

# *The* Journalist's Resource

*Informing the news*

ECONOMICS, POLITICS & GOVERNMENT

## Olympics and their economic impact: Updated research roundup

*In light of the 2016 Olympics in Rio de Janeiro, we update our review of studies relating to earlier games and their local and national economic impacts.*

by John Wihbey | August 4, 2016 |

entertainment

research roundup

sports



(Pixabay/public domain)

[Republish This Article](#)

The Olympics are about competition and heroics and national pride. But they are also about big business. Host cities invest deeply in the games — the Sochi Winter Olympics, for example, cost over [\\$50 billion](#) — with the hope of reaping sizable gains for the local and national economy through tourism, marketing and other means. So what have we learned about hosting the Olympics and the proverbial “bottom line”?

Of course, it’s often hard to discern what the hard facts are amid all the hoopla around such global sporting mega-events. Long after the crowds vanish, it turns out that some host cities and countries ended up taking large net losses on their investments. Others have seen better outcomes; the 1984 Los Angeles Olympics are sometimes [cited as a model](#) of reasonable success. The consequences of the 2012 London Olympics continue to be analyzed; early U.K. government estimates suggest there was [substantial benefit](#), though [independent analyses](#) urge caution, as conclusions are likely premature. Sochi was supposed to cost a mere [\\$12 billion](#).

Scholars have long worked on models to estimate the benefits in advance (“*ex ante*” models) and how to properly capture all of the true returns over time after the events. It’s not an easy area of inquiry. There are “intangibles,” [as some researchers point out](#), that need to be taken into consideration. As Vancouver [found out](#) when it hosted the 2010 winter games — and as Munich, Montreal and Moscow and others did before — estimates can be just that: a best guess, subject to the rough edges of reality. Even Beijing’s astonishing new building and infrastructure for the 2008 summer games [hasn’t worn well](#); and that’s a familiar fate in other host cities of bygone days. In any case, there are some [good online resources](#) that put such issues in broader research context; and some good analytical journalism — see *The Economist*’s reporting [here](#), [here](#) and [here](#), as well as this [NPR piece](#) and this [Atlantic blog](#) — can help inform coverage.

We’ve gathered studies that relate to economics and cost-benefit analysis. We’ve tried to include at least one on most modern games.

### [“Going for the Gold: The Economics of the Olympics”](#)

Baade, Robert A.; Matheson, Victor A. *The Journal of Economic Perspectives*, 2016. doi: 10.1257/jep.30.2.201.

**Abstract:** “In this paper, we explore the costs and benefits of hosting the Olympic Games. On the cost side, there are three major categories: general infrastructure such as transportation and housing to accommodate athletes and fans; specific sports infrastructure required for competition venues; and operational costs, including general administration as well as the opening and closing ceremony and security. Three major categories of benefits also exist: the short-run benefits of tourist spending during the Games; the long-run benefits or the “Olympic legacy” which might include improvements in infrastructure and increased trade, foreign investment, or tourism after the Games; and intangible benefits such as the “feel-good effect” or civic pride. Each of these costs and benefits will be addressed in turn, but the overwhelming conclusion is that in most cases the Olympics are a money-losing proposition for host cities; they result in positive net benefits only under very specific and unusual circumstances. Furthermore, the cost–benefit proposition is worse for cities in developing countries than for those in the industrialized world. In closing, we discuss why what looks like an increasingly poor investment decision on the part of cities still receives significant bidding interest and whether changes in the bidding process of the International Olympic Committee (IOC) will improve outcomes for potential hosts.”

### **“After Sochi 2014: costs and impacts of Russia’s Olympic Games”**

Müller, Martin. *Eurasian Geography and Economics*, 2015. doi: 10.1080/15387216.2015.1040432.

**Abstract:** “This paper assesses the outcomes of the 2014 Winter Olympic Games in Sochi, Russia, examining the costs and economic impacts of the event, the prospects for the long-term use of venues and infrastructure, and the attitudes of the global and the Russian population. Total costs were \$55 billion, having increased 4.5 times from \$12 billion at the time of the bid. Of this total, about \$16 billion were sports-related costs. After accounting for inflation, this makes Sochi the second-most expensive Olympics ever in terms of sports-related costs and the most expensive Olympics in terms of cost per event. With a public share of 96.5 percent of funding, the Sochi Games had the highest proportion of public money for any Olympic Games on record. The benefit from this high cost, however, is limited. Extensive construction led to hotel overcapacities, investors defaulted on state-backed loans, and there is no coherent plan for the after use of venues and some of the largest infrastructure projects. As a consequence, the Sochi Olympics will continue to be a burden for the Russian state, with expenses for operation, maintenance, and foregone interest and tax revenue in the order of \$1.2 billion per year. The event also did not manage to improve the image of Russia in the world. Among the domestic population, support dropped over the seven years of its implementation, most notably among the local population.”

