



**UNIVERSITY OF PELOPONNESE
FACULTY OF HUMAN MOVEMENT AND
QUALITY OF LIFE SCIENCES
DEPARTMENT OF SPORTS ORGANIZATION
AND MANAGEMENT**

MASTER'S THESIS

“OLYMPIC STUDIES, OLYMPIC EDUCATION, ORGANIZATION AND
MANAGEMENT OF OLYMPIC EVENTS”

**IMPACTS OF THE OLYMPIC GAMES:
DOES THE HOST CITY REALLY BENEFIT FROM THE OLYMPICS?**

Pascal Nicolas Fleur

Supervisor: Vassiliki Avgerinou

Assistant Professor

Sparta, August, 2012



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ABSTRACT

The Olympic Games are the biggest sporting event worldwide. In the last twenty years, the interest of countries and cities in hosting the Games has increased considerably. This is mainly due to the perception that mega-events boost local economic and social status of the host city.

Nevertheless, the fact is that Olympic events in the course of time demand for the construction of larger amount of Games amenities than ever before. This reality proved to be quite a heavy burden for the host city, the latter being the sole responsible for the building of the infrastructures. Yet, nations still vie for the winning bid to stage the Olympics in one of their cities.

A review of literature shows that opinions about the benefits of the Olympic Games are diverged depending of the context. While some scholars emphasise on the good doing of the Games, there is indeed a minor part of literature that calls attention on the dark side of the Olympics, especially for the host city. This thesis aim is to examine whether the costs of hosting the Games outweigh its tangible and intangible benefits.

The researcher investigates the financial, political and social costs versus the benefits of hosting the Olympics and explores how these can impact the host city. The professed benefits of hosting the London Olympics are also scrutinized with the goal to determine the impacts of the costs of hosting the London Olympics, especially in times where the world is in a global recession.

Overall, the purpose of this project is to present the possible drawbacks of hosting the Olympics versus the various advantages that may be gained from the Games. The researcher concludes with suggestions on how to make hosting the Olympics a more cost-effective endeavour for their host communities.

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LIST OF ABBREVIATIONS

ACHR: Asian Council for Human Rights

BBC: British Broadcasting Corporation

BOCOG: Beijing Organization Committee for the Olympic Games

DCMS: Department for Culture, Media & Sport

OECD: Organisation for Economic Co-operation and Development

ETOA: European Tour Operators Association

FIFA: Federation of International Football Association

GDP: Gross Domestic Product

GLA: Great London Authority

HoC: House of Commons Committee

IOC: International Olympic Committee

LOCOG: London Organization Committee for the Olympic Games

MSA: Metropolitan Statistical Areas

NASA: National Aeronautics and Space Administration

NOC: National Olympic Committee

NSW: New South Wales

OCOG: Organization Committee for the Olympic Games

OECD: Organisation For Economic Co-operation and Development

PwC: PricewaterhouseCoopers

SOCOG: Sydney Organization Committee for the Olympic Games

UK: United Kingdom

USA: United States of America

USSR: Union of Soviet Socialist Republics

CHAPTER 1: INTRODUCTION

1.1 Introduction

To stage the Olympic Games definitely marks a host city. From the 1984 Los Angeles Games due to more athletes and sports, and a greater media and sponsor presence, the impact of the Games on the city hosting the mega-event has amplified. Furthermore, time has shown that the expectations upon the delivery of the Games are getting higher and higher. As for the International Olympic Committee (IOC), the “owner” of the Olympic Games, it does not make things easier for the host city by its policies.

Indeed, an Olympic host city has to abide to the IOC’s policies in the planning of the Games. Nothing really weird so far, except that some of these policies is economically troublesome. For instance in 1994, the IOC chose to make the environment the third thread of Olympism. That was a quite appraisable initiative but for eventual host cities, they now find themselves confronted to a new financial dilemma in providing the so-called “Green Games”. Adding to this, since the 11 September 2001 when USA was stroke by terrorist attacks, security and insurance costs have radically increased in scheduling the Olympics, another financial burden that the city must bear.

However, hosting the Olympics does certainly bring its set of benefits such as: alterations in the design of the city, changes to the physical and current environment, the representation of a city and country and its culture, improvements in air, road and rail transport, changes in governance and public decision-making, innovations in politics and political relationships, potential increased tourism and business activity, the creation of new sporting venues which will have potential for post-Games community use, the potential for greater community consultation and involvement, and the involvement of the community as volunteers and torch-bearers (Cashman, 2002).

Nevertheless, although these mentioned benefits may be real, they may come with a great deal of drawbacks. Universally, the Olympics raises excitement and the reasons are because the community organisers emphasize on terms such as “urban renewal, improved transport or better sporting facilities” when bidding for the Olympics. The organisers play so subtly that the people become fixated on these sound good projects and fail to be objective at evaluating the truth (Cashman, 2002). Often when the Games are over, the Olympic host communities tend to reconsider their initial position prior to the event, posing

themselves the question of whether the economic benefits of the Olympics are pragmatic and, if they are, to which extent such benefits offset the costs.

1.2 Purpose of research

The purpose of the study is to provide an understanding about what it really costs cities to host the Olympic Games in current times. Lots of studies have been made on the economic impact of the Olympics, most of them praising the event as a financially profitable one. In this thesis we shall demonstrate that some methods used by certain researchers may have had fallacies and we shall attempt to demonstrate that contrary to the general belief, some past Olympic Games might not have been that advantageous to their host cities communities, the costs surpassing the benefits.

The primary questions of the research are:

- How are the impacts of the Olympic Games assessed?
- What are the common misapplications of the methods used to evaluate the profitability of the Olympic Games for the host city?
- Do the costs involved in staging the Games outweigh the perceived tangible benefits?

The secondary questions are:

- What are the financial benefits and costs of staging the Olympics?
- What are the effects of the Games on tourism?
- What are the social benefits of the Olympic Games?
- What are the costs the host communities have to bear for the Olympics?
- Will London benefit from hosting the 2012 Olympic Games financially and socially?
- What can be done to make the Olympics a cost-effective event?

1.3 Significance of study

The aim of the thesis is not to overshadow the mega-event that the Olympic Games incarnate but to show that more careful thoughts should be made before bidding for hosting the event. The costs may reveal to be sour and the benefits not as sweet as expected. This reality must be taken into account by developing as well as by developed countries.

This dissertation is significantly valuable as it clearly shows how past Olympic Games that have been praised to be successful revealed to have left a bitter taste to the host country after thorough analysis. Overall, the study seeks to drive attention on the actual limitations of ex-ante studies commissioned primarily to support Olympic bids and suggests that further studies have to be undertaken to make the Olympic a win-win event for all its stakeholders, not only for the IOC, the Organising Committee and the sponsors but also and above all for the host community.

1.4 Structure of dissertation

A six chapter structure has been adopted in order to cater with the numerous issues pertaining to our research.

Chapter 1: Introduction:

Chapter one introduces the research topic and background and outlines the path taken by the researcher to answer the research questions and the purpose and significance of the research.

Chapter 2: Literature Review

Chapter two reviews the literature that underpins the arguments of the study. This review explores the impact of the Olympics Games on its host cities, economically, politically and socially. Ex-ante and ex-post studies about the Olympic Games are also studied and the issues and controversies surrounding these economic impact studies and their use are discussed.

Chapter 3: Methodology

Chapter three explains the methodology employed for the research. It discusses the ontological and epistemological justification for the overall methodology of the research. The chapter then describes the multiple methodological approaches undertaken and the associated data gathering procedures.

Chapter 4: Case Studies

In chapter four, case studies are made from the Barcelona Games in 1992 to the 2008 Beijing Games. An analysis of these Olympics examines the benefits and disadvantages in order to determine which eventually prevail upon the host cities.

Chapter 5: 2012 London Olympics

Chapter five analyses the 2012 London Olympic Games financially, politically and socially in view of findings in the previous chapters. The aim is to question whether the perceived benefits of London 2012 are as pragmatic as some may want us to believe.

Chapter 6: Conclusion & Recommendations

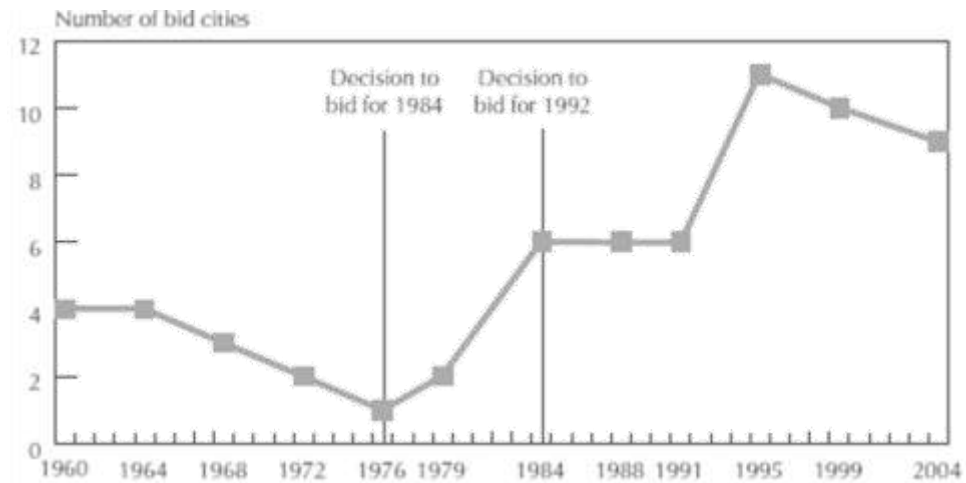
Chapter six concludes the thesis and comes up with recommendations to make the Olympic Games a beneficial endeavour for the host community.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

After the Los Angeles Games, the number of countries bidding to host the Olympics just did not cease to burgeon. This is probably due to the prestige of hosting such an acclaimed event. The Olympics is a mega-event known across the globe, but they are not without effects for the cities who host them, whether financially, socially or politically.

Figure 1: Number of cities bidding for Olympic Games



Source Preuss (2004), IOC

Richard Cashman stated:

“From 1980 to 2000 there was an unprecedented expansion in the size of the Games: seven new sports and 80 events were added to the program. There were many, including IOC President Dr. Jacques Rogge, who believed that the Olympic Games had become too large, thereby imposing an increased burden on host cities. As a result, only wealthier cities can afford to stage the Olympic Games” (Cashman, 2002).

In this chapter, we shall review the literature about the financial, social and political impacts of the Olympic Games on host cities. We shall also make a parallel with ex-ante and ex-post studies formerly used to determine the profitability of the mega-event and scrutinise the worthiness of such studies to claim beneficial Olympic Games for the cities staging them.

2.2 Financial impact of Olympic Games on host cities

2.2.1 Introduction

After each Olympics, the costs are debated. Scholars have divided the costs of the Olympics into several categories: the bidding of the Games costs, the pre-Olympic costs, the costs of the Olympics during the Games, and the post-Olympic costs as well as a distinct cost for capital improvements to the host city. The capital improvement expense is conceivably the greatest cost of all and the most debatable. Supporters of the Olympics, like host city politicians, state that the capital expenditures have long-term benefits and whether there are Olympics or not these might be possibly erected. Nevertheless, some scholars argue that the capital expenditures are part of the Olympics and hence should be included in the total cost of the event (Koar, 1993). The point put forward is that these expenditures would not have occurred if there were no Olympic Games scheduled or they would have taken place at another time. While there is a debate about whether to include capital expenditures in the cost of the Olympics, many scholars strongly believe that these costs should be included, especially when the funds are being used to build Olympic villages and venues.

Another point of view may argue that the costs are investments and with them come benefits which we shall analyse to determine whether the Olympics are really viable financially to the host city. These benefits can be, as the costs, broken down into the same categories, the bidding of the Games benefits, the pre-Olympic benefits, the benefits during the Games, and the post-Olympic benefits. The study is to point out what those taxpayers who pay for the Olympics are in fact paying for; the Olympics, as Kitchen (1996) and Preuss (1998) mention, indeed trigger advance on several deeds such as infrastructure build-up and urban regeneration.

The main way in which the financial impacts are usually determined is by conducting economic impact studies. However, when discussing the results of economic impact studies, Jeffrey Owen, Professor of Economics at Indiana State University stated, based on his study of the economic impacts of the Olympics that:

“Unfortunately these studies are filled with misapplications of economic theory that virtually guarantee their projections will be large.” (Owen, 2005).

Generally the common practice in economic impact studies is to measure the economic benefits by job creation and tourist expenditures and these studies, Owen (2005) states “invariably project large inflows of money that will have a long-term positive effect on the economy.” However, there are quite a bit of writings published showing that the Olympics fail to produce positive and durable long-term economic advantages, for instance the one published by Baade and Matheson (2002).

Many misconceptions like those stated are present in the economic impact studies (Economic Research Associates, 2007; Humphreys, J. and Plummer, M., 1995; Arthur Andersen, 1999; InterVISTAS Consulting, 2002) concerning the Olympics. However, due to the popularity of these studies there is an acceptance of their findings by the public, media, and even academic circles with little or no critical evaluation. In the next section, using past literature, we will critically evaluate the economic impact studies performed for the Olympic Games. The evaluation will focus on the common misconceptions such as “treating costs as benefits, ignoring opportunity costs, using gross spending instead of net changes, and using multipliers that are too large” (Owen, 2005).

2.2.2 Common misconceptions

This section will highlight four previously mentioned common misconceptions when it comes to measuring the economic impact of the Olympics.

Mistaking expenditure costs as benefits & using gross spending instead of net changes

If \$5 million were spent on the construction of a sports venue, an economic impact analysis would assess the direct impact on the economy as \$5 million. The argument is that purchasing material and hiring labour benefits the local economy. Baade and Matheson (2002) argue that these projects are merely transfers of funds and consequently should not be counted as benefits. Unless the funds come from outside sources, then it is indeed direct impact.

In this scenario, what is the difference between paying labour to build the stadium and giving money to spend to each worker, in the form of unemployment benefits for

example? Counting expenditure costs and benefits does not distinguish between these two scenarios. Applying multipliers to account for the secondary markets further exacerbates this issue.

Veraros et al. (2004) point out that this logic “ignores the effect of the actual consumption of the product” thus alluding to using gross spending instead of the net changes. They call attention to the fact that the initial cost has now been counted as a benefit twice, both directly and indirectly. Owen (2005) states “if the economy is at full employment, the workers needed for the stadium would have been doing something else: public investment crowds out private investment.” He mentions that this is just a transfer at best and not a benefit. Other researchers, Noll and Zimbalist (1997), state the same effects would occur if the government “would simply give the money to the workers as unemployment insurance, or employ half the workers to dig a hole and the other half to fill it up.” This shows that there are benefits that should not be counted as benefits, thereby overstating the results of the Olympics.

Neglecting opportunity costs, especially the opportunity cost of capital

Public investment in sports projects is certainly justifiable if the net benefits are greater than the opportunity cost of alternative uses. Proper assessment of a project would require considering the benefit if the money were spent on other useful projects. If the government devotes \$50 million of taxpayer money to building Olympic facilities, then the next best option the money could have been used for, which could be anything from building a school to a tax reduction, is foregone and must be considered as a cost.

Hudson (2001) says that any number of alternative structures might have been built with the money creating a similar impact. It is often likely that alternative structures could actually have a larger economic impact in that they might align better with the local economy and have a longer useful life than an Olympic sport facility. Baade and Matheson (2002) characterise much of the spending on facilities as spending that is “alien” to the host economy, in that without the Olympics it would not have occurred and that the facilities serve little purpose beyond the Games. According to the Baade and Matheson, it

is misleading to attribute government capital spending on Olympic facilities and infrastructure as new economic benefits arising from hosting the Olympics without considering what the next best option for that spending would be. Failure to do so, at best, overstates the net benefit of hosting the Games and at worst represents a net cost as a benefit.

Baade (1996) found that subsidizing sports facilities typically does not affect growth, and may even hurt growth since funds are being diverted from alternative uses. Of the 30 metro areas he examined over where a stadium was built or refurbished, only three areas showed a significant relationship between real per-capita personal income growth and the presence of a stadium. The relationship was negative in all three cases.

Externalities

External costs imposed on residents as a result of the new sport facility, club, or event must be considered. These might include increased traffic, noise, or litter. Much like counting gross spending rather than net increases to spending, failing to account for the full costs of the event leads to an exaggerated initial impact that is then multiplied.

