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Economics

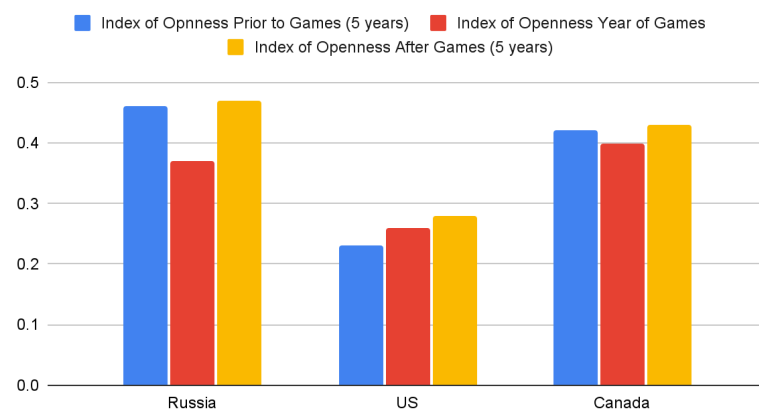
Hosting the Olympics: Examining the Economic Effects of Hosting an Event on the Global Scale

The Olympic Games are a global phenomenon, attracting significant attention and investment from nations worldwide. The Olympic games have been recognized to have a large impact on the host country's economies. From the moment a city is awarded the privilege of hosting the Olympics, the spotlight shifts to the host nation. Next comes a long period of preparation, infrastructure development, and anticipation. While hosting the Olympics promises economic benefits, it also presents challenges and risks. This research aims to explore the complex relationship between hosting the Olympics and post-event economic effects. By analyzing various economic metrics, particularly net exports and trade impact, five years before, during, and five years after the Games, we aim to provide insights crucial for policymakers and stakeholders. Our study focuses on ten years to assess the long-term economic effects of hosting the Olympics. We anticipate that increased infrastructure development and heightened global attention will lead to a rise in the host country's index of openness. This increase would signify a greater reliance on international trade, reflecting the economic shifts catalyzed by the hosting of this monumental sporting event.

The analysis focused solely on three Winter Olympic Games in Russia, The United States, and Canada. Beginning in February 2014, the games in Russia were the most expensive event in the history of the Olympics with an estimated \$51 billion invested. However, the Canadian Olympics in 2010, and the United States Olympics in 2002 had a much smaller amount invested. An estimated \$6 billion

was invested in the Canadian Games and \$76 million in the United States Winter Games. All three games had vast budgets which in theory should alter the results of the economic impacts. Our focus is on comparing the index of openness for each Olympics five years before, during, and five years after to the world index of openness for the same time frame as we aim to see if there is a shift in the host countries' willingness to trade versus comparing the change in the amount of trade. The dataset included detailed information on net exports and net imports, measured in constant US dollars, allowing for a comprehensive assessment of trade dynamics. The index of openness served as the sole measurement, providing insight into a country's reliance on international trade. The Index of Openness takes into account both exports and imports relative to the size of the economy. incorporating both exports and imports, the Index of Openness offers a clearer picture of a nation's engagement with global trade. This approach aimed to understand how hosting the Olympics

Figure 1



influences a nation's economic openness compared to global trends. By comparing the index of openness before, during, and after the Games to the world index, valuable insights into the economic consequences of hosting the Olympics were obtained,

shedding light on the impacts on trade dynamics and economic integration.

The 2014 Olympic Games, held in Sochi, Russia, served as a major milestone for the country as it was the first Winter Games held in Russia, and extensive preparations and investments

were made to ensure the success of the event. Figure 1 shows each selected country's change in the index of openness in the 10 years we chose to examine. The x-axis represents the host country of the Olympics while the y-axis represents the index of openness. The values presented on the y-axis represent the proportion of trade in GDP. Before the games, in 2009, Russia's index of openness stood notably higher, at 46% reflecting greater external trade activities. However, as the Games approached and subsequently were held, there was a noticeable decrease in this index, to 37% indicating a temporary reduction in trade openness and perhaps a shift in focus towards internal preparations and management of the event. It is important to note that following the conclusion of the games Russia's index of openness rebounded to its highest point in these 15 years, of 47% surpassing its pre-Games level. This recovery may suggest that there was a surge in trade activities and possibly an influx of international engagement post-Olympics. This fluctuation in the index of openness underscores the dynamic nature of economic indicators surrounding major sporting events and highlights the potential for both short-term disruptions and long-term opportunities in the aftermath of Olympic hosting.