## **“The Illusory Economic Gains from Hosting the Olympics World Cup”**

Zimbalist, Andrew. *World Economics*, 2015. ISSN: 1468-1838

**Key Points:** “Scholarly evidence suggests that hosting either the IOC’s Olympic Games or FIFA’s World Cup event is no economic bargain for the host city or country. According to official reports, in London 2012, the city brought in around US\$3.5 billion in revenues, and spent in excess US\$18 billion – a negative balance of \$14 billion plus. Political systems in both democratic and authoritarian countries have shown themselves increasingly unwilling or unable to engage in effective long-term event planning. Gains will be uneven as long as the monopoly structure of the auction of hosting rights to competing cities and countries from around the world remains in place.”

## **“About Winning: The Political Economy of Awarding the World Cup and the Olympic Games”**

Szymanski, Stefan. *SAIS Review*, Winter-Spring 2011, Vol. 31, No. 1, 87-97, doi: 10.1353/sais.2011.0003.

**Abstract/findings:** “The hosting of major sporting events such as the Olympic Games or the FIFA World Cup has become the subject of intense competition among nations. Governments seem willing to make large financial commitments in order to win the bidding competition but evidence suggests that the economic impact of this spending is limited. While this outcome is easily understood in terms of rent seeking behavior, it is suggested that organizations such as the IOC and FIFA could better serve their constituents by diverting competition away from lavish provision of facilities towards goals that would raise participation in sports.... The members of the IOC and the FIFA Executive Committees do little to discourage extravagant spending. The memberships of these organizations have frequently been accused of outright corruption in the past, but corruption is only one part of the problem. It is perfectly reasonable for the IOC and FIFA to extract a surplus from the sale of TV and sponsorship rights to fund the global development of sport. However, the unjustified claim that these events produce substantial economic benefits can (a) mislead people into believing that their taxes are being productively spent on social regeneration rather than just funding mass entertainment, and (b) lead some private individuals to invest their own wealth in the expectation that an event will generate returns when it is unlikely to do so.”



### **“Economic Aspects and the Summer Olympics: A Review of Related Research”**

Kasimati, Evangelia. *International Journal of Tourism Research*, 2003, Vol. 5, 433-444, doi: 10.1002/jtr.449.

**Findings:** “Covering the period of 1984 through to [estimates of] 2012, all the *ex ante* [anticipating the event] 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.”

### **“Bidding for the Olympics: Fool’s Gold?”**

Baade, R.A.; Matheson, V. Paper in Barros C; Ibrahimo M.; Szymanski, S. (Eds.), *Transatlantic Sport: the Comparative Economics of North America and European Sports*, 2002, 127-151.

**Findings:** “The purpose of this paper was to assess the economic impact of the Summer Olympic Games on Los Angeles in 1984 and Atlanta in 1996. In so doing, it was our hope that we could provide some useful information to cities bidding for the Games. It is conceivable that an after-the-fact sober appraisal of the economic contribution of the Games could help temper some of the excesses that have been brought to light by the well-publicized ‘overzealous’ behavior of those who succeeded in bringing the Olympics to Salt Lake City and Atlanta. Los Angeles and Atlanta represent an interesting contrast in terms of their approaches to the bidding process. This difference reflects to a substantial extent past financial experiences. In the wake of the financially troubled Montreal and Moscow Olympic Games in 1976 and 1980, only Los Angeles bid for the 1984 Games. This fact explains the absence of significant public sector financial support in Los Angeles, and, perhaps, the private financial success the 1984 Games are thought to have enjoyed. The increase in economic activity attributable to the 1984 Games, as represented by job growth, an estimated 5,043 full-time and part-time jobs using our model, appears to have been entirely transitory, however. There is no economic residue that can be

identified once the Games left town. Los Angeles was not visibly affected by the experience; certainly it was not transformed by it. Atlanta represented a return to the extraordinary levels of public spending associated with the Olympic Games in 1976 and 1980, a phenomenon not coincidentally associated with several cities bidding for the right to host the Games... It is not surprising that the best-case scenario for the Atlanta Games of 1996 is consistent with what we could reasonably expect to find for public investments in general. More specifically if beginning in 1994 all the economic growth beyond Atlanta's normal experience could be attributable to public expenditures in conjunction with the Olympics, Atlanta spent approximately \$63,000 to create a permanent full- or part-time job. To create a permanent full-time job equivalent, past public works programs have spent approximately the same amount of money.”