Exaggerating multipliers

Economic impact studies often assume that an individual's spending becomes income for others, who in turn spend that money. However these studies often do not take into account the leakages to foreign participants, taxation, savings, and imports (Baade & Matheson, 2002). As a result, the multiplier is inflated.

In economic impact studies, the initial impacts are determined first, and then magnified through the use of a multiplier based on the re-spending of money in an economy. This multiplier error only magnifies the earlier errors thereby making the projected impact incomparable to others. That means that the error discussed earlier in counting both direct and indirect spending is then magnified as this spending is incorrectly counted and then multiplied. Additionally, the inflated multipliers cause errors in comparing the benefits and the costs, if the benefits are inflated, studies would be bias towards showing a net benefit.

Economic impact studies of sport events typically cite at least one of the following multipliers; a sales multiplier, a household income multiplier, and an employment multiplier.

Crompton (1995) argues that the household income multiplier is the most relevant for economic impact studies of sport on the basis that if the spending impact is used to justify public expenditure, the overall increase in the local residents' income is the most appropriate measure of local benefit. The sales multiplier is usually the highest in magnitude and is therefore often used in ex-ante impact studies that exaggerate economic impact. While sales may increase due to the event, much of the economic activity may pass through the local economy which is not accounted for in the sales multiplier. The sales multiplier is useful when determining tax effects if there is a local sales tax on transactions. In that case, even economic activity that passes through the local economy contributes to the tax revenue, which, if the additional sales are clearly generated by the event, helps offset any public expenditure associated with the event.

The employment multiplier is the least reliable when applied to hosting the Olympic Games. A study carried out by Miller (2008) says that the employment multiplier measures the total change in employment resulting from an initial change in employment in an exporting industry. In this case, the local economy is exporting the Olympic Games. Problems arise, however, due to the nature of the Olympics as a temporary, short-term event. In a normal context, an exporting firm decides to locate in an economy and the permanent increase in jobs and the extra income ripples through the economy creating additional jobs in, for example, selling homes, renting movies, providing food and petrol, or recreational opportunities to the new employees or the old residents who now have higher incomes. The Olympics are temporary and nearly all of the new employment associated with them is temporary. In light of the high fixed costs of taking on workers, it may be just as likely that instead of temporarily increasing the overall number of jobs, existing employees work longer hours or simply work harder during the period when the Olympic Games are having their largest employment effect. In all practicality an expected long-term increase in the level of employment is unrealistic for a one-off event such as the Olympics.

Olympic long-term benefits

There are still other misconceptions such as with the long-term benefits, often referred to as the “Olympic Legacy.” These benefits include increasing tourism, attracting local businesses (and local employment) and infrastructure improvements. However, according to Owen (2005) no ex-post study has found “improvements in economic growth or living standards,” only onetime changes. The mentioned cost benefits are in fact “cost suspicion” as these cannot be transformed into real economic benefits.

2.2.3 The financial impacts of bidding to host the Olympics

Kitchen (1996) says in a paper, in effect, cities’ motives for wishing to stage mega-sporting events are largely derived from the stimulus to promote local economic development and urban regeneration. The realisation that mega-sporting events can be utilised in such a manner was firstly comprehended with the 1984 Los Angeles Olympic Games (Nash and Johnstone, 1998). These Olympics had a limited contribution to the local urban development; however, their substantial commercial success, which resulted from increased television income and corporate sponsorship, and the subsequent surplus of US\$215 million produced by the organisers, showed that the staging of sporting events the size of the Olympics can become a profitable business for host cities and regions (Essex and Chalkley, 1998).

Burbank et al. (2000) states that far from being merely symbolic, the Olympic Games fill the desire to create a world-class image which represents a prominent opportunity for a city’s economic development strategy. Pagano and Bowman (1995) provide the link between image creation and local government: image creation provides a rationale for the allocation of scarce resources. A city bidding for the Olympics gains as benefit world-wide exposure whether from politicians, tourists, scholars and many others. This phenomenon is believed to put the city in the spotlight and consequently can create a boost in tourism revenue for instance. However, the overall upshot of the bid is and remains purely to gain the Olympics.

Nevertheless, these so desired benefits are not without a colossal cost. The costs of bidding for the Olympics may reach astronomical amount that may rise over the \$10 million. To just apply its candidature as Olympic host, the interested countries submit

\$100,000, and then \$500,000 if accepted to be formally considered as a candidate city (International Olympic Committee, 2010). Next the candidate city has to bear the cost for the onsite inspection, as well as all formal responses and impact studies which cost millions of dollars. New York City acknowledged a bid of over \$13 million for the 2012 Games (Burton, 2003). All these costs are meaningless alone and thoroughly thought these can be indeed fruitful investment on their own if a country can afford it and if the return on investment is noticeable, like increase in tourism figures due to international exposure offered by the bidding process.

Lawson (1996) claims that even unsuccessful bids for the Olympic Games can bring benefits, one example being, through the urban projects and regeneration initiated in order to strengthen the city's Olympic bid. However if considering the impacts of the Olympic Games on a 'winning' bid city, the costs associated with the bid have to be added to the overall cost of staging the Games, to really get a clear picture of whether the Olympics on the overall are beneficial or not to the city.

2.2.4 The financial impacts during the pre-Olympic phase

The pre-Olympic phase is the period of time leading up to the occurrence of the sixteen-day Olympic festival. Most of the costs of hosting the Olympics are incurred during that period. While the true costs are never fully disclosed, they can still be found by examining the expenditures placed in the budgets available from the respective government of the host city.

Kitchen (1996) concludes in a study about town and country planning, that it has become increasingly common for mega-sporting events to be used as a trigger for large-scale urban improvement. The Olympic Games as a mega-sporting event can create opportunities for the construction of new sporting facilities as well as for the improvement of the physical environment of the host city. Malfas et al. (2004) refer to the Olympics Games as a multi-sports event which consequently often involves the building of new sporting facilities or the restructuring of existing ones in order for the organisers to accommodate the staging of multiple sports in a relatively short period of time. Moreover, the great numbers of participants and officials as well as tourists associated with the event usually require the construction of new roads and the development of the public transport

network to ensure their efficient transportation to the sporting venues during the event (Hughes, 1992). In addition, infrastructural development that is not directly related to the event often takes place, such as leisure facilities, commercial centres and open spaces, which aim to improve the physical appearance of the host city or region.

Essex and Chalkley (1998), refers to the 1992 Barcelona Olympics as one of the best example of a mega-sporting event being used in urban regeneration. Major investments were made for new transport systems and for the rejuvenation of a run-down coastal area which now has a new marina, leisure facilities and attractive sandy beaches (Essex and Chalkley, 1998). Moragas and Botella (1995) argued that the Olympic Village (Parc de Mar) was simply an excuse for opening the city up to the sea, thus realising a long-standing aspiration of the citizens, and the Vall d'Hebron, a huge sporting facilities area, provided an opportunity for organising and urbanising a chaotic urban space.

The 2000 Sydney Games continued the theme of major urban change. According to the New South Wales Government (2001) in its budget statement, the organisers spent A\$1.7 billion on the construction of sporting facilities, in addition to A\$1.15 billion on supportive infrastructure. The latter included spending A\$137 million in rehabilitating polluted sites in the area of Homebush Bay, which became the sporting centre during the Games. Similarly, in Athens, the host Olympic city of 2004, besides the creation and renewal of several sporting facilities, a £1.4 billion new airport opened in 2001 able to handle 16 million passengers and 220 000 t of cargo a year. Moreover, the £820 million expansion of the city's underground was completed in early 2001 with the new lines, carrying a total of 150 million passengers a year, thus creating 3000 full-time jobs (Tzelis, 2001). Furthermore, it was estimated that US\$1 billion was spent between 2000 and 2004 on projects that were not essentially Games-related but were triggered by the staging of the event.

Although the staging of a mega-sporting event can contribute to the urban improvement of the host city or region, attention should be placed on the processes involved for accomplishing major construction projects. As Lenskyj (2000) points out, the set deadline for the construction of venues and the completion of infrastructure supports are often used by local politicians as the excuse for major constructions to bypass the usual

stages in urban development applications, including social and environmental assessment, public hearings, and so on. In Athens, for example, the host city of the 2004 Olympics, the decision about the construction of the rowing centre for the Games at the Marathonas Lake was criticised for lacking adequate environmental analysis. It was claimed that the project would undermine the natural resources of the waterland and cause collateral damage in the area (Mberi, 2001).

The staging of a mega-sporting event may pose additional environmental problems, especially when temporary structures are built for the needs of the event. To support this claim, Lenskyj (2000) refers to the Atlanta Games as example, where four sports were hosted in temporary facilities. These infrastructures had to be demolished after the Games because of their limited usefulness to the local community. In this case, the practices of disposing of such material, which cannot be recycled, fail to qualify as ecologically sustainable development. Finally, when infrastructure projects speed up, other public works can be delayed or displaced. Moreover, when a large proportion of state funds are channelled into one metropolitan area, this often results in fewer infrastructure projects in suburban areas and in other regions (Ruthheiser, 2000). Preuss (2000) says that the choice for such projects is usually a political one, since the cost of the often extensive event-related infrastructure is primarily covered by local governments.

One disadvantage of the constructions incurred for the Olympics is that these “world class facilities” require very high initial costs, and as we shall see in the post-Olympic section, many of these facilities are left unused or underutilised after the Olympics (known as ‘white elephants’). These facilities have extremely high maintenance costs (ex. \$32 million a year for Sydney taxpayers) (NSW, 2001). The Olympics is used as a pretext to undertake many infrastructure projects. In fact these facilities could well be built regardless of the occurrence of the Games. If normally these infrastructure developments have no reason to be without the occurrence of the Olympics, then it is reasonable to say that they are unnecessary to begin with. Overall, using the Olympics as “an excuse to conduct the normal business of municipal government” according to Berg (2008) should not be allowed. These theoretically Olympic expenses if deferred would have led to better alternative uses of the funds. The Olympics require an immense amount of preparation.

Olympic committees do not account for infrastructure improvements in their budgets, hence the results they publish can be very optimistic and incentive, but the truth is that they may cause turmoil in the lives of local inhabitants, and miss other self-sufficient improvement opportunities. No host city wants to “lose face,” this ego leads to cost-overruns, which magnify the drawbacks of hosting the Olympics on host cities communities.

2.2.5 The financial impacts during the post-Olympic period

The Olympics over, most of the costs have already been incurred and the benefits derived from having hosted the Games then become pretty obvious. However it is not an easy task to grasp a clear measure of these benefits. In most economic impact studies, these are assessed by considering increases in Gross Domestic Product (GDP), legacy infrastructure, increases in employment and jobs and visitor impacts (tourism spending).

GDP is the monetary, market value of all final goods and services produced in a country over a period of one year generally. The real GDP per capita (corrected for inflation) is generally used as the core indicator in judging the position of the economy of a country over time or relative to that of other countries (Van den Bergh, 2008). The GDP is thus implicitly, and often even explicitly, identified with social welfare – witness the common substituting phrase ‘standard of living’.

An economic impact study conducted by Humphreys and Plummer (1995) on the projected GDP preceding the Atlanta Games found there would be a \$5.1 billion impact. \$2.6 billion of this impact would be produced from the ACOG’s expenditures and \$2.5 billion would be generated from spending foreign visitors, close to 2.5 times the cost of the Atlanta Games.

A study by Kasimati and Dawson (2009), in relation to the Greek economy, found that for the period from 1997 - 2005 the Games boosted the GDP by about 1.3% per year, while unemployment fell by 1.9% annually. The cumulative change was estimated to be 2.5 times the total preparation cost. For the period from 2006 - 2012, the effect was predicted to be less prominent, increasing the GDP by about 0.46 - 0.52% and decreasing unemployment by about 0.17% per year. This study concludes by stating that the long-term

economic legacy effects with respect to both GDP and unemployment appear to be quite modest. A 250% return on investment gives the impression that the Olympics are worth hosting, but the gain through the increase in GDP is only a percentage of the increase from government tax revenue, and that tax revenue is only a small percentage of the investment in the Olympics. The question that arises is if these preparation costs include all of the actual costs. These are quite salient findings, taking into account that visitor spending and the increase in GDP are two of the greatest perceived benefits of hosting the Olympics.

The Austrian school economist Frank Shostak (2001) argues that GDP framework cannot tell us whether final goods and services that were produced during a particular period of time are a reflection of real wealth expansion, or a reflection of capital consumption. For instance, if a government embarks on the building of sports venues for the Olympics, which most of the time add more or less nothing to the well-being of individuals, the GDP framework will still regard this as economic growth. In reality, however, the building of these Olympic amenities will divert real funding from wealth-generating activities, thereby stifling the production of wealth.

Another alleged advantage of hosting the Olympics is the infrastructure upgrades that come along with it. These upgrades, however, are insultingly expensive. In addition the reasons behind several of these constructions have not been the fruit of thorough thinking; thereby they fail to be exploited optimally. The Bird's Nest, the main Olympic Stadium in Beijing was one of the most expensive infrastructure projects undertaken for the Beijing Olympics, and some years ago the Laurence Liauw (2008) announced that it will be turned into a shopping and entertainment complex within three to five years. Currently the only income of money for the site is from tourists who pay \$7 to walk on the stadium floor and browse the souvenir shop. This stadium had the astronomical cost of over \$450 million and yet the only event that was planned so far, was the Puccini opera, "Turandot." On top of all these, the maintenance costs of the edifice alone are \$8.8 million annually (Associated Press, 2009).

Another folly of Beijing was the construction of 31 gyms to host the competitions of the 28 Olympic sports simultaneously within 15 to 16 days. Currently, in Hong Kong there are two 10,000-person gyms that are only profitable since the Hong Kong

Government does not allow more gyms to be built. If more gyms were to be built, they would inevitably be non-profitable. Hence, how could BOCOG expect building 31 new gyms in Beijing be money worthy? This is an example of how poorly planned the Olympics infrastructure projects can be and how, even if this is one of the main assets left as legacy from the Olympics, the costs of hosting the mega-event outweigh its tangible benefits.

Another big perceived benefit derived during the post-Olympic period is the increase in local employment as well as the creation of new businesses in the area. The Olympics are believed to lead to an increase in visitors, in their spending and thus favouring the local income. People are hired before and during the Games, but this spike in employment does not last after the event, the jobs created being short-term in nature. Another killing fact of the Olympics is the increased prices during the Olympics which affect the post-Olympic period by bringing about price increases in the cost of living for local residents, which do not necessarily decline after the Games.

As support to the above assumptions, in 2002, Baade & Matheson concluded that the Olympics Games in Los Angeles in 1984 and in Atlanta in 1996 had no significant effect on employment. Baade and Matheson (2002) “found a modest boost in employment that was short lived.” Even the most positive estimates showed “the city of Atlanta and the state of Georgia spent \$1.58 billion to create 24,742 full-or-part time jobs which averages out to \$63,860 per job created” (Baade & Matheson, 2002). Similarly, Jasmand and Maening (2007) made research about the increase in income of the local residents after the 1972 Munich Games, and they found that only for “venue and neighbouring regions” was the income share increased, but only by an average of 0.01 and 0.02 percentage points per Olympic region. About the increase in local businesses, it would be rare to find a significant number of businesses that grew out of hosting the Olympics and managed to subsist on the long-term. It seems irrational though to state that one of the goals of hosting the Games, and spending billions of dollars, is to create new businesses. Consequently, the conclusion is that the perceived Olympic benefit of increased local employment and businesses is exaggerated.

Increase in Tourism and tourism revenue is a generally perceived benefit of the Olympics. The “tourism” benefit from hosting the Olympics is difficult to track and there

are many confounding issues when determining the true effects of the Olympics on spending in the host city. Although Sydney saw an increase in tourism since the Games, the September 11 attacks muddled the evidence since before these attacks occurred, people were more willing to travel to the United States. After these attacks more people preferred not to travel to the United States, but rather elsewhere internationally, artificially inflating the increase in tourist spending in Australia (ETOA, 2006).

