In other words, if the public funds spent on the Games were used in a different way, would the host economy receive a greater return than it does when these funds are spent on Games investments? To answer this one needs to look no further than Kesenne’s argument (1999) that even though a mega-event does create net benefits, public funding should occur only if the mega-event yields higher net benefits from an alternative project. In reality, of course, it is not feasible to measure the net benefits of all possible alternative projects; however, some important opportunity cost elements can be investigated further (Kesenne, 1999).

In addition, another aspect to be considered in subsequent research is the potential economic retreat after the completion of the Games. When the level of income and investment falls after the event, then the multiplier also follows. To illustrate this point, findings from broader mega-event literature could be utilised to demonstrate that ‘one-time’ events have no lasting post-event effects in new business activities or employment (Mount and Leroux, 1994; Spilling, 1998).

It is important, therefore, that prospective researchers be inspired by a recognition of the shortcomings found in earlier ex-ante and ex-post studies and that they concentrate on areas that most need the effort. This will help planners and potential hosts of mega-events to improve their forecasting and decisions.

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