



# The Economics of Staging the Olympics

A Comparison  
of the Games  
1972–2008

Holger Preuss

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Holger Preuss

*Professor of Sport Economics and Sportmanagement,  
Johannes Gutenberg-University Mainz, Germany and  
member of the Research Team Olympia*

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## List of abbreviations

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ABC	American Broadcasting Companies
ACOG	Atlanta Organizing Committee of the Olympic Games
ACOP	Atlanta Centennial Olympic Properties
AOB	Athens Olympic Broadcasting
AOC	Australian Olympic Committee
ARD	Arbeitsgemeinschaft der öffentlich-rechtlichen Rundfunkanstalten der Bundesrepublik Deutschland
ATC	Australian Tourist Commission
BBC	British Broadcasting Corporation
BOB	Beijing Olympic Broadcasting
BOBICO	Beijing Olympic Bidding Committee
BOCOG	Beijing Organising Committee of the Olympic Games
CBA	Cost Benefit Analysis
CHN	China
COC	Chinese Olympic Committee
COJO	Calgary Organizing Committee of the Olympic Games
CPI	Consumer Price Index
DOZ	Deutsches Olympia Hörfunk- und Fernsehzentrum
EBU	European Broadcasting Union
ECU	European Currency Unit
EDP	Electronic Data Processing
FIFA	International Football Federation
FIP	Fédération Internationale de Philatélie
GDP	Gross Domestic Product
GDR	German Democratic Republic
GER	Germany
GNP	Gross National Product
HCC	Host City Contract
HDTV	High Definition Television
HKG	Hong Kong
IBC	International Broadcasting Centre
IF	International Federation
INA	Indonesia
IND	India
IOC	International Olympic Committee
ISL	International Sport and Leisure (agency)

ITVR	International Television and Radio Signal
JPN	Japan
KBC	Korean Broadcasting Commission
KBS	Korean Broadcasting Systems
KOR	Korea
MAS	Malaysia
MBC	Mun-Hwa Broadcasting Corporation
MICE	Meetings, Incentives, Congresses, Exhibitions
MPC	Main Press Centre
NBA	National Basketball Association
NBC	National Broadcasting Corporation
NFL	National Football League
NOC	National Olympic Committee
NSW	New South Wales
NZL	New Zealand
OBI	Name of German sponsor
OBO	Olympic Broadcasting Organization
OBS	Olympic Broadcasting Service
OCA	Olympic Co-ordination Authority
OCOG	Organising Committee of the Olympic Games
OECD	Organisation for Economic Co-operation and Development
OIRT	Organization internationale de radiodiffusion et de télévision
OIT	Organización de Television Iberoamericanas
ORTA	Olympic Road and Transport Authority
PPP	Purchasing Power Parities
PR	Public Relations
SIN	Singapore
SOCOG	Sydney Organizing Committee of the Olympic Games
SOBO	Sydney Olympic Broadcasting Organization
SRi	SRi International: Non-profit Research Institute
TFC	Tourism Forecasting Council
THA	Thailand
TMOP	Team Millennium Olympic Partners
TPE	Chinese Taipei
TOP	The Olympic Programme / The Olympic Partner
UNESCO	United Nations Educational, Scientific, and Cultural Organization
URTNA	Union for Radio and Television Networks for Africa
USOC	United States Olympic Committee
VIK	value in kind
WADA	World Anti Doping Agency
WINS	Wide Information Network Service
WTO	World Trade Organization
ZDF	Zweites Deutsches Fernsehen

# Preface

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The Olympic Games are the most prestigious sports event that a city can organize. They are the dream and fulfilment of young athletes. They also represent an extraordinary sporting, social, cultural and environmental legacy for the host city, the region and the country. The International Olympic Committee is dedicated and committed to ensuring that its legacy is the best possible one.

With the new edition of the book *The Economics of Staging the Olympics: A Comparison of the Games 1972–2008*, Professor Holger Preuss highlights the beneficial impact of the Olympic Games, financially and socially. Nowadays, hosting the Olympic Games can act as a catalyst for urban redevelopment, enabling changes, which might normally take several decades, to be completed over a seven-year cycle.

This work, which highlights macroeconomic and business analysis related to over 30 years of Olympic Games' history, will certainly be useful to share the knowledge and the various experiences in this field and prove a valuable tool for students and researchers who are interested in the Olympic Movement.

It is through similar publications that the complexity of the Olympic Games and their economic impact can be further understood by the generations to come.

I trust that each of you will enjoy reading this book and appreciate the work of its author.

Jacques Rogge  
President of the International Olympic Committee  
12 June 2004

## Foreword

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This book arises from the need to analyse, in detail, the various economic aspects that the Olympic Games mean for host cities. Since 1984 increasingly more cities in the world have announced their interest in staging the Olympic Games, making it a festival with significant economic dimensions. What followed have been economic triumphs and tragedies, glories and fiascos – all are included in the 36 years of Olympic history reviewed in this book.

In the libraries of the world are thousands of sources on the economics of the Olympic Games, but only a few try to compare the economic effects of the world's largest peaceful gathering of humanity. Only a long-term comparison can give a host city, or potential bid city, an idea of the economic size and complexity of the Games today. Therefore, it is time to find a way to convert data from different time periods (1972–2008) and different macro economies to analyse the economics and commercialization of the Olympic Games over the past three decades.

My previous books on this topic that were published in Germany (1999) (Agon Verlag), Australia (2000) (Walla Walla Press), form the bases for this book, but did not cover the variety of the economic influences this work examines. Over ten years of Olympic archival research in Munich, Montreal, Los Angeles, Seoul, Barcelona, Atlanta, Sydney and Athens, as well as visits to Olympic study centres in Los Angeles, Barcelona, London (Ontario), Olympia and Lausanne provide the basis for this book. More than a thousand sources completed the picture. However, it is the many interviews with Olympic experts consulted for this book that offers unique and valuable insight missing in other publications.