This increase in tourism causes a rise in security costs, explicitly about \$1.8 billion just for the 2004 Athens Games (Cohn, 2005). Additionally, tourism has been shown to have negative effects on surrounding cities, as seen from the Athens Games which have not led to a positive increase in tourism (ETOA, 2006). This is similar to the pre-Games drop in tourism, as the years leading up to the Athens Games saw a decrease in tourism (2002-2003) because of disruptive building works and over-crowding fears according to the European Tour Operators Association (ETOA). Again, similarly to GDP, the effect of the increase in tourism spending cannot be used to offset the capital investments in the Games. Stevens (2008) in a study which took into account the ETOA report claims that:

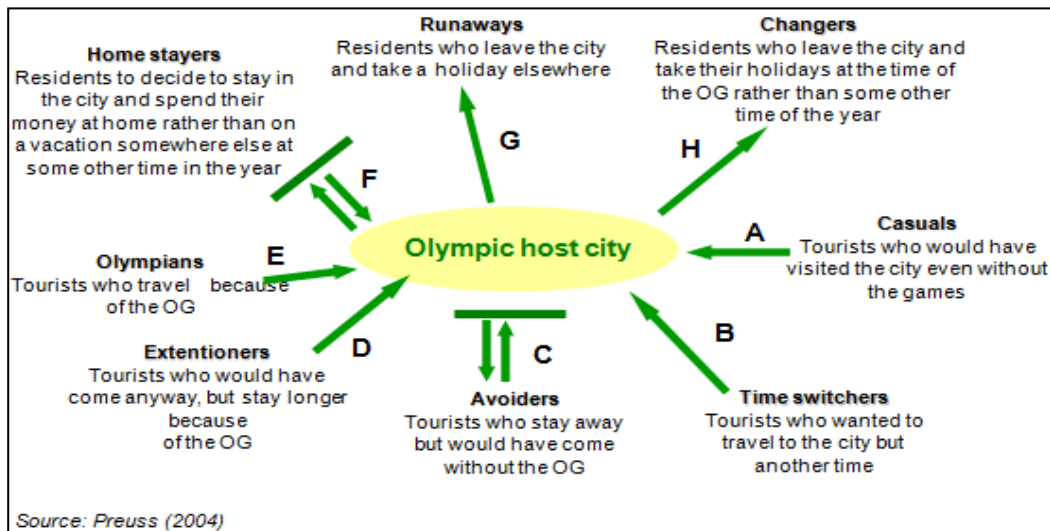
“Anticipated increased tourism levels were not based on any evidence to support such expectations and the statements of massive economic benefits were solely based around hope and illusions. As Olympiads are televised, the onus on spectators to travel to the host city itself is reduced. In fact, the costs of staging the Games are not recouped by tourism revenues and the attendant rise in travel costs and accommodation in the minds of travellers effectively deters them from visiting host cities before, during and after Games. The economic evidence presented shows that tourism revenues have decreased during these periods on the last five Olympiads, while the business case for staging the events always optimistically inflates the likely benefits.”

One aspect that characterises sports events is that it brings a horde of people who would in normal conditions not travel to the event host city. Generally, an Olympic host city would not be able to accommodate its normal visitors and the Olympic visitors simultaneously. Hence, during the Olympic period, the entire bed-stock of a destination is devoted to the travelling officials, the press and spectators (Blake, 2005). Unlike ‘regular’

tourists, these guests are not really interested in “tourism”; their concern is sport and hence their spending behaviours are of course different. If not in the stadia attending the sports, they will more likely watch the events on TV rather than going in other activities spending money on leisure or entertainment (Blake, 2005). When, normally we would expect higher revenue for touristic spots during the Olympic Games, it was a different scenario in Los Angeles, Barcelona and even Sydney. For instance, Theme park owners in Los Angeles registered a fall in their revenue during the 1984 Olympics, the Costa Brava resorts in Barcelona 1992 had a drop in demand and at the Sydney Games the normal attractions experienced a decline in their activity (Preuss, 2004).

An explanation to this phenomenon is that mega-events often trigger congestion and increased prices in the city staging them. As such regular visitors preferred to stay away or to go elsewhere; in a way they are scared by Olympic visitors. Figure 2 illustrates perfectly the trend of movement of visitors during the Games time. At B and C as shown in the figure next page, we have prospective tourists who are avoiding the city because of the Games. Nevertheless, though there is an inflow of tourists due to the Olympics (E), yet these people are not normal tourists; they come for the Games only, most of the time. Hence, the normal touristic attractions indeed register a fall in their business, in contrast to normal belief.

Figure 2: Movement of visitors during Games time

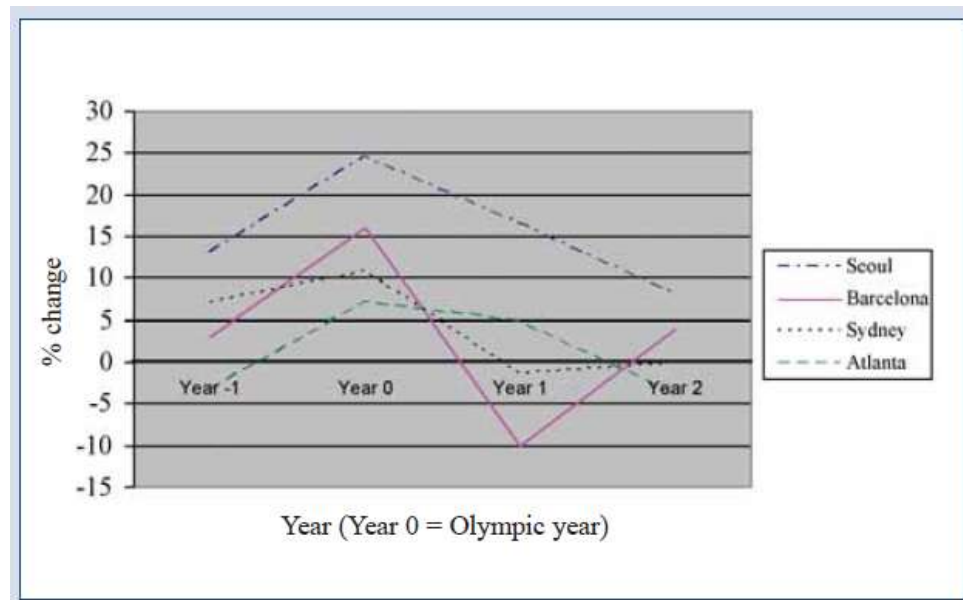


During the Olympic period, occupancy levels in hotels go up considerably, so do the average room rates, being occupied by the press and Olympic officials. For instance, Athens recorded a combined rate and occupancy surge of five times the normal figure (Deloitte’s Hotel benchmark Survey, 2004).

Several cities in order to be eligible for the Olympics, have built additional hotels. This is nothing than madness for a merely two weeks event. In 1996, despite the Olympics in Atlanta, the hotel occupancy in Georgia fell from 72.9% in 1995 to 68% (Owen, 2005). “Many hotels and restaurants reported significantly lower than normal sales volume.... Even shops and resorts in areas up to 150 miles away reported slower than normal business during the summer of 1996” (French& Disher, 1997).

On figure 3, we can see that the pattern in tourists’ arrivals is quite consistent throughout different Olympic host cities.

Figure 3: International visitor arrivals pre-post-Olympic Games



Source: Deloitte, 2004

As shown in the graph above, the Olympics cause a disruption in normal businesses operation. Before and after the Games, tourists tend to avoid the host city.

2.2.6 Total costs

To date, the 2008 Beijing Olympic Summer Games are recorded to be the most expensive ones in the history of the Olympics, with estimated cost to be over \$40 billion. The event was bigger in all aspects; it had more athletes and sports and an even greater media and sponsor presence than any previous Olympic event. In addition, the Chinese had to improve the environment and provide “cleaner and greener Games,” which of course resulted in increased costs (Cashman, 2002). Beijing’s enthusiasm to put on the most costly Olympics was merely to impress the world, one would say.

Adding oil to the fire, since the September 11th terrorist attacks on the World Trade Centre, the costs of security at the Olympics have risen drastically. Furthermore, the gigantic dimension of the Games leads to extremely high expenses from the host city; these are not only financial but also political and social. Although these expenses are very high, they are not included in the IOC’s definition of expenses as the latter considers only operating costs. The 1996 Atlanta Olympic Games total costs were amazingly relatively low nevertheless; it was approximately \$2.2 billion (Preuss, 2006). The reason behind these

low costs is that Atlanta in 1996 as well as Los Angeles in 1984 built nearly nothing as infrastructures. For example, the athletes stayed in student halls.

The IOC states that “all profits derived from the celebration of the Olympic Games must be applied to the development of the Olympic Movement and of sport” (Olympic Charter, 2007). This is a quite interesting fact and it is the reason why the IOC can exclude ‘certain costs’ from the total budget. Without including infrastructure and some other expenditure, the Olympics do not appear to be that expensive to host, but if all these are included, the financial cost of the Olympics inevitably rises up significantly. The host of the 1976 Olympics, Montreal, has been saddled with debt and only in 2006 did the city pay it off. Additionally, the Olympics usually fall short of their expected returns. The cost of the 2008 Beijing Olympic Games was approximately \$44 billion according to Sands (2009) and the estimated projection for the cost of the 2012 London Olympic Games is £9.3 billion or approximately \$17 billion.

When viewing financial statistics, it should be taken into account that many of these statistics are developed by the IOC, the organizers, or others who have an interest in making the Games look economically viable. Second, many statistics are pre-games projections, so they tend to underestimate cost overruns. Third, they are only estimates because they include both direct spending and presumed spillover effects, thereby creating misconceptions about effects of the Olympics on the host’s Gross Domestic Product (GDP). Generally, these biases are likely to lead to underestimation of the Games actual expenses and overestimation of the profits. However, they still are the only statistics available in some cases.

The infrastructure expenses for the Athens Games went over budget by about 30 per cent over original cost estimates, and yet this abrupt cost for the state in fact did not include all infrastructure expenditures (Rhoads, 2010). Along the thesis we shall discuss later the issue of exceeding the budget and not including expenses, but concerning the Athens Games, Socialists “accused the government of adding what it described as irrelevant costs – such as hospital renovations – to inflate the figures in an effort to make the opposition part appear incompetent” (Rhoads, 2010). This political manipulation makes it hard to accurately pinpoint the costs of the Games.

Table 1: Financing the Olympics from Munich to Beijing

Financing from Munich to Beijing			
Munich 1972 PUBLIC	19% OCOG revenues	31% government 50% Special means (lottery, coins, stamps)	DEBT \$893m gov+cities
Montreal 1976 PUBLIC	5% OCOG	95% special fin. means +public sector	Debt+interest \$ 2,73 bil until 2005/06 (taxes)
Moscow 1980	No available data. Financed by the communist state		
Los Angeles 1984 PRIVATE	100% OCOG	Citizens voted against public subsidies	Total cost \$684 mil Surplus \$380 mil
Seoul 1988 MIX	25% OCOG	53% public sources	Surplus of \$192 mil
Barcelona 1992 MIX	38% private finance	\$6,95 mil public money	Surplus of \$3,3 mil
Atlanta 1996 PRIVATE	OCOG built sport facilities	Rowing facility publicly financed	Total cost \$2,22 bil Financial surplus
Sydney 2000 MIX	43% OCOG	24,7% NSW, government 17,4% private sector	Total cost \$4,788 bil Deficit of \$45 mil
Athens 2004	2,0984 bil € revenues	Large public investment	Surplus of 130,6 mil €
Beijing 2008	BOCOG \$2 bil	Large public investment	Cost \$44,5 bil

Source: Preuss (2006)

2.2.7 Conclusion

The review of the literature above sets the context for this study. Public subsidies are normally required by Olympic host cities and therefore economic analysis is decisive to determine whether subsidies are justified or not. The Olympic adventure for an eventual host city in fact starts at the bidding phase where the public support is primordial because they are the ones that shall bear the costs or the benefits if any. The problem calls for an estimation of the entire economic benefit resulting from hosting the Olympic Games

On the surface, since there is a great deal of economic activity and money involved, it seems to the untrained eye that hosting the Olympics is a major boost to the host city's economy. After thorough analysis of where the money is coming from, where it is going, what the economic activity associated with the Games replaces, and what other options were available, the consensus that we come to is that the tangible economic benefits of hosting the Olympic Games may in some circumstances be somewhat transitory and small relative to their cost.

2.3 Political impacts of Olympic Games on host cities

2.3.1 Introduction

The staging of a mega-event of the significance of the Olympic Games usually has as its central constituent local, regional and central governments. The main reason for that is that the administration of such an event produces difficulties in covering the cost for the supportive infrastructure of the event or even for operating costs from tickets sales, sponsorship, television rights and so on, and therefore, governments' economic contribution is often required (Preuss, 2000). For instance, the cost of the sporting and supportive infrastructure of the 2000 Sydney Olympics was mostly covered by the government of New South Wales which, in addition, provided several economic bailouts to the organisers to cover their operating costs (NSW Government, 2001). Hall (1987) suggests that the decisions affecting the hosting of a mega-event grow out of a political process which not only involves the interests of political authorities, but also those of private, profit-oriented organisations. We shall examine these political impacts of hosting the Olympics to the host city in this section.

2.3.2 Political benefits

Politically, the Games in certain circumstances revealed to have had positive impacts. A study carried out by the organisation Metropolis (2002) cites as example South Korea where, with hindsight, we can see that the 1988 Olympic Games in Seoul launched the country on to the international scene and improved its position among the 'Asian tigers'.

Furrer (2002) argued that for the case of the 2008 Games in Beijing, the Games were meant to play a significant part in the opening up of the country to internationally-accepted practices in areas such as tendering procedures for major projects, true enforcement of laws and regulations, protection of intellectual property, establishment of new environmental management and assessment systems, etc.

OECD (2002) states clearly that on a micro-political level, the Games can also produce positive impacts such as new forms of public-private partnerships in leading major projects or acceleration of public investment decisions. In Athens for example,

unprecedented forms of cooperation among the public authorities and between the public authorities and the private sector proved to be one of the greatest benefits for Greece in the new millennium (Furrer, 2002). The latest management practices were also spread through public agencies, thus improving their efficiency.

The review of the above benefits of hosting the Games must however not blind us to the risks and pitfalls that exist along the path to success. Several questions remain open, as Preuss stated in his comparative analysis of Olympic legacies, “the question remains, however, of whether an alternative project would have led to a higher benefit level in the city and/or a socially more just distribution” (Preuss, 2000, p.100).

2.3.3 Political stance and inconveniences faced to world-wide exposure

The exclusive media coverage generated by the Olympics Games is an occasion to showcase political, economic, or other strengths of an Olympic Game host city or host nation to the World. Using that opportunity effectively, a city can build itself a reputation as a centre for world class citizens, as well as, for future sporting events, conventions, and tourism as pointed out in the previous section.

Berg points out that:

“Few outside the IOC share Coubertin’s views on the moral neutrality of political systems, or, indeed, the IOC’s view that politics has nothing to do with the Olympic ceremony. Instead, for the host nations, the Games represent an easy opportunity to conduct domestic and international politics without the distraction of being accused of doing so” (Berg, 2008).

Barcelona, Berlin, Beijing and Sydney are well-known cities which widely benefited from the exposure of the Olympics politically. Hosting the Games gave these cities the very coveted “global status.” The Olympics are a platform to affirm economic and political strength and look for opportunities. Houlihan (1994) indicates that “Sport is a mirror of society and consequently it is a reasonably accurate reflection of the prevailing ideology found within a particular state at a particular time. Hosting the Olympics can be a way of making a strong political point because of the intense media scrutiny that accompanies the Games.” Riordan (1991) states how during the Cold War both the Moscow 1980 and Los

Angeles 1984 Olympics were used by the USSR and USA to show their political and economic strength. Kim et al (1989) demonstrate that Seoul in 1988 used the Games to demonstrate South Korea's economic and political maturity. The Beijing Olympics in 2008 are seen by many, among Brajer and Mead (2003), as an evidence of China's acceptance into the global community and a way for the country to showcase its economic growth and acceptance of the West.

Nevertheless, being at the centre of media attention has its reverse side. While it showcases the strengths of the host nation, it also exposes its weaknesses. For the Beijing 2008 Games, for instance, international media depicted China's politics in Tibet and its lack of respect for human rights (Wachman, 2008). The regular portraying of the Chinese Government as a trespasser of human rights, eventually led to protests that occurred during the beginning stages of the Games. These riots flawed the Torch Relay, which shined a negative spotlight on China's political system.

Berg (2008) states: "Sport may be the style of the Olympics, but nationalism and geopolitics are the content." A great example illustrating that very saying is the boycott of the 1980 Olympics. For the Moscow Games, there were only 80 nations that sent athletes for the competition (The Olympic Boycott, 1980, 2009). In fact the politics of the Cold War were subject to great controversy by international media and led eventually to a massive boycott of the event. The attention derived from the Olympics exposed the politics of the Cold War.