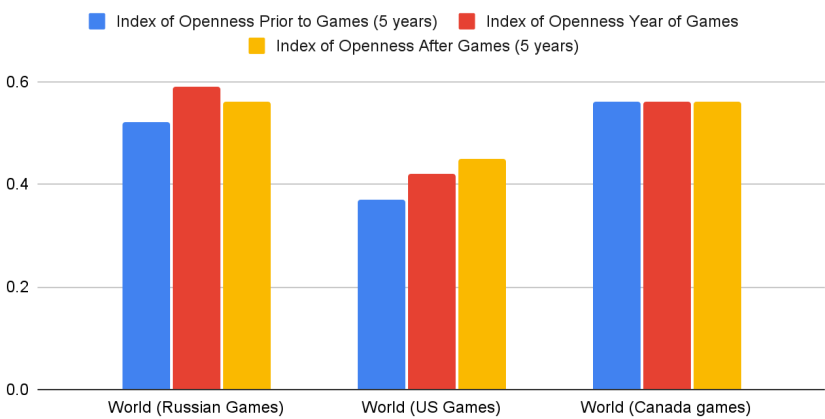
The 2002 Olympic Games took place in Park City, Utah. The United States saw a notable shift in its index of openness, different from the trend observed during Russia's Olympics. As shown in Figure 1. America's index of openness 5 years before the Olympics was 23%. This value is relatively lower indicating perhaps a focus on domestic priorities in the lead-up to the event. However, as the Games unfolded and international attention turned towards Salt Lake City, there was a discernible uptick in the index of openness, increasing to 26%. This increase possibly stemmed from heightened trade activities and increased international engagement that came with hosting the Olympics.

Following the conclusion of the games, similarly to Russia, the United States' index of openness

reached its highest peak of 28%. This surge possibly suggests a lasting impact from the Games, potentially signaling expanded global trade connections. However, the games may only be one of many things affecting this change in the US trade.

The last Olympics we examined was held in 2010 in Vancouver, Canada. Parallels can be drawn with the trends observed in Russia’s Olympics. Before the event, Canada's index of openness was relatively higher at 42%. However, during the Games, there was a noticeable decline in the index, falling to 40%. It is important to note that these games took place just two years after the 2008 recession. Among the other countries who applied for the 2010 Winter Games bid were Switzerland and Korea. In this period, both of these countries’ indices of openness increased, with Switzerland from 52% to 59% and Korea from 31% to 39%. The recession hit every country with a different magnitude. The decline in the index of openness for Canada may be due to the impact of the recession. Interestingly, following the conclusion of the Games, Canada witnessed a resurgence in its index of

Figure 2



openness, reaching its highest level post-event of 43%. This pattern aligns with Russia's experience, suggesting a common trend of initial decline followed by post-Olympic rebound in trade activities and economic

openness. Such similarities underscore the dynamic nature of economic indicators in response to major

sporting events and highlight the potential for both short-term disruptions and long-term benefits in the aftermath of Olympic hosting.

The analysis of the index of openness for the three Winter Olympic Games reveals intriguing trends when compared to the world index of openness shown in Figure 2 during the same time frame. During the 2014 Olympic Games in Russia, the host country experienced a notable decrease in its index of openness leading up to the event, followed by a rebound post-Games to surpass its pre-Games level. This fluctuation contrasts with the world index of openness, which was lowest five years before the event, highest during the Games, and remained steady in the five years after. Conversely, the 2002 Olympic Games in the United States saw an increase in the index of openness leading up to the event, with a continued rise post-Games. This trend slightly differs from the world index, which was lowest five years before the event, higher during the Games, and reached its highest point five years after. Similarly, the 2010 Olympic Games in Canada exhibited a decline in the index of openness during the event, followed by a post-Games rebound. Again, this differs from the world index, which remained constant throughout the period.

The contrasting trends in the index of openness between host countries of the Winter Olympic Games and the world index have significant implications. They highlight unique economic impacts experienced by host nations, reflecting shifts in trade dynamics influenced by hosting the Olympics. These trends vary across countries and time frames, underscoring the importance of long-term economic analysis. While immediate post-Games rebounds suggest short-term benefits, sustainability requires further examination. Overall, policymakers and stakeholders must carefully assess the economic costs and benefits of hosting the Olympics to maximize positive outcomes and mitigate risks.

Work Cited

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