THE ECONOMIC IMPACTS OF THE OLYMPIC GAMES

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At what point in the history of the modern Olympic Games did economics begin to take precedence over geopolitics and noble ideals? When, along with the sporting competition and the prestige of records and medals, did the rivalry of the commerce associated with the event begin to acquire importance? At what point did the economies of the cities or states involved begin to see hosting the games as a lever with which to stimulate investment, growth and employment? Another question concerns how the transition of citizens' attitudes came about – from enthusiasm and feeling they participated, despite not being part of the athletic teams, to seeing it as a reason for heavy criticism and social opposition movements. Ultimately, how and when did economics, with its positive and negative impacts, come to be at the centre of the Olympic Games, and why?

It is difficult to establish the sequence of the change, because, in some cases, various elements emerged at once. But, without doubt, it was during Juan Antonio Samaranch's presidency of the International Olympic Committee (1980-2001) that a new era began in terms of the rebirth of the games' prestige. When the Olympics were held in Los Angeles in 1984, the world of television and commercial sponsorship joined the event, revolutionising the games' economics, and, in particular, the funding of the costs associated with its organisation. Ever since Barcelona's Olympics in 1992 it has been analysed as an example of a model of urban regeneration and infrastructure funding linked to a strategic city project that had significant economic impact on the local and metropolitan environment. But since then not all have been success stories. As an example, the debt from the 2004 Athens games is still being paid and became an added factor in the Greek debt crisis when it soon overlapped with the effects of the 2008 recession.

Generally, we may speak of an "economic hangover" from games based on these models of urban expansion and heavy indebtedness. In some cases, this has caused slumps in the local economy after a period of strong growth in the construction sector and the short-term boost to demand associated with the flows of people and tourism. Not even post-92 Barcelona managed to save itself from this hangover, although in the long term it has been able to compensate with its capacity to attract tourism. In each case, the intensity of the recession has depended on the size of the national economy and its capacity to absorb the negative impact in the short term. Beijing's economy in the context of China is not the same as that of Athens and Greece. Neither is the impact of the national economy when compared to the international in the production of global growth impacts, as was the case of Beijing before the 2008 Olympics, which coincided with the start of the financial crisis. Though economic studies generally point to a growth effect of the games of between 0.7% and 1.5% of GDP, it should be considered whether this growth compensates for the possible subsequent recession.

The negative economic impact may also be associated with the creation of large infrastructure white elephants, which are underused afterwards, such as the Beijing National Stadium, known as the bird's nest, which has only hosted five events since its inauguration in 2008. White elephants stimulate demand during the period of construction; however, this kind of infrastructure does not, in the long term, provide the return necessary to repay the associated debt.

Other games, such as London 2012 and Atlanta 1996, whether because they came four years after games that had great impact (Beijing and Barcelona, respectively), whether because their periods of demand coincided with times of economic depression, or because the investment level was low (Sydney 2000), have not suffered the same impacts as games that were prepared for and took place during periods of growth – and which are therefore procyclical – which accentuated the bubble effect.

Given that the period of investment related to the Olympic Games is generally around six years, one may speak of sustained annual growth during that time. The case of Beijing from 2002 to 2008 is very clear: the annual urban economic growth rate was 12.6% in six years – 1.3% more than between 1997 and 2001. Also, in 2008, it reached $6,210 of GDP per capita – almost double that of 2001 – an increase that was achieved in just two years.

The investment in infrastructure around the Beijing Olympics set the record for the games that took place between 1992 and 2012 (not including winter games). Beijing (2008) ended up investing $14 billion, London (2012) $13.7 billion, Barcelona (1992) $8 billion and Sydney (2000) $3 billion. The most significant (though not the most surprising) thing about Beijing is the proportion of the investment that went to the public sector – 85%; this was far higher than Sydney (64.4%), London (64.2%) and Barcelona (61.5%). The costs of organising the games should be added to the impact of the investment, which in the case of Barcelona were 14.5% of the total cost. Obviously, the investment in infrastructure which accounts for 85.5% of the costs can be enjoyed after the games (public transport, urban networks, airports, Olympic villages) by remaining available to residents. Although, of course, the part of the long-term public debt that is funded by taxes remains in the hands of the taxpayers too.

Hence it may be said that, in general, the organisation of an Olympic Games is a trigger for urban transformation that allows a dramatic leap forward to be made in the construction of infrastructure, although, from an economic point of view – given the funding mechanism – the same could be achieved through other more conventional systems with better strategic planning. That is why it must be presumed that other reasons, which are not strictly economic or related to urban renewal, prompt cities to take up this challenge. Where the motives *are* economic, they would fall into the category of the "displacement effect", whereby an extraordinary motive patriotically justifies greater public expenditure relative to GDP and a consequent tax rise for its funding; however, once normality returns, the public spending continues in order to pay for new expenses and, ultimately, taxes do not fall.

Thus, some factors – prestige, international public diplomacy, attracting tourism, positioning themselves in the world, etc. – may be more important than the purely economic which, in some cases, shows itself to be counterproductive due to its procyclical nature and may even end up bringing about a degree of recession that soaks up the benefits of the growth.