Perhaps based on the context that mega-events allow for the opportunity to regenerate a city, politicians from struggling Third World countries also adopt a strategy that favours hosting events such as the Olympic Games. They see in that mega-event strategy a political and strategic move for long-term growth opportunities. However, this is a wrong political policy. Studies tend to show that "the prospects of mega-sporting events are even worse for developing countries. The opportunity costs of providing state of the art facilities are much higher and lack of modern infrastructure requires significant additional investment" (Owen, 2005).

Moreover increasing exposure may expose the country to boycotts or terrorist attacks, such as when Israelis were kidnapped during the Munich Games in 1972 (Toohey, 2008). Such happenings will definitely cast a negative image on the city and be rather to its detriment instead of being the so awaited blessing.

2.3.4 National & local politicians and national pride

Berg (2008) states, “At their best, the Olympics are a government supported circus provided by politicians from democratic countries who want the world media to flock to their most attractive city.” Politicians are always in the front line of the Olympic Games. They claim loud that their involvement is disinterested and that their aim is just to foster national pride during the Games, but nobody is that dim-witted to not see that the major reason they are doing so is merely political. Berg further declares that “...first and foremost, the Games are designed to shine glory upon nations that hold them. National politicians and Governments use the Olympics to achieve their individual or national goals” (Berg, 2008).

Finally, an additional political application of staging a mega sporting event is what Ritchie (1984) refers to as a micro-political factor. This applies to the desire of individuals to utilise the visibility offered by the involvement with an event with a view to enhancing their careers in both political and non-political arenas. Indeed, politicians who are involved in the organisation of prestigious sporting events, such as the Olympics, have the opportunity to improve their political image by associating themselves with the event, as well as to develop their public relations through contacts with sporting authorities and commercial organisations involved in the event. The case of the President of the Sydney 2000 Organising Committee, for instance, who retired from politics after the Games and is now working for the International Olympic Committee, might be seen as such an example. Another perfect example of utilising the Olympics for political move was by Peter Ueberroth who ran the 1984 Los Angeles Olympics and then became commissioner of Major League Baseball and contemplated running for governor of California afterwards. Similarly, Mitt Romney used his success with running the 2002 Salt Lake City Winter Games to garner media attention for his Presidential campaign in 2008 (Balz, D. and Johnson, H., 2009, p.239).

2.3.5 Conclusion

The Olympic Games can be seen as a tool for individual or national image building. The impact of the Olympics politically can be beneficial as it helps the host city in some circumstances to affirm its presence on the international platform as for Seoul or it triggers political reforms as for Beijing when placed under the spotlights. On the other hand the Olympic Games may also be politically detrimental to the host city spoken. In fact, it is a double-sided weapon; it not only exposes the political strengths of the country but it may also point out its political weaknesses. Needless to say that a country with controversial political policies may find itself endangered economically; if wrong doings are exposed to the international community, the country may be inflicted economic embargo. Thus presenting the political impacts of the Olympics on the Olympic host city/country, we can very well conclude that the political issues may outweigh the Olympic tangible benefits for a host city if the image conveyed by the latter is not according to international expectations. A bad image projected through the Olympics which have an international exposure, may reveal to be very costly on long-term to a host city; it would be like a negative etiquette that the city would have to struggle to get rid of.

2.4 Social impacts of the Olympic Games on host cities

2.4.1 Introduction

To be able to bid for the Olympic Games, a city must have public support. The bidding city needs arguments to build this support. The question is, whether these arguments or projected benefits put forward by the organisers are real or exaggerated. This section shall assess the social impacts of the Olympic Games. A perfect illustration of study of social impacts of Olympic Games on its host cities was Mihalik and Simonetta (1999) study about the host population's perceptions of the 1996 Atlanta Olympics. The investigation was published in 1999 and focussed on the area of support, attendance, benefits, and liabilities. The research concluded that although citizens believed that the Olympics brought international recognition, enhanced Georgia's image, increased citizen pride, financial benefits, tourism and an Olympic facility legacy, there were also some associated quandaries. These liabilities included traffic congestion, price gouging, law enforcement strain, increased crime, unfair distribution of resources, civil unrest, the bad

attitude of tourists, the bad attitude of residents, and increased risks of terrorism (Mihalik & Simonetta, 1999). Next we are going to identify some taken for granted benefits of the Olympics and discuss in line with past literature review whether these so-called advantages are real for the community of the host cities.

2.4.2 Increased citizen pride

Waitt and Furrer (1999) demonstrate how hosting the Olympic Games can create a sense of enthusiasm and pride among the host population and give a sense of community and unity which can even transcend social and ideological divisions. It will foster the nationalism fibre, this is an argument often put forward when staging the Olympics. But, can we guarantee that a city will experience a 'feel good factor'? In Athens many of the events had empty seats as the Greek team failed to do well enough to capture the local imagination. Where tournaments and games have successfully created a 'buzz' it has been because the host nation has done well (England reached the semi-final of Euro 96, France won the World Cup in 1998) and there was a successful hosting of the games. The fact that this 'feel good factor' can be still achieved if the team is winning on the other side of the world means that there is no need to host the Olympics in order to get it.

2.4.3 Enhanced international profile

A host city is expected to receive extensive media coverage before and during the Games. Usually a few years before the Games, reporters start to broadcast and write stories about the host city. In the weeks prior to the Games, the torch relay generates further media attention. The competition events, and the opening and closing ceremonies eventually put the host city under the media spotlight.

The host city can make use of the publicity received during the games to enhance its international profile. Yet, the converse also applies: a poorly staged event can have a negative impact on the image of the host city. For example, the Atlanta 1996 Olympic Games received a lot of negative media coverage because of its failure to complete the entire transport system on schedule (Houlihan, 2003). The Atlanta Games received further bad publicity when the computerised results system malfunctioned in the first few days of the Games. Furthermore, there is always the possibility that the Games may not be

sufficiently unique or exciting to attract enough visitors or to generate significant positive publicity to boost the host city's tourism/convention business (Burbank et al, 2001).

The increased attention may raise some risks. Some examples of when these risks came to fruition and caused disaster, are the 1972 Olympics in which Israelis were killed and the 1996 Atlanta Games' bombing. Some people use the international interest hoisted by the Games, to attract attention on their ideologies by committing impaired actions (Toohey, 2008)

2.4.4 Cleaning up the local environment

Furrer (2002) states that while concerns for an environmentally friendly way of planning and organising the Games have taken far more importance over recent years, it must be set against the danger of promoters and Games organisers using such mainstream "Green Games" notions for the sake of good reputation only. The concept may be a "greenwash" marketing tool just like the concept of "ecotourism" became in the follow-up to the 1992 Rio Earth Summit; in fact it is most of the time not really implemented or at least it is started but does not last.

The adoption of Agenda 21 by the Olympic Movement was examined during the third IOC World Conference on Sport and the Environment in Rio in 1999 and was approved by the IOC Session in Seoul in June 1999 (International Olympic Committee, 1999). The Olympic Movement Agenda 21 establishes an action programme allowing members of the Olympic Movement to play an active part in promoting sustainable development, particularly in relation to sports activities. Concrete recommendations are given in the area of environmental sustainability such as the use of fewer non-renewable resources, the adoption of energy saving solutions, the use of fewer dangerous products and the release of fewer pollutants into the air, water and soil, as well as the need for an environmental impact assessment to be conducted before and after the event. Also, infrastructures created must be safe in terms of the quality and durability of materials and resistant to attack or natural disaster. The International Olympic Committee (1999) also requests from now on accommodation suitable for healthy living that allows economical use of natural resources.

However, the principles of the Olympic movement Agenda 21 are wider than just the environmental considerations. The aim is also to increase involvement of the local population, improve the socioeconomic and health benefits they derive from hosting the Olympics, strengthen international cooperation projects for sustainable development, help combat social exclusion, encourage new consumer habits, promote a sports infrastructure which is even better adapted to social needs, and further improve the integration of development and environment concepts into sports policies (International Olympic Committee, 1999; Furrer, 2002). The implementation of such recommendations is proving more challenging than envisaged, as was the case for Agenda 21 in general. Also, it is important to note that the Olympic Movement's Agenda 21 does not really address the challenges of the Games preparation and organisation. It was meant for members of the Olympic Movement and their regular activities.

A significant turning point in the "greening" of the Games took place in 1993 when the Sydney 2000 Games Bid Committee released the *Environmental Guidelines for the Summer Olympic Games* prior to winning the right to host the Games of the XXVII Olympiad (NSW treasury, 2001). These guidelines not only served as a great selling argument by convincing many IOC members to choose Sydney as the host city, but also guided much of the Games planning and preparation as well as produced an environmental legacy for all future editions of the Olympic Games.

Dubbed the "Green Games", the Sydney 2000 Olympic Games were the most ecologically responsible in history. Various environmentally friendly technologies and processes were incorporated into the planning and operations stages. Widespread use of solar energy at the Olympic Village and low emission public transport were but a few examples (Cashman, 2002). These Games were used as an innovative platform to showcase some of the latest developments in green technologies.

The transformation of the Homebush Bay area from a polluted, industrial wasteland to a revitalized complex of venues, wetlands and parklands by the NSW State Government is one of the most notable environmental achievements, and legacies, of the Sydney 2000 Olympic Games (Hockey, 2000).

The genuine commitment and full integration of environmental concerns paved the way to success as well as a partnership approach which emphasised education, training and communication (Doikos et al. 2001). On World Environment Day 2001 the United Nations awarded Sydney the Global 500 Award for environmental excellence. Even the hard to please green movement gave grudging praise. Indeed the adoption by the Sydney organisers of the “Environmental guidelines for the Summer Olympics” has established a new and high standard of environmental performance for future major events. According to Kazantzopoulos (2002), setting its strategy within the framework of the Olympic Movement’s Agenda 21, the Organising Committee of the Olympic Games Athens 2004 also resolved to use the Games as a material demonstration of environmental sensitivity and environmental practice before the Greek and the international society.

Violand (2009) states that the Olympic host cities kept their environment clean only for a short time that is, before, during and after the occurrence of the Olympics. He uses Beijing as the perfect example for such case. “New Satellite Data Reveal Impact of Olympic Pollution Controls”, the title of his article put out on NASA’s website states NASA found that:

“The emission restrictions had an unmistakable impact. During the two months when restrictions were in place, the levels of nitrogen dioxide (NO₂) - a noxious gas resulting from fossil fuel combustion (primarily in cars, trucks, and power plants)—plunged nearly 50 percent. Likewise, levels of carbon monoxide (CO) fell about 20 percent” (Violand, 2009).

The same article published that “after the authorities lifted the traffic restrictions, the levels of these pollutants shot right back up.” Though the cleaning up of the environment is not a waste of money, yet it is not free. Not surprisingly, Beijing spent billions of dollars doing just this in the seven years prior to the Olympics.

Overall, the perceived benefit of the Olympics influencing the improvement of the local environment is indeed beneficial even though temporary. However it should have been a sustainable effort. If to create the “Green Games”, it costs an astronomical sum of money and no follow-ups are done after the Games because of the huge amount of money it

requires, then the benefit is only provisional. Additionally, the actual occurrence of the Olympics can do more harm to the environment as it involves building infrastructure, creating a large amount of carbon monoxide emissions, as well as waste.

2.4.5 Local residents increased interest in Sports

A commonly believed benefit gained through hosting the Games is the increased interest in sports by local residents. Studies have failed to verify this belief and have only found that the Olympics increase the interest in sports of only those citizens already interested and this for a short while only. After the Olympics, there is no sustained rise in mass sports participation (Downward & Ralston, 2006).

In 2002, the Australian Sports Commission published a report on the impact of hosting the Sydney 2000 Olympic Games on sports participation and volunteering in Australia (Ford et al, 2001). The report depicted, among other things, the impact of the "trickle-down" effect on active participation by the community (as a player) in sports and physical activities. The trickle-down effect suggests that the performance of medal winners at the Games would directly affect the behaviour and attitudes of ordinary Australians, resulting in their active participation in sports and physical activities. However, the report found no evidence to support the trickle-down effect in the long-term, although the Games might have had some impact on active participation in sports and physical activities by ordinary citizens in Australia in the short-term.

Although the belief that the Olympics increase local residents' interest in sports on long-term is unfounded, it has been named one of the major commitments of the London Games (Mayor of London; Great London Authority, 2008). This will certainly be hard to follow through, as studies have failed to find that the Olympics inspire people to get in shape; it seems comparable to the "new year's resolution effect" of getting fit, where many people commit to the gym for the week of January 1st, but few of those same people return after a month's time.

2.4.6 Olympic legacies or over- indebtedness of host city

The Olympic Games indeed leave considerable legacies to their host cities. However, not all legacies are either positive or negative. While some legacies do benefit the local community some are to their detriment. The Olympics can lead to an over-indebtedness of its host city and the most interesting fact is that tax payers are the ones who have to pay for it (Cashman, 2002). This statement is based on four facts:

- (i) the investments necessary to host the Olympics
- (ii) the experience of Montreal 1976 when the costs of the Games exceeded the calculations because of unexpected investments, strikes, wrong calculations, etc
- (iii) the contribution of Athens 2004 Olympics to the sparkling Greek economic crisis
- (iv) the investment patterns of London 2012.

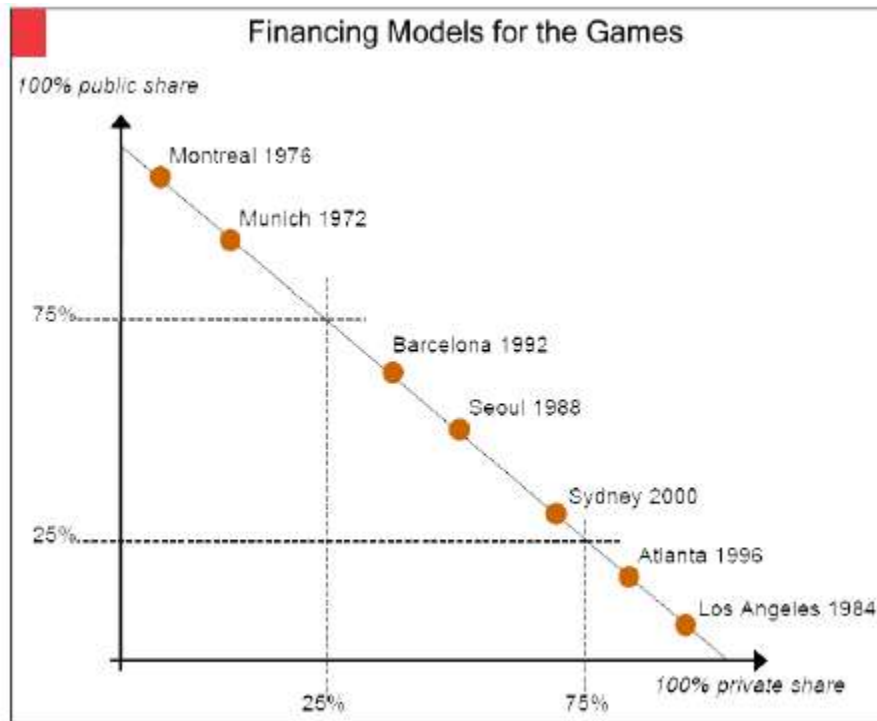
"Les Olympiques n'auront pas plus de déficit qu'un homme peut avoir un bébé."

(Translation: The Olympics can no more have a deficit than a man can have a baby.)

Montreal Mayor Jean Drapeau, January 23, 1973.

Three decades later, the enormous debt left by the 1976 Olympic Games became legendary. Montreal's tax payers were still paying off their share for their Olympic fantasy until recently. HA (1996) mentions a special tobacco tax that was imposed to balance the deficit. The situation turned that critical because of the fact that the Canadian state did not back the city of Montreal financially. A written guarantee was even made on that purpose, stating that the federal government would not be called upon to absorb the deficit or to assume interim financing for organisation (Organising Committee Montreal, 1976, p.55). The OCOG thus found itself on its own to finance the hosting of the Olympics - with only the support of the city. In the end, the private revenues of the OCOG amounted to a mere 5% of the means required. The remaining 95% were provided by special financing funds and the public sector organisation (Organising Committee Montreal, 1976, p.59) as shown in figure 4.

Figure 4: Financial Models for the Games



Source Preuss (2004)

The city of Montreal alone as official guarantor had to cover the deficit of US\$ 2,029m in a staggering contrast to Mayor Drapeau's misjudged statement (Preuss, 1998, p.22).