### **“Resident Perceptions of Mega-Sporting Events: A Non-Host City Perspective of the 2012 London Olympic Games”**

Ritchie, Brent W.; Shipway, Richard; Cleeve, Bethany. *Journal of Sport and Tourism*, 2009, Vol. 14, Issue 2-3, 143-167, doi: 10.1080/14775080902965108.

**Abstract:** “Despite the growing importance of a ‘triple bottom line’ approach to mega sport event research, limited longitudinal research has been carried out to understand and explain resident perceptions of the impact of such events. The aim of this paper is to develop a deeper understanding of the social dimension of Olympic tourism development, by exploring resident perceptions of the London 2012 Olympic and Paralympic Games within the two respective communities of Weymouth and Portland in England. This paper reports the first stage of a repeated cross-sectional longitudinal study conducted in 2007. It highlights that generally residents were supportive of hosting the event in the local area but were concerned over perceived traffic congestion, parking issues and potential increases in the cost of living. A factor analysis identified five factors that explained 60.5% of the variance in resident perceptions, with the largest factor comprising ‘positive social impacts,’ followed by ‘negative impacts,’ ‘transport issues,’ ‘positive economic impacts’ and ‘price rises.’ Differences were found between these factors and socio-demographic characteristics. Implications for mega event managers and future research are outlined.”

### **“Mega-events and Housing Costs: Raising the Rent while Raising the Roof?”**

Coates, Dennis; Matheson, Victor A. *The Annals of Regional Science*, 2011, Vol. 46, No. 1, 119-137, doi: 10.1007/s00168-009-0340-5.

**Abstract:** “This paper examines the relationship between hosting mega-events such as the Super Bowl, Olympics, and World Cup and rental housing prices in host cities. If mega-events are amenities for local residents, then rental housing prices can serve as a proxy for estimating residents’ willingness to pay for these amenities. An analysis of rental prices in a panel of American cities from 1993 to 2005 fails to find a consistent impact of mega-events on rental prices. When controls are placed on the regression models to account for nationwide annual fluctuations in rental prices, mega-events generally exhibit little impact on rental prices in cities as a whole and are as likely to reduce rental prices as increase them.... Somewhat stronger evidence exists, however, that mega-events tend to affect rental prices outside of the center city in a fundamentally different manner than in the city core. Atlanta experienced lower rental prices in the central city compared the suburbs both before and after the 1996 Summer Olympics while Salt Lake City witnessed an increase in rental prices in its central city compared to its suburbs before and after the 2002 Winter Olympics.”

### [“The Impact of the London Olympics on Property Prices”](#)

Kavestos, Georgios. *Urban Studies*, May 2012, Vol. 49, No. 7, 1453-1470,  
doi: 10.1177/0042098011415436.

**Abstract:** “This study estimates the impact of the London 2012 Olympics announcement on property prices. Using a self-constructed dataset of a sample of property transactions, it is estimated that properties in host boroughs are sold between 2.1% and 3.3% higher, depending on the definition of the impact area. A similar investigation based on radius rings suggests that properties up to three miles away from the main Olympic stadium sell for 5% higher. It is estimated that the overall impact on the price of properties in host boroughs amounts to £1.4 billion, having substantial social and financial implications for existing residents.”

### [“The Olympic Effect”](#)

Rose, Andrew K.; Spiegel, Mark M. *The Economic Journal*, June 2011, 652-677,  
doi: 10.1111/j.1468-0297.2010.02407.x.

**Abstract:** “Why should countries offer to host costly ‘mega-events’ such as the Olympic Games? We show that hosting a mega-event increases exports. This effect is statistically robust, permanent and large; trade is over 20% higher for host countries. Interestingly, unsuccessful bids to host the Olympics have a similar impact on exports. We conclude that the Olympic effect on trade is attributable to the signal a country sends when bidding to host the games, rather than

the act of actually holding a mega-event. We develop an appropriate formal model and derive conditions under which liberalizing countries will signal through a mega-event bid.”

### “The Labor Market Effects of the Salt Lake City Winter Olympics”

Baumann, Robert; Engelhardt, Bryan; Matheson, Victor. Working paper series, International Association of Sports Economists, September 2010.