I would like to express my sincere gratitude to my wife Sonja and my children Merle and Finja for their patience, to the 'Research Team Olympia', especially Professor Müller and Professor Messing and to my father for their discussions, to my student helpers for the layout and finally all the Olympic experts around the world for their willingness to provide the data I needed.

Holger Preuss, 7 July 2004

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# 1. Introduction: the situation of modern cities and the Olympic Games

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During the past 108 years, the Olympic Games have developed into an event which, every four years, offers the host city the opportunity to become the centre of global interest. There are numerous reasons that motivate cities to stage the Olympic Games. For one, the Games are the biggest, most prestigious, peaceful multi-sport event of the world. In addition, the Games provide a unique opportunity for politicians and industry to move hidden agendas such as the improvement of infrastructure for sport, housing, communication, traffic and other sectors. Furthermore there are a number of political, cultural, ecological and social issues related to the Olympic Games thus making their organizations a multidimensional complex project. While many of these issues have non-economic aims, they remain closely related to economic issues: for example, the motivation of the host population to practise active sports themselves results in lower health costs. New political relations can increase the national trade balance (for example, Seoul 1988) as well as reaching greater consensus of politicians regarding decisions for infrastructure construction (for example, Athens 2004 and Barcelona 1992). Ecological sustainability of Games-related structure can showcase newly developed technology (for example, Sydney 2000) and cultural presentation can increase post-Olympic tourism, such as in Sydney 2000 and Barcelona 1992.

When one considers the gigantic scale of the Olympic Games and the money required to stage them, it is reasonable to assume that only the largest cities in the world are equipped to act as hosts. Smaller cities often have budgets that are strained and are unable to provide sufficient Olympic infrastructure without public investment.

The lack of public money makes it difficult to trigger huge impacts that can re-urbanize or restructure a city. Therefore recent trends suggest that large events such as world exhibitions, continental games or world championships are used to attract visitors and investors to a city (Garcia, 1993). However, this 'festivalization of city politics' carries the inherent risk of false development and therefore may not be an appropriate strategy for each city.

Since Munich 1972, the Olympics have experienced great changes. Economic interests have become very important in public debate. There is much discussion about the International Olympic Committee's (IOC) ability to market the Games efficiently. Other concerns include: (1) the interests of organizing committees (OCOG) to produce a financial surplus; (2) the interests of politicians to develop the infrastructure and image of the host city; (3) the interests of sponsors to link their image to sport and the uniqueness of the Olympic Games; (4) the interests of the media to broadcast the Games to increase

viewing rates and to sell commercial times at the highest prices; and (5) the interests of businesses within a host region to claim a fraction of the immense monetary sums involved.

Those responsible for the health of the Olympic Movement fear the consequences of 'over-commercialization' and the loss of Olympic ideals. Furthermore, Olympic opponents advocate the likelihood of increased debt and the unjust distribution of public money where certain groups will be disadvantaged and denied funds. Together, such factors place the Olympic Games in a questionable light. In Atlanta, journalists who coined the phrases, 'Coca-Cola Games' and 'Fair of the century' legitimized such criticisms. A closer economic investigation of the above problems will help to correct misguided ideas about the development of the Olympic Movement and to present them in a more objective light in order to make imminent dangers obvious.

Today, economic and political interests are prime concerns when bidding for the Olympic Games. So far, organizers have assessed the positive effects of Olympic Games primarily by the officially stated profit margin. This can clearly be seen by the increased number of bids – there are nine for the 2012 Games. However, OCOG profits are calculated in very different ways, and sometimes, the figures are incomprehensible.

This book will show new methods to assess how the economic balance of the Games can be calculated more precisely. In order to make a successful comparison of host countries, it is necessary to homogenize the calculation methods employed to determine the final balance. It is only in this way that a comprehensive economic evaluation of the Olympic Games can be made. This work could serve both future hosts as well as potential bid cities. It will enlighten the decision-making processes in managing the Olympic Games and provide information which is paramount to its organization.

It must not be ignored that the size and importance of the Olympic Games also affects the political, sociocultural, ecological and technological areas of the host city. This book will be limited to the economic subsystems without implying that economic aspects alone would suffice to describe the complexity of the system of 'Olympic Games' as a whole. To be precise, it is not possible to investigate the economic field in isolation from other areas. The fact that non-economic topics are permanently touched upon reflects the strong interrelation of the various aspects, which cannot be ignored when dealing with the Olympic Games.

The main intention of this work is to show the manifold economic relations referring to the staging of Olympic Games, especially by looking at Beijing 2008. The investigation of several subsequent Olympics is given special importance. If regionally based economic particularities, which are dependent on a specific region are eliminated, then general developments can be recognized. Results, which do not change over a number of Olympic Games, prove an economic aspect to be independent in a geopolitical way. Variations in the significance of an economic aspect display the existing potential, which can be activated according to the host region/nation. This is the basis for the superordinate nomothetic approach in this work: that is, isolating individual macroeconomic effects on the host city and individual revenue/cost positions of an OCOG over a longer period of time as well as their homogenization could make general principles obvious.



So far, it has seemed impossible to compare Olympic Games because they have been staged at different times in different countries where the financing and organizational structures have strongly differed. Using special conversion methods for the data, which were compiled by analysing documents combined with the interviewing of experts, it was possible to greatly eliminate these differences. The investigation will necessarily deal with a variety of topics ranging from macroeconomic to business-economic considerations.