The 2004 Olympics were also in some sense a source of trouble to its host community. Some 60 projects were planned. As well as the competition facilities, athletes' village and media centre, there were proposed roadways, urban tram and suburban rail links; much of the city's rich architectural heritage was to be cleaned and/or restored (including the removal of unsightly, and often illegal, advertising billboards), and the city centre was to be made more pedestrian-friendly with new walkways (Beriatos, 2006, p.7). Some derelict areas were to be rebuilt, and the city was to be 'greened' with new parks which were to be planted with trees and shrubs of Mediterranean origin (and therefore low water demand).

Though these projects benefit the Athenians massively till now, due to their extensive amount, as well as chronic implementation issues, the final cost of the Athens Olympic Games went well over the forecasted original budget (London Assembly, 2007).

While multiple factors contributed to the 2010 debt crisis in Greece, opponents of the Games have blamed the 2004 Athens Olympics as a major catalyst. Their argument is that the Games marked the start of Greece irresponsible spending, sending the country down a dangerous spiral (Gatopoulos, 2010). This accusation drew negative attention to the Games and called into question the economic rationale of host countries.

In 2008, however, it was reported that almost all of the Greek Olympic venues had fallen into varying states of disrepair and that the annual cost to maintain the sites was estimated at £500 million (Pakistan Daily Times, 2005). Nearly eight years later, more than half of the Olympic sites sit idle, including facilities for table tennis, judo and field hockey, as well as a man-made canoe and kayak course. Legal challenges and planning regulations have stalled deals to convert several of the Olympic venues into recreation sites. Plans for post-Olympic use of venues were later ignored or stalled, including plans to turn the canoe-kayak venue into a water park. Consistent with recent literature in this area, Kasimati and Dawson (2009) considered that whilst the impact effects were quite strong during the preparation phase and the year the Games took place, the long-term economic legacy effects appear to be quite modest.

According to an estimate by the U.K. newspaper The Independent, for the 2004 Games, Athens “went so far in the red that the bills are still being paid, amounting to the equivalent of \$70,000 per household” (Gatopoulos, 2010). International Olympic Committee president Jacques Rogge publicly said linking the debt crisis to the Games was “unfair.” Considering the scope of Greece’s problems, it is difficult to argue that the Games were a central factor behind the Greek financial crisis. While the total cost of the Olympics reached \$11 billion, this amount is minor compared to the \$382 billion in public debt Greece had accumulated in 2010 (Hack, 2012). Nevertheless, the Olympics remain a target of criticism and public resentment. It will be irrational to argue that the Olympic Games were an important factor behind the Greek financial crisis but they nevertheless contributed modestly to the problem (Zimbalist, 2009).

For London 2012 Olympics, due to the severe economic crisis the world is going through, the huge investments made by the Londoners may leave a bitter taste to the UK. In the bid process, the budget to stage the Games was estimated to be about £4.036 billion (Evans, 2010). However by 2007, the initial budget was revised to hit up to a substantial £9.345 billion (HoC, 2008). The fact that the London Games failed to raise funding from the private sector resulted into more investments from the public sector as stated by the National Audit Office (2007). Public funding was allocated to specific elements of delivering the Games, principally the venues and other facilities, and policing and wider security. The danger with the public sector investing massively is that UK bears the risk of overloading, in this time of economic recession, its citizens with tax (Cohn, 2005).

2.4.7 Removing current residents from their homes

The building process of the Games very often involves evacuating citizens from their homes. Normally the latter receive a compensation for the trouble. Nevertheless, citizens who are evacuated are unfairly compensated, if at all. A paper published by Berg said that the BOCOG (Beijing Organizing Committee of the Olympic Games) claimed that only 6,000 citizens had to be evacuated and were appropriately compensated; however, “the Geneva-based Centre on Housing Rights and Evictions said that since 2000, 1.5 million people had been displaced by Games related building in Beijing” which is far more than the 6,000 claimed by the Chinese government (Berg, 2008). Actually, there was no protest at all behind this matter because of the nationalistic unifying discourse of the people to schedule the best Olympics ever (Sweeney, 2009).

For the 1996 Atlanta Games, 9500 units of affordable housing were lost and \$350 million in public funds were diverted from low-income housing, social services, and other support services for homeless and poor people to Olympic preparation during the period from 1990 to 1995 (Malfas, Theodoraki, & Houlihan, 2004). For these Games, “15,000 residents were evicted from public housing projects which were demolished to make way for Olympic accommodation” (Malfas, Theodoraki, & Houlihan, 2004).

The Seoul Games of 1988 resumed the role of the Olympics as a vehicle for urban change with positive achievements. Nevertheless, the dark side to the redevelopment boom and other rapid preparations that were made for hosting the 1988 Olympic Games, were the

immediate cause of an increase in evictions, as the strict time horizon led to the adoption of the 'joint redevelopment' model (ACHR, 1989).

In this line, for London 2012, the construction of the Olympic Park led to the eviction and relocation of the host community as well as of the Travellers community (Ryser, 2010). Overall, this just shows that the Olympics may have a devastating effect on the lives of host city citizens even nowadays, as many might be forced to vacate their homes for little or no compensation, to make way for Olympic facilities.

2.4.8 Rises in housing costs

Shaw (2008) clearly stipulates that Olympic host cities usually see rises in house prices due to an expectation of inward investment, a belief in regenerative abilities of the Olympics to change the neighbourhoods around it, value and kudos accruing to the Olympic area as a site of some symbolic worth, and a process of gentrification in areas surrounding the Olympics.

Just how much house prices rise and why they might do so is a matter of some debate. Most analysts seem to agree that the rise in house prices puts pressure on the local market, some are divided on whether this is a good thing or not, perhaps caught in the uncertainty offered by the regeneration-gentrification paradox (Preuss, 2000). Affordability is the major loser here.

However, rising house prices are problematic because they tend to have an impact on the prices of private rentals and the propensity of socially registered landlords to continue to rent their homes to social tenants. Private rentals are more lucrative, especially with rising rent costs in an area. It has been found that even if rises in house prices cannot be linked to the Olympic Games without question, there are considerable rent rises in the local area in the lead up to the Olympics and during the Games (Preuss, 2004).

The impacts of these rises are short term and long term:

Short term: landlords evict tenants because they seek to make money out of short term higher rents during the event (grossly exaggerated weekly rents)

Long term: the price of rents may escalate as a result of increased interest in the area.

People do not just displace to cheaper accommodation elsewhere because of these pressures; instead it has been shown that homelessness rises because of them (Shaw, 2008, p.215).

2.4.9 Unfair costs (taxes for private facilities, security restrictions, traffic congestion) to the host community

Preparing for the Olympics brings about construction which, at times, closes off local tourist attractions that current residents enjoy, such as what occurred in Sydney in 2000. Construction of the Bondi Beach Volleyball Stadium had closed off a popular surfing beach in the area for six months (Cashman, 2002). In addition construction of the Ryde Pool closed a public pool for two years, and a public park was converted into a private leisure facility (Cashman, 2002). This is rather unfair to local residents and forces the taxpayers to bear an unfair burden. Additionally, heightened security for the Olympics brings about another issue for local residents. Overcrowding in certain areas occurs and many times there are restrictions on where citizens are allowed to drive or visit, again placing an unfair burden on local residents (London Borough of Newham, 2009). In addition, with the increase in tourism comes a negative side effect—the congestion of traffic as Cashman (2002) mentions in his paper. This occurs during the pre-Olympic phase, especially during the occurrence of the Olympics, and likely continues for a while after the conclusion of the Olympics.

2.4.10 Inflationary pressure

According to some studies, the residents in the host city may experience higher cost of living resulting from the inflationary pressure generated by the Games related expenditure (Kasimati, 2003). The magnitude of inflationary pressure depends on the macroeconomic environment of the host city when the Games-related expenditure is incurred. If the economy is operating at full capacity, the additional demand created by the Games-related expenditure will fuel the inflationary pressure. Otherwise, the Games-related expenditure should lead to increased economic activities with little impact on the general price level.

2.4.11 Conclusion

As we have seen even some perceived benefits such as increased citizens pride, increased attention, cleaning the environment and increased interest in sports of the local community, are not that pragmatic and can be quite contentious. On the other hand we have clear-cut inconveniences of the Olympics on the community socially such as over-indebtedness of the city, removing residents from their home, increase in housing costs, absorption of unfair costs by the community and potential inflationary pressure. Overall, when the social benefits of hosting the Olympics mega-event are balanced against its drawbacks, we can conclude via this chapter that the drawbacks outweigh the benefits though the public infrastructural legacies may weigh quite much in the balance. Scholars who are aware of some or all of these issues have argued that cities should perhaps conduct social impact assessments and public consultations before submitting their city's bid (Cashman, 2002).

2.5 Ex-ante studies

2.5.1 Introduction

Since the 1984 Los Angeles Summer Olympics, economic impact studies have been systematically undertaken prior to any Summer and Winter Olympics. To fully grasp the strengths and limitations of these assessments, a theoretical account of the methodology that they commonly use is needed. Studies conducted prior to the event involve simulations, which can be done through two different, but related methods: the use of input output tables, referred to as I-O modelling, and the Computable General Equilibrium method, or CGE modelling.

I-O modelling, through the use of input-output tables (national and regional accounts), captures the interactions between the different industrial sectors of an economy, and is widely used to simulate exogenous shocks on an economy. "Once the interdependencies between sectors have been quantified it is possible to estimate the effect of any change in final demand on the entire system" (Armstrong & Taylor, 2000). Various calculations involving the so-called Leontief inverse matrix eventually provide a series of multipliers quantifying the overall impacts of an exogenous final demand shock in one or

several industries on employment, GDP and income (and lately on carbon emissions, see McGregor et al, 2005) in the whole economy, first through the supply chain effect (“Type 1” multipliers), and then through the consumption of the additional income generated (“Type 2” multipliers).

By treating the Olympics as an exogenous demand shock, three types of impacts (direct, indirect through the supply chain and induced through additional consumption) are therefore quantified, and then aggregated, giving a single employment and GDP change figure. A large number of such studies have been conducted prior to sporting events. The most commonly referred to are:

- The 1984 Los Angeles Olympics impact study (Economic Research Associates, 1984) which anticipated an additional \$2.3bn of output and over 74,000 jobs created
- The Humphreys & Plummer economic impact study (1995), which estimated the overall impacts of the 1996 Atlanta Olympics to \$5bn of additional output and over 77,000 job creations in the State of Georgia
- The KPMG study (1993) on the economic impacts of the 2000 Sydney Olympics estimated the event’s potential effects to \$7bn of additional GDP and 11,000 jobs for Australia.

Though practical, meticulous and insightful, the I-O analysis has a number of limitations. These include the irrational hypothesis of a constant returns production function, economies of scale not being allowed for. In I-O analysis, the supply side of the economy is considered as totally passive, i.e., different microeconomic behaviours are not considered and it fails to account for price adjustments, and resource constraints.

The General Computable Equilibrium approach, which is also derived from national and regional accounts, overcomes some of the above shortcomings by incorporating a much wider range of variables in the analysis. The complexity of CGE models is well captured by the “27,500 equations and 50,000 variables” contained in the New South Wales Treasury impact study of the Sydney Olympics (NSW, 1997, p.20). “GCE models try to capture a wide range of economy wide interactions between a variety of economic agents and

institutions. Given some behavioural assumptions with respect to those economic agents and institutions and with respect to the functioning of markets, they are used to determine relative prices and quantities produced and consumed, and the distribution of income” (Mercado, 2003). CGE analysis allows for dynamic modelling, simulating the economic impact of demand or supply side shocks over time, and running sensitivity analysis making different assumptions on the baseline parameters.

The I-O analysis mentioned above being only a particular case of general equilibrium, the CGE analysis is clearly a “superior theoretical framework to the former, taking into account variables such as financial and balance of payment constraints and price responsive behaviours” (Madden, 1999, p.8). Issues such as diversion and displacement effects, often ignored by impact studies, are here automatically taken into account in the model. However, the first studies involving CGE modelling to assess the potential impacts of sporting events were conducted in the late 90s, with the first such study assessing the potential impacts of the Sydney Olympics published by the New South Wales Treasury (1997). After splitting the 12-year simulation period into three different blocks (Pre-Games phase, Games Year and Post-Games phase), it estimated the potential impact of the 2000 Summer Games to over \$6bn of additional GSP (Gross State Product) in net present value, and 8,000 jobs generated on average over the time period considered, with a peak of 24,000 in the Games Year, with those impacts being almost entirely located within the state of New South Wales.

In 1999 Arthur Andersen, the financial advisor to the Sydney Organising Committee for the Olympic Games, requested John Madden (CREA, University of Tasmania) to undertake another impact study of the 2000 Sydney Olympics, using a similar theoretical framework as the NSW Treasury a couple of years earlier, but with new updated trends and variables provided by the Organising Committee. Madden estimated those impacts to \$6.5bn of additional GDP generated in Australia by hosting the event, about 5,300 jobs created in an average year over the period 1994-2006 in New South Wales, and over 7,000 in Australia, also flagging up the fact that the overall impact of the Games would merely add a 0.12 percentage point to national GDP on average over the 12-year period, and 0.25 percentage point to State GSP.

Seven years ago, Blake (2005) undertook an impact study based on the same methodology to assess the potential effects of the 2012 Olympics on the UK economy. He concluded to a potential impact of nearly £2bn of GDP generated over the 2005-2016 period, among which over £1bn should be concentrated in 2012 alone, and over 8,000 jobs created in an average year. His sensitivity analysis, although not leading to pessimism, raises potential risks related to the huge infrastructure costs during the Pre-Games period, and uncertainty over the legacy effect.

2.5.2 Limitations & criticisms of ex-ante studies

However robust and sound the methodologies employed, ex-ante studies have been much criticised in the past for overestimating the economic and social benefits that the Games would produce for the host city and its region. The reason for that is that ex-ante studies face three types of issues: they make assumptions concerning the size of the exogenous shock which are based more on the city's hosting capacity than empirical evidence from previous Games, they demonstrate theoretical failures by omitting many variables, and they suffer from an optimistic bias designed to sell their location to the IOC and the local communities.

Matheson (2006) rolled out a non-exhaustive list of the many variables and factors that ex-ante simulations fail to consider when assessing sporting events' economic impacts, even when building their analysis on complex models carefully elaborated. Putting aside the obvious shortcomings of studies that are sometimes purely fabricated or those relying on overly optimistic anticipations on the number of the visitors expected, many effects are extremely difficult to observe and therefore usually ignored by ex-ante studies.

Even when substitution factors are taken into account through the introduction of price responsive behaviour, other forms of displacement are not. Matheson (2006) and Preuss (2004) mentioned the local residents who spend money on attending an event which they would have spent elsewhere had the event never taken place, the "casual visitors" who attend the sporting event while visiting the city and who would have spent this money on catering or souvenirs in a different context, and visitors who engage in "time-switching", changing the dates of a trip which they would have bought anyway.

Similarly, roads and pavements' congestions during the Games deter many visitors from the very lucrative business class from visiting the city during the event, which was clearly in evidence during the 2002 World Cup organised in Japan and South Korea (Golovnina, 2002). Moreover, Matheson (2006) points out that the leakages which input-output tables normally account for, might be bigger during the Games, since the inter-industries relationships which normally regulate the national or local economy might well be disturbed by a sporting event of the size of the Olympics; price distortions to take advantage of the happy tourist can be one among many possible sources of disturbance.

Running a simulation based on models built on historical experience is an important source of bias. The shortcomings listed above, rather than being voluntarily ignored, actually result from their problematic quantification, and therefore the difficulty in including them in econometric simulations. However, other darker forces also exert an influence in biasing benefit figures upwards prior to organizing, or even prior to bidding for hosting the Games. Those forces are essentially political.

Although the bribing scandals that stained the 1996 Atlanta Olympics and the 2002 Salt Lake City Winter Games are probably the most infamous examples of how far politicians are willing to go to convince the IOC that their city is the best choice, economic impact studies are not immune to the irrationality surrounding the bidding process. Most ex-ante studies are conducted to support cities' bids (KPMG, 1993) or on the request of the Organizing Committees (Economic Research Associates, 1984; NSW Treasury, 1997). The former are eager to demonstrate the financial feasibility of their project, while the latter are tempted to inflate the benefits that the event might generate for the local communities, to provide a justification for the £billion of taxpayers' money spent on gigantic sporting facilities which are extremely unlikely to be used at full capacity after the Games are over. "Cities contemplating Olympian expenditures would undoubtedly find useful a dispassionate appraisal of economic benefits to assist them in formulating a representative bid" (Baade & Matheson, 2002).