**Abstract:** “The local, state, and federal governments, along with the Salt Lake City Organizing Committee, spent roughly \$1.9 billion in direct costs related to planning and hosting the 2002 Winter Olympic Games. In this paper, we investigate whether these expenditures increased employment. At the state level, we find strong evidence it increased leisure related industries in the short run and potentially in the long run. However, the results indicate it had no long term impact on trade or total employment.”

### “City Branding and the Olympic Effect: A Case Study of Beijing”

Zhang, Li; Zhao, Simon Xiaobin. *Cities*, October 2009, Vol. 26, Issue 5, Pages 245-254, doi: 10.1016/j.cities.2009.05.002.

**Abstract:** “City branding is a common practice adopted by many cities in the context of intensified urban competition for mobile resources, markets, opportunities and attention. This paper examines the effectiveness of efforts to brand Beijing, the capital city of China. Based on an analysis of official branding strategies through the Olympics, and an attitudinal survey of peoples’ understanding of Beijing, the paper investigates to what extent the current campaign has caught the city’s good attributes. The paper finds a mismatch between the identity and core values as branded by the city government, and the realities as experienced by visitors and residents. The paper argues that the Beijing Olympics could only have limited impacts on the city’s brand.”

### “Assessing the Impact of the 2004 Olympic Games on the Greek Economy: A Small Macroeconometric Model”

Kasimati, Evangelia; Dawson, Peter. *Economic Modelling*, January 2009, Vol. 26, Issue 1, 139-146, doi: 10.1016/j.econmod.2008.06.006.



**Abstract:** “This paper examines the impact of the Athens 2004 Olympic Games on the Greek economy. Using a small aggregate macroeconometric model we find evidence to support the view that the Olympics is an event that could successfully boost the economy of the host city by generating benefits that outweigh the preparation cost. Consistent with recent literature in this area, whilst the impact effects are quite strong during the preparation phase and the year the Games took place, the long-term economic legacy effects appear to be quite modest.”

### “The Seoul Olympics: Economic Miracle Meets the World”

Bridges, Brian. *The International Journal of the History of Sport*, December 2008, Vol. 25, No. 14, 1939-1952, doi: 10.1080/09523360802438983.

**Abstract:** “The 1988 Olympic Games in Seoul were a coming out party for South Korea — a culmination of its efforts to be recognized as an accomplished economic power and a serious international actor. The South Korean leadership undoubtedly looked for accelerated economic growth as well as heightened national consciousness (including awareness of sporting cultures). Yet, the run-up to and the actual hosting of the games also had a dramatic impact on both South Korea’s domestic politics, as it became a factor in the struggle for democratization, and its external relations, most specifically with North Korea and its erstwhile allies. While there were economic benefits and a more subtle impact on South Korean society, national pride, collective memory and sporting culture, it is these political legacies that have been the most profound.”

### “The Economic Consequences of the Sydney Olympics”

Madden, John R. *Current Issues in Tourism*, 2002, Vol. 5, Issue 1, 7-21, doi: 10.1080/13683500208667904.

**Abstract:** “This paper assesses the economic impact of the 2000 Olympics. It draws on economic modeling I undertook for Arthur Andersen (financial adviser to the Sydney Organising Committee for the Olympic Games). The analysis is undertaken with a large-scale multiregional computable general equilibrium model, so as to take into account both the positive and negative flow-on effects of Sydney staging the Games. The effects of Olympics construction and operating expenditure, and of spending by Games visitors and additional tourists are modelled over a 12-year period, under specific assumptions regarding the Australian labour market, capital supply constraints and Australian government policy on foreign debt. Olympics expenditure not funded by Games revenues is modelled as being met by an increase in New South Wales state tax revenues (via a larger revenue base and slightly higher tax rates than would otherwise be the

case) and a substantial diversion of government expenditure from non-Olympic to Olympic items. Simulation results indicate that NSW activity is 0.3% higher over the 12-year period due to the Games, but there is little effect on the other states. However, the final outcome is sensitive to the degree the Olympics promotes tourism from overseas and the labour market reaction.”

### “National Well-being and International Sports Events”

Kavestos, Georgios; Szymanski, Stefan. *Journal of Economic Psychology*, 2010, Vol. 31, Issue 2, 158-171, doi:10.1016/j.joep.2009.11.005.

**Abstract:** “The widely proclaimed economic benefits of hosting major sporting events have received substantial criticism by academic economists and have been shown to be negligible, at best. The aim of this paper is to formally examine the existence of another potential impact: national well-being or the so-called “feelgood” factor. Using data on self-reported life satisfaction for twelve European countries we test for the impact of hosting and of national athletic success on happiness. Our data covers three different major events: the Olympic Games, the FIFA World Cup and the UEFA European Championship. We find that the “feelgood” factor associated with hosting football events is large and significant, but that the impact of national athletic success on happiness, while correctly signed, is statistically insignificant.