This issue has been raised by a number of academics, since "The Misuse of Regional Economic Models" (Mills, 1993) until nowadays. Matheson (2006) clearly highlighted the fact that such misuse was not exclusively reserved to the Olympic sphere,

but rather spread across the “mega sporting events economics”, listing a number of impacts studies related to or commissioned by the Federation of International Football Association (FIFA), the National Basketball Association (NBA), or the US Open tennis tournament in Flushing Meadows among others, all of which of a rather doubtful integrity. “Of course, leagues, team owners, and event organisers have a strong incentive to provide economic impact numbers that are as large as possible in order to justify heavy public subsidies” (Matheson, 2006).

This has often led to shocking discrepancies between city officials’ expectations, and actual post-events economic effects. The case of the Norwegian city Lillehammer, which hosted the 1994 Winter Games, illustrates particularly well the consequences that such irrational hopes can trigger. Jon Teigland (1999) pointed out that “after hosting the 1994 Winter Olympics, the Norwegian national and local authorities expected a ‘big boom’ in tourism; the actual effects have been less than, and different from, the predictions, and 40% of the full-service hotels in Lillehammer have gone bankrupt” (Teigland, 1999).

Nevertheless, asserting that hosting a major sporting event actually has negative impacts on the host city’s economy would be depressingly gloomy. The fact that major sporting events’ positive economic impacts are often overestimated does not mean that there are none. It simply implies that more research should be undertaken into the field of post-events economic impacts, relying on actual facts and data rather than necessarily uncertain assumptions, and using sophisticated econometric techniques in order to dissociate those regional impacts from the “natural” path observed elsewhere in the country and unrelated to the event itself.

2.6 Ex-post studies

2.6.1 Introduction

The generic term often used to describe post-Games effects on the host city and its region, the “Olympic Legacy”, is a multi-dimensional expression, as it includes economic, social, sportive, environmental, touristic, fiscal or infrastructure-related impacts. Ferran Brunet (1993, 1995, and 2002) was among the first scholars to empirically assess this legacy, focusing his work on the 1992 Barcelona Games through a number of successive studies, though none involved econometric modelling. Among many other things, such as urban transformation and improvements hotel capacity, Brunet reckons unemployment dropped by more than half in Barcelona between six years before the Games, in 1986, to the Games years 1992 (from an all time high of 128,000 to just over 60,000); the city’s unemployment rate decreased from 18.4% to 9.6%. “The average annual effect over the 1987-1993 period of Barcelona’92 was employment for some 59,328 persons. From this we can conclude that at least 88.7% of the reduction in unemployment registered in Barcelona between November 1986 and July 1992 (66,889 fewer unemployed) was due to the Games” (Brunet, 2002, p.9)

In the following years, however Brunet (2002) notices a rise in unemployment, although of a moderate amount, therefore not bringing the unemployment rate anywhere back to its 80s level. He attributes this to an improved efficiency of the regional economy, mainly due to major public and private investments in infrastructures during the years leading to the Games.

Baade and Matheson (2002) explored the employment impacts of the 1984 Los Angeles Games and 1996 Atlanta Olympics respectively. Using Metropolitan Statistical Area (MSA) data for fifty seven cities across the US between 1969 and 1997, they elaborated an econometric model that attempts to isolate the Games impacts from the natural economic path of American cities throughout this period, using a dummy variable for the “Olympic effect”. Positive and significant coefficients were found for both the Los Angeles and the Atlanta Games, indicating that the sporting event did generate jobs. They estimated the number of jobs generated by the Los Angeles Games to be about 5,000, and

those generated by the Atlanta Olympics between 3,500, if most of the expenditures are assumed to have taken place in 1996, and 42,500 if the more realistic assumption which is that most Olympic expenditures actually occurred between 1993 and 1996 is made.

One year later, Hotchkiss et al (2003) conducted an econometric study designed to empirically verify the significance of employment and wage impacts of the 1996 Atlanta Games in the State of Georgia. Using a differences-in-differences (DD) technique, they concluded that employment increased significantly more (17%) in the “venue and near-venue” counties than in the rest of Georgia. The impact on wages, on the other hand, did not appear statistically significant, which, according to Hotchkiss, Moore and Zobay, is due to a major inflow of working age population into the venue and near-venue counties around the Games period, therefore increasing labour supply and offsetting upwards pressure on wages.

Even more recently, Lee Tucker (2006) explored employment impacts of Games, for the first time including all Summer Olympics between 1984 and 2004 (six events) in the same model, and for the first time investigated the length of those impacts. After having calculated the deviation between the expected employment level in the metropolitan area of the host city and its actual level, for each city concerned using a straightforward method, he built a panel data set and using a Prais-Winsten method to correct for heteroskedasticity, found a significantly positive impact on employment from six years before the Games until about one year after.

2.6.2 Limitations & criticisms of ex-post studies

An *ex post* analysis differs from the ex-ante approach in that it looks at the economic landscape of a locality or a region before and after an event, and attributes the difference in important economic indicators to the event (Baade and Matheson, 2002)

The key to the success of this approach is to isolate the event from other changes that may be occurring simultaneously and that may exert a significant impact on the local economy. Very often, it is very difficult to achieve that and we can probably say that we have some ex-post studies that could have omitted to isolate some factors and consequently did not give completely unbiased results.

CHAPTER 3: METHODOLOGY

3.1 Introduction

The impacts of hosting the Olympics can be difficult to measure precisely, but are usually measured in a financial, political and social context. As the Olympics have become bigger and more expensive, the question of whether they are still worth hosting has arisen. Countries still continue to bid for the Olympics despite the questionable benefits received from staging them and the setbacks to each benefit a country receives from the opportunity.

The aim of this paper is to examine the fallacies in the positive perceptions of the impact of hosting the Olympics in the eyes of a host nation. In the end, the thesis shall examine possible solutions towards transforming the hosting of the Olympics into a more beneficial event for the host nation.

The present study in the literature review already explores the perceived benefits of the Olympics, and reveals that there are costs, economic and social, that are not stressed adequately. The research assumes that the tangible costs may be greater than the tangible benefits of the Olympics. In the course of this thesis we shall try to prove that assumption. Following the line of investigation, we shall investigate why the city of London decided to host the Olympics and the misperceptions in their views.

The paper will focus only on the Summer Olympic Games for purposes of comparability as the Winter Games and the Summer Games do not share the same financial, political, or social burden. Additionally, the examples will be only recent Olympics due to the wealth of information available, the comparability in financial value, and because the modern Olympic Games are much larger than in the past. The research will consist at looking at all aspects of the Olympic impacts, and will focus on the financial and social impacts rather than looking solely at the economics, which most Olympic impact studies focus on.

The purpose is to carefully and critically examine the actual costs and benefits associated with the Olympics. Organising committees, whether intentionally or not, fail to detail the true impacts of hosting the Olympics to those who bear the brunt of the costs. If those who bear the costs were more informed, perhaps they might not choose to support

hosting the Olympics. This paper exposes many of the hindrances which derive from the benefits of hosting the Olympics.

3.2 Method

Hypothesis, aims and objectives of the study require definition of original research methodology and applicable research methods. We shall address epistemological methodology; it assumes that each phenomenon could be understood and cognised through its comprehensive analysis. Therewith, the impacts of the Olympic Games financially, politically and socially will be examined through the all-round analysis of the phenomenon.

3.3 Data collection

The thesis required a study of a huge amount of literature that had some connection to the impact of Olympic Games, then the task of reviving, analyzing and selecting the small fraction that ended up in the text.

3.4 Nature of the data

The nature of the data is historical, evolutionary and explanatory with the emphasis on conceptual, historical and holistic approach. Such a quest relies on secondary data or the findings and research of others.

Main sources were academic research publications, books, full text articles, journals, on-line academic research publications.

3.5 Evaluation of the data

The evaluation is based on the knowledge of economy of the researcher gained along his study on the phenomenon.

Illustrative examples were selected with an emphasis on explanatory relevance from the vast literature concerning the impact of Olympic Games.

3.6 Reliability and validity

Personal feelings, beliefs, research design, bounded rationality and various biases are a threat to any research. This one is no exception but it has tried to approach the phenomenon under study holistically and open-minded in an effort to avoid biases.

3.7 Validity

“By validity, I mean truth: interpreted as the extent to which an account accurately represents the social phenomena to which it refers” (Hammersley, 1990).

Using selective data collection always runs the risk of selection bias. However, by keeping an open mind might reduce the risk of such bias. The integrity of the conclusions is largely based in the scholarly works of many scientists, scholars and commentators and their written observations. Selection and the interpretation of works of others is always a problem for a researcher.

Thus in order to establish increased credibility, transferability, dependability and confirm ability an emphasis was placed on relevance, being open-minded and a selection of ideas following a chain of indicators that had been written down in a serious manner. The aim here was to establish a better and perhaps a new understanding of the phenomenon under study. This applies especially to the internal validity or the difficult problem of causality.

3.8 Reliability

“Reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions.” (Silverman and Marvasti, 2008).

The issue of reliability, or whether the findings may be repeatable, is less of an issue because the propositions for the conclusions are based on publicly accessible data, ideas and knowledge.

CHAPTER 4: CASE STUDIES

4.1 Case Study 1: Barcelona'92 Olympic Games

4.1.1 Economic impact of Barcelona 1992

The central Spanish government and Barcelona City Hall set up a joint venture, Barcelona Holding Olímpic, S.A. (HOLSA), to facilitate the investment process. In an excellent example of mixed public private funding, HOLSA built the main Olympic facilities, the bulk of the 78 km of new road infrastructure and the Olympic Village.



Given the Barcelona'92 objectives, a vast amount of construction work was required, and much more was also indirectly generated, most of the latter not being directly necessary for the holding of the Games. This is one of the aims of candidate host cities: to generate construction of as much infrastructure and facilities as possible which will serve the city in the aftermath of the event itself. Total such spending linked to the Games over the 1986-1993 period amounted to 8,012 M \$ (Brunet, 1993).

Brunet (2002) in a paper about the economic impact of the Barcelona Olympics, states that the main construction work was as follows:

- I. Road and transport infrastructure;
- II. Housing, offices and business premises;
- III. Telecommunications and services;
- IV. Hotels;
- V. Sports facilities;
- VI. Environmental infrastructure.

A total of 61.5% of Olympic funding was allocated for building work. This illustrates a key feature of Barcelona'92: its structuring effect on the city (Esteban, 1999). The deepest impacts of the Olympic investments were to be felt in the long-term.

The Barcelona ring-roads, the re-opening of the city to its seafront via construction of the Olympic Village, the creation of a range of new urban sub-centres and the Olympic facilities at Montjuic, the Diagonal and Vall d'Hebron, were the main Barcelona building projects (HOLSA, 1992).

Brunet (2002) drew our attention on the fact that as the other subsequent Olympics, the scale of the urban transformation arising from the Games was immense: new roads represented an increase of 15% over those existing in 1986; new sewage systems, 17%, and new green areas and beaches, 78%. Another outstanding feature of the Games was regional decentralisation: Olympic investment also went to numerous sub-host cities. Of the total investment, only 38.5% was located in Barcelona city (Brunet, 2002). The immediate impact was, therefore, felt throughout the region.

Another important aspect according to Brunet was that construction of sports facilities accounted for only 9.1% of the total investment. This small percentage reflects the great volume of additional indirect investment attracted by the impetus of the Games.

A total of 36.8% of the Olympic building work was promoted by the private sector, and one-third of this was funded with foreign capital. Private investment focused on:

I. Housing

II. Hotels

III. Business Centres

The high level of private investment was sparked by expectations of improvement in the city's attractiveness (Roldán, 1992).

4.1.2 Political impact of Barcelona 1992

On a wider scale Barcelona's success, such as it is acknowledged, is attributed to a particular alignment of governmentality based on the particular relations of state, city and the city and national populations (Landry, 1995).

- First, the preparation and organisation of the Games was conducted directly by public institutions, in contrast with Los Angeles 1984, for example, where an essentially private model was opted for.
- Second, all of the public administrations were involved in their organisation. In contrast with other cases where the role of the organising city was almost exclusive, the case of Barcelona came closer to the precedents of Munich, Montreal or (though in different conditions) Seoul, with a strong influence of the central government and the government of the Generalitat de Catalunya.
- Third, the preparation of the Games occurred in a context of strong political competition. From the designation of the Barcelona as organising city until the Games themselves, there was one general election, two local elections and two regional elections; in the period from 1986 to 1992 only in one year there was no election. This competition was more intense in the case of Catalonia than in the rest of Spain (Landry, 1995).

The planning and legacy, as such remained animated in promising, defending, justifying, refining and developing the legacy entailed to the Games and the city's various constituencies.

4.1.3 Social impact of Barcelona 1992

With relation to housing for locals, although public opinion has been largely positive as to regenerative potential, critics believed there had been serious social costs for Barcelona (Weed, 2008).

Between the award of the Games in 1986 to Barcelona and their staging in 1992, the city saw rapid economic growth. There were increases of nearly 25% in employment and 45% GDP per capita, coinciding with some decrease in residential occupation, which was

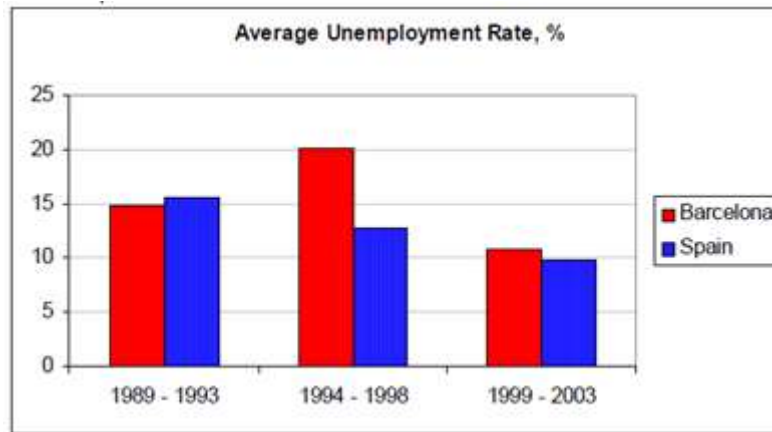
associated with an increase of 98% in the average price of new housing in the metropolitan region (Harris & Fabricus, 1996, p.39).

Working class communities were moved to develop Barcelona's waterfront, without consultation (Weed & Bull, 2004, p.36). The new housing associated with the Olympic villages was 49% of all new housing in the municipality, but 26% of the metropolitan area. Before the Olympics there had been promises that the 'Nova Icaria project' Olympic village apartments would be used for subsidised housing for people of low income. However, they were sold on the open market (Hughes, 1992; Horne & Manzenreiter, 2006). This was a substantial amount: there were 6,000 new housing units in the Olympic Village in the Poblenou too, but each sold in the region of \$400,000 which was much higher than the prices working class locals could afford to pay (Parkin & Sharma, 1999, p.174). Olympic housing was judged unsuitable for "the needs or ability to pay, of those needing homes" (Symes, 1995, p.124).

In general terms, studies found that the residential housing market in the city had 'escalated' in price between the award of the Games in 1986 and the staging of the Games in 1992, by about 250%, a huge increase in local terms (Parkin & Sharma, 1999, p.173). Moreover, there was less funding for housing after the Games as a result of debt incurred in the hosting of the Games. In fact, there was a massive decline in the construction of publicly financed housing for low income families: between 1981 and 1985 this form of housing accounted for 50% of new housing construction in Catalonia but, by 1991, only 6% (Parkin & Sharma, 1999, p.173). This placed more pressure on disadvantaged groups, and the rate of out-migration from the city of Barcelona reached 16,000 in 1992 – over twice the 1986 figure (Parkin & Sharma, 1999, p.174).

The labour market of Barcelona and its hinterland benefited substantially in the run-up period to the Games. The number of the unemployed fell from an all-time high of 127,774, in November 1986, to as low as 60,885, by July 1992, during the Games themselves (Clusa, 1996). According to Clusa (1996) and Brunet (1993), between October 1986 and August 1992, Barcelona's general unemployment rate fell from 18.4% to 9.6%, while the Spanish figures were 20.9% and 15.5%, respectively. In the preparatory phase, Olympic-based activity generated annual occupation rates of an additional 35,309 persons, on average (Brunet, 1993).

Figure 5: Barcelona and Spain average rates of unemployment, %



In addition, Olympic-linked investment in infrastructure and facilities led to additional permanent employment for an estimated 20,019 people according to Brunet. Therefore, the average annual effect over the 1987-1993 period of Barcelona'92 was employment for some 59,328 persons. From this we can conclude that at least 88.7% of the reduction in unemployment registered in Barcelona between November 1986 and July 1992 (66,889 fewer unemployed) was due to the Games.

After the Games, unemployment in Barcelona rose by 21,000 persons, a figure approximately equivalent to the annual employment provided by COOB'92 (Clusa, 1996). Over the following years, unemployment fell significantly. The investment generated by the Games provided a soft mattress, breaking the fall in a context of general depression. Barcelona's economy proved resistant to the widespread recession and, after 1994, once again began to create employment. Until 1993, 41,450 new jobs had been created, representing a halving of the unemployment figures. In 1993 and 1994, the numbers in unemployment increased by 18,000 persons; however, after 1995 unemployment was to fall, thanks, in part, to some 20,230 permanent jobs deriving from Olympic investment (a legacy of 956,000 million pesetas in company capital).

4.1.4 Conclusion

Commonly thought to be one of the most successful Games, the 1992 Olympics transformed Barcelona, which remains the iconic image of Olympic regeneration. Barcelona gained obvious and definite benefits from the staging of the Games. The Olympics brought forward extensive secondary infrastructure projects, the Olympic related facilities found solid post-Games demand and the 1992 mega-event yielded a very substantial international image and tourism gains (Calavita and Ferrer, 2000 ; Hargreaves, 2000). Furthermore, many international companies came to settle in the Catalan region boosting the local economy and employment,

The gloomy part of Barcelona'92 was that some residents were disappointed with displacement and lack of affordable housing post-Games.

4.2 Case Study 2: Atlanta 1996 Olympic Games

4.2.1 Economic impact of Atlanta 1996

Ten years after the Olympic Games were held in Atlanta, the city was still being transformed by an Olympic legacy that changed the face of downtown Atlanta and strengthened the city's position as a global commerce hub. The 1996 Games drew more attendees than any prior Olympic Games, created a \$5 billion economic impact and branded Atlanta. A worldwide Lou Harris poll revealed that positive perceptions of Atlanta among corporate decision makers nearly doubled after the Olympic Games. Highlights of more than one and a half decade legacy include that today Atlanta is home to nearly 1,600 international companies, representing a more than 30% increase in international companies since the Olympic Games (Dunn& McGuirk, 1999).



Essex and Chalkey (1998) provide a useful summary of the Atlanta infrastructure.

- The centrepiece of the Games was the Olympic Stadium (capacity of 85,000) constructed especially for the event with private finance. After the Games, it was converted to a 48,000 seat baseball park for use by the Atlanta Braves baseball team.
- Other new facilities, such as the Aquatic Centre, basketball gym, hockey stadium and equestrian venue, were given to educational establishments or local authorities. The main Olympic Village was located on the campus of Georgia Technical College.
- The other main infrastructural legacy to the city was the Centennial Olympic Park in central Atlanta, which was intended to be a gathering place for visitors during the Games and later to enhance the quality of life for local residents.

The Atlanta legacy is largely understood to have been committed to business and commercial aims – building the reputation of the city. Nevertheless as McKay and Plumb (2001) observe Atlanta largely used existing facilities to house athletes and as such did not

experience the mass residential construction around its Olympic precinct. The Olympics did, however, have a considerable influence on the location of demand by helping to create a more attractive inner city residential environment through improvements to transport facilities, retail amenities and public areas, such as parks and pedestrian walkways. The Atlanta office market has continued to grow strongly since 1996, with more than 520,000 m² of office space absorbed across the metro area in 1998 (McKay and Plumb, 2001).

Kurt Barling, a BBC journalist visiting Atlanta in 2006 reported: at the aquatic centre, the venue for all the swimming and diving events in 1996, it became clear that the relationship between the building contractor and end-user at the early procurement phase was critical to creating a lasting legacy for Atlantans. The swimming pool remains. It has a moveable floor and bulkheads to alter the shallowness or length of the pool. Georgia Tech University which took over the management of the site before the Games had even begun reconstructed the facility in its wake. An extra floor to the building was added to include an indoor track and several basketball courts. These now provide a permanent location for the local clubs, schools and college sporting calendars. Barling (2006) agreeably states that on the day he was in town, several hundred children were competing in a noisy under 9s competition in the Olympic pool. None of them were even born when Olympians were busy winning medals there.

4.2.2 Political impact of Atlanta 1996

Atlanta, looking specifically at the Games project, and as the economic analysis shows, was less guided by public agendas. This is reflected in decisions about the constitution of the governance structure. Burbank et al (2001) provide a useful account of governance emerging from Atlanta's unique politics of place, race, and development. The AOC (Atlanta Organising Committee) created "a new operating structure to oversee contracts, policies, and investments". It was not possible for the City of Atlanta to take responsibility. Georgia's constitution specifically prohibited the city from accepting certain IOC obligations.

The political aim of the Games was to exploit the image-gain potential offered by the event. However, during the Atlanta's two weeks in the world's spotlight, the press focused on the stiflingly hot weather, poor planning, poor transport, failing result service, and the fatal terrorist bombing in the Centennial Park. Atlanta was 'virtually at war with journalists' (Whitelegg, 2000, p.811), as the international press presented the Games as a near-disaster

Newman (1999) points out that the ACOG was indeed a powerful coalition of business leaders and elected public officials who faced a legacy of distrust within the city's low-income African-American neighbourhoods. This was the result of years of policies such as expressway construction and urban renewal which relocated thousands of low-income African-American families (Newman, 1999).

Burbank et al (2001) claim that the successful bid team - Metropolitan Atlanta Olympic Games Authority (MAOGA) - might have taken on the mantle of overseeing delivery: the Metropolitan Atlanta Olympic Games Authority (MAOGA), a semiautonomous governmental body was set up by the Georgia legislature in 1989 to enable the bid process in lieu of the city (ACOG, 1997, p.18). MAOGA had been granted considerable public powers and would have been an appropriate vehicle for such a public event. However because, "MAOGA's board was composed almost exclusively of public officials" and reflecting the largely private investment orientation of the Atlanta Organising Committee, the members of the AOC preferred an organisational structure where decision making could be closely controlled and operations would be less subject to public

oversight. To this end, they incorporated the Atlanta Committee for the Olympic Games (ACOG) as a non profit civic organisation with a thirty-one-member governing board. The board included Mayor Jackson, delegates from the USOC and IOC, holdover members from AOC, and others drawn from Atlanta's civic and business elites (Burbank et al, 2001, p.92). Arguably this explains the under emphasis on large scale urban regeneration and the relatively un-ambitious legacy agenda.

4.2.3 Social impact of Atlanta 1996

Despite the quite rosy economic view of the 1996 Olympics, there have been a number of somewhat negative assessments of the Atlanta Games (e.g. Rutheiser's (1996) commentary 'How Atlanta Lost the Olympics') especially in regard to social and community impacts.

Newman (1999) offers an assessment which can serve as a moral fable warning against particular kinds of legacy failure. So that while specific Games can point to successes and failures, there is typically a good deal of opposition to, and resentment to massive regeneration projects like Olympics – projects where there are often quite stark differences in benefit and disadvantage from the Games (Cashman, 2006).

The below negative impacts of Atlanta were adapted from a study made by Newman (1999):

- Economically deprived African-American areas of Atlanta were affected most by the preparations for the Games.
- Residents were relocated from at least six public housing projects
- For these individuals the preparations for the Olympics were disruptive costing many “the use value of their homes and neighbourhoods”.
- CODA's neighbourhood revitalisation plans failed, and only those areas closest to Olympic venues received substantial support for revitalisation.

Newman makes a useful point about tendencies relevant in particular to mega event driven regeneration. The AGOC special attention to revitalising neighbourhoods located near

Olympic venues which, gives some credence to Harvey's (1987) suggestion that events such as the Olympics are part of a process of reshaping land use in the city to make room for 'urban spectacle and display' at the expense of the routine aspects of daily life for urban residents. In public housing projects and in low-income neighbourhoods, many families were moved to make way for the spectacle.

Newman (1999) concludes that the legacy of newly constructed sports venues and the enhanced image of Atlanta as a 'world city' must be tempered by the continuation of a pattern of moving low-income residents to make way for growth. The study suggests that only the most dedicated efforts by business leaders and city government to work with low-income citizens after the Games will change the legacy of distrust the Olympics have helped to perpetuate.

The employment attributed to the Atlanta Olympics varies wildly: from 3,500 to 42,500, depending on which study is consulted. Local people were employed by the Games in a temporary measure. In the year before the Games were hosted, the Olympics provided 33,500 jobs and a possible 77,000 overall (Roche, 2000, p.139). After the Games, Atlanta consolidated its position as the trade and shipping centre of the south eastern US. Atlanta's economy saw robust growth between 1986 and 2001 and employment in retail and services grew in that time. By 2001 service jobs account for a larger percentage of Atlanta jobs than any other employment sector (Keating, 2001, p.11). It did also attract international companies, with an increase of 30% after the Games (1,600 by 2006) and just between 1991 and 1996 the Atlanta Games was thought to have attracted \$4.1 billion into the state economy (Dunn&McGuirk, 1999, p.24).

4.2.4 Conclusion

Almost entirely privately funded, Atlanta attempted little in the way of regeneration and struggled with image issues, both domestically and abroad. The Games succeeded the bet to put Atlanta on the map internationally. In addition, Atlanta 1996 made use of temporary and existing facilities which proved to be very efficient economically.

The main problem of the Atlanta Olympics was that it fuelled conflict among residents, the business community, and local officials. Atlanta's image also was perpetually

being attacked by journalists due to some limitations registered in the planning of the Games.

4.3 Case Study 3: Sydney 2000 Olympic Games

4.3.1 Economic impact of Sydney 2000

Price Waterhouse Coopers (2001) concluded that the Sydney Olympic Games delivered substantial benefits to Sydney, New South Wales and Australia. These included:

- some \$3 billion in business outcomes, including:
 - \$600 million in new business investment
 - \$288 million in new business under the Australian Technology Showcase
 - almost \$2 billion in post-Games sports infrastructure and service contracts
- injection of over \$6 billion in infrastructure developments in NSW
- injection of over \$1.2 billion worth of convention business for NSW between 1993 and 2007
- over \$6 billion in inbound tourism spending during 2001
- greatly enhanced business profile for Sydney, NSW and Australia through the equivalent of up to \$6.1 billion worth of international exposure
- greater expertise and confidence in tendering, both domestically and overseas, on large-scale projects.

The total economic stimulus from the Sydney Games ranked among the highest to that time according to Price Waterhouse Coopers in 2001 (Clark, 2008). There were undeniably clear, lasting financial rewards for the substantial investments made for many interest groups in the city, region and even country as a whole. The experience gained by organising successful Games suggests that the Games can open up substantial business opportunities, which is a further indication of the longer-term benefits for a city. However, the PWC report goes on, it would be a mistake to assume that events such as the Olympics always were unquestionably beneficial.



Table 2: Summary of economic impacts of the 2000 Sydney Olympic Games

Business:	
New Business generated by the Australian Technology Showcase	288 million
International exposure for business profile of Sydney, NSW and Australia	6.1 billion
Business events committed since the end of the Games	203 million
The Games:	
Ticket sales revenue for organisers	610 million
Sponsorship revenues for organisers	680 million
Private sector investment on Games-related venues	1.1 billion
City infrastructure:	
Infrastructure development injection	6 billion
Sydney airport upgrade	2 billion
Post-Games sports infrastructure and service contracts	2 billion
Beautification of Sydney CBD	320 million
Tourism:	
Inbound tourism spending during 2001	6 billion plus

Source: PriceWaterHouseCoopers, 2001; Clark, 2008

It was noted by Clark (2008) that the Sydney Olympics, ‘yielded substantial financial and economic benefits to New South Wales and Australia, as well as positively impacting on the city’s social and cultural assets’. This is an important point, as it refers to the wider regional benefits as well as to the host city itself.

Another report about the Sydney Games’ legacy, in agreement with Price Waterhouse Coopers, considered that, ‘the enormous success of the Sydney 2000 Olympic Games can be measured not only in terms of the quality of the festival of spirit, culture and celebration of the Games itself, but also in the sense that the process of bidding, preparing and staging the Games represents a significant catalyst for economic, cultural and social change (NSW Government, 2001). Benefits arose from the level of economic activity around the staging of the Games, to upgrade sporting, entertainment and general urban infrastructure, and to showcase Sydney for world-wide business opportunities, including tourism.

Sydney, as a metropolitan area, learnt and upgraded skills to manage events, transport and deliver goods and services, at the same time as the centre of the city had been upgraded with wider footpaths, improved lighting and selective additions to cultural and development infrastructure. New expressways were built and key road interchanges

developed along with improved management of the traffic system – not to mention a substantial upgrading of Sydney Airport, earlier than would otherwise have occurred, to standards in keeping with Sydney's status as an international city and tourist destination.

For Sydney, New South Wales and Australia, the Sydney 2000 Olympic Games provided massive exposure and publicity to the world and in many cases a first or a renewed awareness of Australia. The business opportunities identified and the networks established internationally, particularly with the many thousands of business people who visited Australia during and prior to the Games, will continue to provide opportunities into the future for Australian business and trade, particularly in the Asia-Pacific region where Australia has a growing status as a stable and developed country with benefits to offer the region and the rest of the world wanting to do business there.

A further review by Richard Tibbott in 2001, confirmed the above statements, and concluded that, 'the direct impact of investment and visitation is clear if short-term, but the broader benefits would be proven in the longer term, providing a platform for the nation's corporations to excel and provide a showcase for a city region to attract inward investors. These notions remain assertions supported by limited anecdotal evidence'. Further, Tibbott concluded that, 'the short-term benefits for Sydney are clear, and medium-term difficulties with the economic viability of the Olympic village (Homebush) and key venues are perhaps expected and can be worked on. At the same time, the Olympics help to create a more competitive economic attitude in Australia, and it is the benefits that are being generated by this that will outweigh and outlast other factors'.

The Olympic Park itself continues to attract many visitors and has been developed as an important business and exhibition centre (Sydney Olympic Park Authority, 2006).

4.3.2 Political impact of Sydney 2000

The cost of the sporting and supportive infrastructure of the 2000 Sydney Olympics was mostly covered by the government of New South Wales which, in addition, provided several economic bailouts to the organisers to cover their operating costs (NSW Government, 2001).

Dunn and McGuirk (1999) reveal in a paper that the New South Wales government which was heavily involved in the organisation of the Sydney 2000 Olympics, has adopted

a more entrepreneurial-driven forms of governance, since a broad range of non-government, often private, organisations were incorporated into the NSW Government's decision making and policy formulation process. Therefore, under the new urban politics imperatives, a decision to bid for mega-events, such as the Olympics, is not solely made by local or regional governments but often involves business corporations (Dunn and McGuirk, 1999). In that sense, Sydney 2000 as a mega-sporting event can be credited with mobilizing corporate elites and local politicians in profitable alliances that not only can boost local construction and retail and tourist industries but can also generate substantial infrastructure funding from higher levels of government. The practices of such alliances, which are termed by Lenskyj (2000) as 'Politics of Place', usually involve campaigns to persuade the citizens of the host city that the event will transform their hometown into a 'world-class' city, thus justifying the use of tax money. However, Eitzen (1996) through an analysis claims that taxpayers disproportionately bear the burden when they give consent for the use of tax money for the staging of mega-sporting events. For example, he has provided sufficient evidence that the policy of the bid committee regarding the sporting infrastructure was primarily focused on the needs of professional sport.

The organising committees of mega-sporting events frequently include elected representatives who serve as their members or even presidents, such as in the case of a New South Wales Parliament Member, who was also the President of the Sydney 2000 organising committee. Such politicians often experience conflicting pressures to represent taxpayers' interests on the one hand, and profit-oriented interests on the other. The dual role of the Member, for example, was promoted by the NSW government as a major factor in keeping the project on target and on budget; however, it was claimed that the Olympics were compromised when the Member, as Cabinet Minister, was not able to criticize the Government's handling of issues such as the contamination of Sydney's water supply due to Olympic works, and its serious implications for Olympic tourism (Lenskyj, 2000). In Sydney's case, the 'Olympics as catalyst' rhetoric attracted a lot of criticism, since politicians and businessmen who had promised dramatic improvements in the lead up to the Olympic bid failed to take adequate action when urban social problems were equally urgent, pointed out Lenskyj (2000).