### “Olympic Bidding, Multicultural Nationalism, Terror, and the Epistemological Violence of ‘Making Britain Proud’”

Falcous, Mark; Silk, Michael L. *Studies in Ethnicity and Nationalism*, October 2010, Vol. 10, Issue 2, 167-186, doi: 10.1111/j.1754-9469.2010.01073.x.

**Abstract:** “This paper excavates the entanglement of British nationalist identity politics with sport, terrorism, place re-imagining, mega-event bidding, and corporate neoliberalism. We focus on London’s 2012 Olympic bidding and the coalescence of corporate, state, civic, and sporting interests surrounding the national (re)imaginings that characterised the bid. We open with a critical reading of the bid narratives explicating how selective assertions of Britishness were envisioned through the motifs of harmonious multicultural unity, ‘youth,’ and passion for sport. We focus on how these narratives offered up ‘idealised’ multicultural citizens and harmonious diversity as a reactionary form of nationalist ‘pride politics’ (Fortier 2005). We subsequently juxtapose these narratives with a critical reading of English press and political discourse in the aftermath of the 7 July 2005 bombings — the day after London was awarded the Olympic games. This juxtaposition reveals the tensions and ambiguities between assertions of inclusive civic

nationalism — that apparently transcends ethnic difference — and the geo-politics of the ‘war on terror’ within Britain’s post-imperial self imaginings. Specifically, we tease out the place — and ambiguities — of the 2012 olympics within these imaginings reading the London games as an exemplar of a soft-core ideological spectacle informing selective nationalist narratives within the the context of unfolding neoliberal politics.”

*Tags: entertainment, research roundup, sports*

---

## About The Author

[John Wihbey](#)

JR

### KNOW YOUR RESEARCH

Tip sheets and explainers to help journalists understand academic research methods, find and recognize high-quality research, and avoid missteps when reporting on new studies and public opinion polls

## Email Newsletter

 **SUBSCRIBE**

Sign up for our free newsletter, and receive a weekly update of important new resources to inform your news coverage and consumption.

## Editors' Picks



### ECONOMICS

## Silicon Valley Bank and deregulation: A research-based explainer

March 22, 2023

Get up to speed on what happened with Silicon Valley Bank, why it happened, and regulatory implications for the dozens of midsize banks that are regional economic engines across the U.S.



EDUCATION, HEALTH, RACE & GENDER

## Corporal punishment in schools: Research and reporting tips to guide your coverage

March 1, 2023

Two scholars offer guidance on covering school corporal punishment, which can result in serious injuries and has, for years, been used disproportionately on Black students and children with disabilities.

---





#### MEDIA

### Don't say 'prove': How to report on the conclusiveness of research findings

February 13, 2023

This tip sheet explains why it's rarely accurate for news stories to report that a new study proves anything — even when a press release says it does.

---

Sign up to receive a weekly e-mail newsletter from The Journalist's Resource.

Email address

First name

Last name



I'm not a robot

reCAPTCHA  
Privacy - Terms

Submit

Harvard Kennedy School is committed to protecting your personal information. By completing this form, you agree to receive communications from The Journalist's Resource and to allow HKS to store your data. HKS will never sell your email address or other information to a third party. All communications will include the opportunity to unsubscribe.



HARVARD Kennedy School

**SHORENSTEIN CENTER**  
on Media, Politics and Public Policy

A project of Harvard Kennedy School's [Shorenstein Center](#), *The Journalist's Resource* curates, summarizes and contextualizes high-quality research on newsy public policy topics. We are supported by generous grants from the [Carnegie Corporation of New York](#), the [Robert Wood Johnson Foundation](#), [The National Institute for Health Care Management \(NIHCM\) Foundation](#) and individual contributors.

**[HOME](#) | [ABOUT](#) | [HOW TO MAKE A DONATION TO THE JOURNALIST'S RESOURCE](#) | [RSS](#) | [KNOW YOUR RESEARCH](#) | [EU/EEA PRIVACY DISCLOSURES](#)**

Find us:





Unless otherwise noted, this site and its contents – with the exception of photographs – are licensed under a [Attribution-NonCommercial 4.0 International \(CC BY-NC 4.0\)](#) license. That means you are free to republish our content both online and in print, and we encourage you to do so via the “republish this article” button. We only ask that you follow [a few basic guidelines](#).