4.3.3 Social impacts of Sydney 2000

In theory, the Olympics offered Sydney's entrepreneurs and politicians an event to both reposition the city as a global city and to restructure the local economy in "creative" industries. Its economy had not been immune to deindustrialization in the 70s and 80s, witnessing the closure of manufacturing activities and the growth of information technology, regional headquarters, financial services, and tourism.

Sydney was also not exempt from problematic social features following the economic transformations to global city living, particularly the highly controversial phenomenon of social polarization. In Australia, Badcock (1997) demonstrated that particularly Sydney had increasingly divergent life opportunities and socioeconomic circumstances, with the greatest division occurring between the northern and western suburbs. The latter had higher levels of youth unemployment and numbers of unskilled migrants, and lower levels of household income, education, and English proficiency. In comparison, the former became home to many highly skilled service economy employees. Local media representations underscore this west/north binary polarity, portraying a city divided between the uneducated/intellectual, poor/affluent, criminal/law abiding, and violent/safe (Mee, 1994). Sydney's population was increasingly understood as empirically and symbolically polarized.

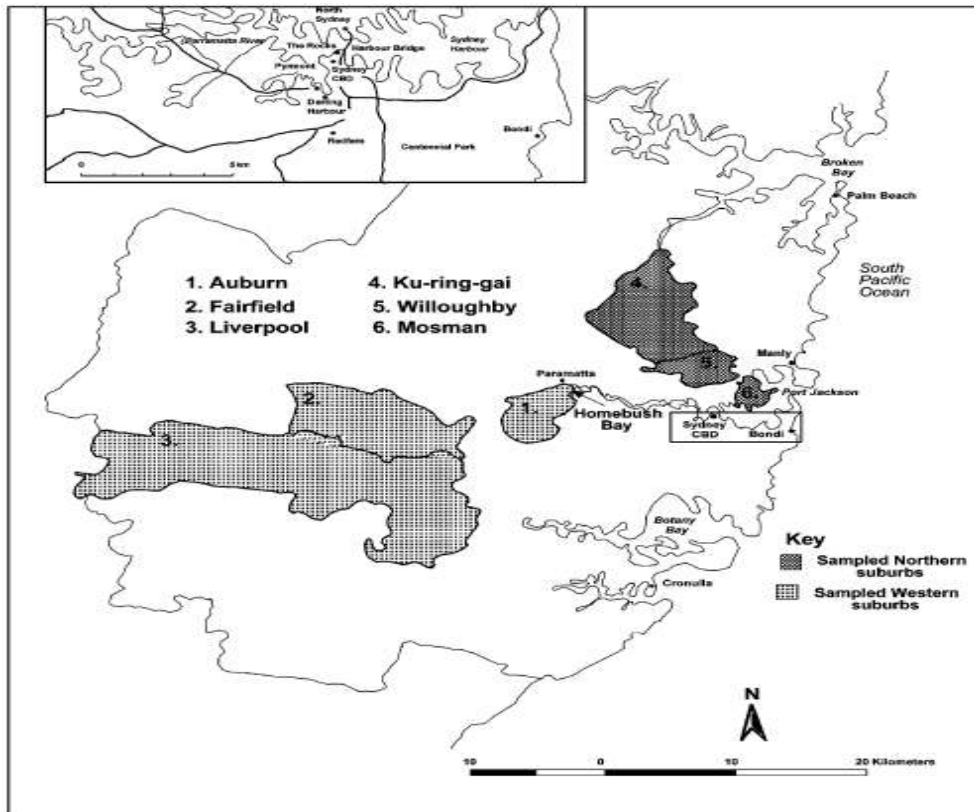
In 1991, within this polarizing context, Sydney Olympic Bid Limited (SOBL) was established to secure the rights to host the 27th Olympiad. As a public-private partnership, securing the games for Sydney was a business venture. Public transparency of this organization was never a requirement. Indeed, as a registered limited company, all SOBL documentation remains protected for 30 years from freedom of information provisions.

Creating and sustaining substantial public support for the bid was a key SOBL role. Economically, the bid's chief-executive, Rod McGeoch (1994), repeatedly argued that the games were an imperative part of securing Sydney's status as an Asia-Pacific regional headquarters and international tourism destination. Socially, the bid was also employed to manufacture consensus in an era of increasing socioeconomic polarisation.

SOBL (1993) invited Sydney residents to “Share the Spirit” in wide-ranging and innovative ways to sustain public interest and legitimise claims of an unqualified Australian public support. Invitations included television campaigns, fashions designs, ‘high-jacking’ public events and federal and state government sponsored Olympian education packages designed to teach pupils to “Share the Spirit”. Knowledge of sporting traditions in sustaining Australian national identity unified these diverse campaigns. The “community spirit” that SOBL invited the Sydney community to share was specifically that of an imagined national identity within sporting traditions.

Hosting the Games required not only public support but also a site that could contain most of the sporting venues. In 1990, the 760-hectare Olympic site at Homebush Bay had already been identified by the New South Wales government as the only available location (Figure 6).

Figure 6: Identified Olympic locations



The land was mostly a government owned brownsite. Redundant space appeared from closure of noxious chemical industries, armament depot, and abattoir. An opportunity was

provided to generate a public legacy of remediated land, housing, parkland, and sports facilities in Sydney's socially disadvantaged west. Locating an Olympics at Homebush provided a mechanism by which to implement a material and symbolical site transformation, from a marginal brownsite of noxious industries and dump to a central, vibrant, clean, "green" economic base sustained by consumptive practices of culture economies, primarily sport.

Ever since being awarded the bid, public controversy has surrounded the Games (Kell, 2000). Questions have been raised of Aboriginal social justice and human rights violations, "greenwashing" the remediation process and dioxin levels at Homebush (Beder, 2000), and creative accounting regarding the actual public costs (Booth and Tatz, 1996).

In 1998, public revelations began about the bid team's use of "inducements" to various International Olympic Committee delegates (Burroughs, 1999), culminating the next year in the investigation of high profile Australian committee members. Also in 1999 the proposal to erect the temporary Olympic beach volleyball stadium on Bondi beach (an Australian icon) was attacked (Owen, 1999), together with a ticketing fiasco and increasing fears of a budget shortfall. Inevitably arrangements for the Olympics began to disrupt rhythms of household and business life. In the seven years leading up to the event, for example, daily trips were inconvenienced by a building and transport infrastructure program that transformed the Central Business District, Homebush, the airport, and Bondi Beach. The closer the games approached the more wide-reaching and personal the impacts became, of school terms, university semesters, day-light hours, public transport timetables, and access to certain roads. Such widespread disruptions to daily routines were a potential source of personal irritation to many Sydney residents.

During the 16 days of the games, however, the Olympics appeared to provide a reason to celebrate rather than protest. Boisterous celebrations did little to confront stereotyped notions of Australianess.

Attendances in the hundreds at public protests, such as the temporary Aboriginal Embassy in Victoria Park, were dwarfed by a public presence in the thousands at Olympic

inspired social activities. Sydney 2000, although centered on celebrating sport, also generated a multitude of official and unofficial parties, often underpinned by patriotism.

Immediately before the games, public interest, imagination, and nationalism were captured by the 100 day torch relay, beginning at the symbolic heart of the nation (Uluru/Ayers Rock) and culminating in the arrival of the flame in Stadium Australia (Sinclair, 2000). The opening ceremony stirred patriotism to new heights through a four-hour extravaganza, celebrating national identity. The party atmosphere was sustained throughout the games by providing free entertainment at a number of street venues in the city. The party atmosphere culminated in the closing ceremony's fireworks display. Given the emergent public controversies and transformation from anticipated to lived experience, a temporal dimension is clearly an essential element in addition to spatial and demographic variables to examine a hallmark events' social impact.

4.3.4 Conclusion

The greatest variation in the impacts of the Olympics in Sydney was in the social and political impacts, which were overshadowed by a focus on the more positive physical and symbolic legacies of hosting the Games. The negative social impacts resulted from the lack of meaningful community participation in the planning of the Games, the lack of openness and accountability of Olympic organising authorities, and the restriction of public access to community facilities. The political impacts included the removal of local government planning powers and the catalysis for administrative change within local government. Furthermore, post-Games ownership and use of venues was unclear; some of the new sports venues were left empty for long periods (Preuss, 2000).

Overall the Sydney Games were a delighting success. The 2000 Olympics established the 'Green Games' precedent. The Government investment in international campaigns to boost tourism profile was quite successful and the Games did boost in national pride. However, the host community opinion about the Games did vary. Some argue the Games did good to them, to the economy placing Sydney on the international map whereas others value more the opportunity costs such as hospitals or investments in education that could have been made instead (Waitt, 2003).

4.4 Case Study 4: Athens 2004 Olympic Games

4.4.1 Economic impact of Athens 2004



Preparations to stage the Athens Olympics were estimated in 2004 to be \$11.2 billion and led to a number of positive developments for the city's infrastructure (airport, metro system, the metropolitan tram (light rail) system, a new toll motorway encircling the city, and the conversion of streets into pedestrianised walkways in the historic centre of Athens (Beriatos, 2006). These infrastructures are still in use, and furthermore there have been continued expansions and proposals to expand Athens' metro, tram, suburban rail and motorway network, the airport, as well as further plans to pedestrianise more thoroughfares in the historic centre of Athens. In 2008, as the ominous part of Athens 2004, it was reported that almost all of the Olympic venues had fallen into varying states of disrepair and that the annual cost to maintain the sites was estimated at £500 million (Pakistan Daily Times, 2005). Hack (2012) argues that the outrageous Olympics cost, though negligible compared to the phenomenal national debt of \$382 billion in 2010, paved the way in a way to the nowadays sparkling Greek financial crisis.

As for the tourism industry, the expected boom during the Games time led to a tremendous rise in security costs, from \$122 million to about \$1.8 billion for the 2004 Athens Games (Cohn, 2005). Yet, the 2004 Olympics did not really yield the promised benefit in terms of incoming visitors. In fact, the Athens Games saw a decrease in tourism (2002-2003) prior to the Games, because of disruptive building works and over-crowding fears (ETOA, 2006). The rise in tourism, as for the other Olympic Games, was transitory, it occurred just for the Olympic year but the rise was not consistent. Shortly, after the Games, Athens started to register a decline in tourism the subsequent years.

4.4.2 Political impact of Athens 2004

On a micro-political level, the Games produced positive impacts such as new forms of public-private partnerships in leading major projects or acceleration of public investment decisions (Furrer, 2002). We can say that the unprecedented forms of cooperation among the public authorities and between the public authorities and the private sector may well

prove to be one of the greatest benefits for Greece in the new millennium. The latest management practices that saw the day for the Olympics were also spread through public agencies, thus improving their efficiency.

4.4.3 Social impact of Athens 2004

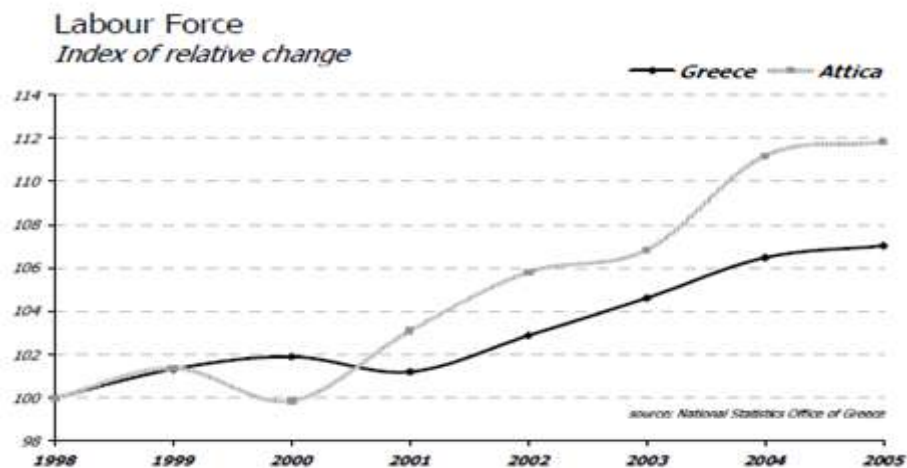
The 2004 Olympics led to a massive urban regeneration of Athens and its surrounding. Numerous projects were scheduled to benefit the Athenians. Among as said in the economic impact section, there were the roadways project, the urban tram and the suburban rail links. Furthermore, much of the city's rich architectural heritage was to be cleaned and/or restored (including the removal of unsightly, and often illegal, advertising billboards), and with the new walkways the city centre was to be made more pedestrian-friendly (Beriatos, 2006, p.7). Some derelict areas were to be rebuilt, and the city was to be 'greened' with new parks which were to be planted with trees and shrubs of Mediterranean origin (and therefore low water demand). The improvement of Athens' service infrastructure, including the building of a new airport terminal, hotels and plazas, could be said to have been the major positive legacy of Athens 2004 (Liao & Pitts, 2006, p.1244).

Regarding the impact on housing, a report written by Theodoros Alexandridis (2007) considered that 'the final lines of the chapter of modern Greece entitled "Olympic Games 2004" have yet to be written. An important part of the Olympic heritage has yet to be taken advantage of, constituting for the time being more of a burden than an asset.' Regarding housing, the Olympic Games left Athens with a significant infrastructure that will ameliorate the living conditions of all its inhabitants, while the Olympic village will, despite all the problems it has encountered, provide a house to approximately 3,000 families, an important contribution to social housing in Greece.

Nevertheless, there were allegations that the construction of the Olympics on these sites meant the displacement of at least 3,000 people of the Roma community who were not landowners and had few rights under the Greek law (COHRE, 2007, p.14-15). One case involved 40 Roma families moving because a parking lot had to be built (Shaw, 2008, p.215). Witness evidence (supported by media reports) cites the large numbers of vulnerable people ('beggars' and 'drug addicts') driven away from the city as a result of the Olympics (COHRE, 2007, p.13).

From the employment aspect, the country's labour force expanded from 4.526 millions of employees in 1998 to 4.844 millions, namely an increase of 7.0% according to Tziralis et al. (2006). In contrast, during the same period, the labour force in Attica prefecture ballooned from 1.596 to 1.784 millions of employees, an expansion of 11.8% (Tziralis et al., 2006). This variation in extent could be ascribed to the Games, since the most part of the increase in Attica's labour force, namely 4.35%, was monitored during the Games' year, as it is depicted in Figure 7. In other words, the Games were the major reason for attracting an extra amount of labour force to Athens, an amount which remained in the region after the staging of the event.

Figure 7: Index of relative change for labour force in Greece and Attica



Source: National Statistics Office of Greece (2004)

However, accusations about the working conditions of construction workers, and the cover up of deaths of illegal immigrants working on the site overwhelmed memories of an improved transport system and jobs creation (Lenskyj 2006, p.213).

Though the projects triggered by the Olympics significantly benefit the Athenians for sure until now, due to their extensive amount, as well as never-ending implementation issues, the final cost of the Athens Olympic Games went well over the forecasted original budget (London Assembly, 2007). Gatopoulos (2010), according to an estimate he made in the U.K. newspaper The Independent, for the 2004 Games, states that Athens is still paying the equivalent of \$70,000 per household to clear the debts incurred as a result of the staging of the Olympics.

4.4.4 Conclusion

When the lights of the 2004 Olympic Games faded out and when the Games were over and the athletes and visitors gone, Athens inherited for all only the following gains:

- Improved mass transport system
- A city centre free from huge advertisements
- Refreshed building facades
- New pavements and a network of pedestrian walkways
- Information and awareness material against littering and in favour of water saving

On the other hand, Athens 2004 economically did more harm to its host city than good. No noticeable external investments as a result of the Games were registered and the state poured money massively in the hosting of the mega-event not to lose face in front of the global community. The initial budget went tremendously beyond what was forecasted. Though in terms of urban regeneration, Athens and its suburbs benefitted greatly from the various amenities built, yet the economical heritage of the Games became a burden on the taxpayers. Not to mention, the social problems associated with the Games as eviction of people to make way for Olympic infrastructures and ‘White elephants’ facilities, Athens suffered enormously from the Olympics. When we weigh the positive against the negative effects of Athens 2004, one could argue that perhaps Athens would have done better without the Games.

4.5 Case Study 5: Beijing 2008 Olympic Games

4.5.1 Economic Impact of Beijing 2008

An appraisal of the impact of the Beijing Olympics presented by Lee Sands (2009) considered that, ‘the huge inflows of investment to support the Olympics and recreate Beijing have had an important ripple effect on economic growth’. To prepare for the games, China invested nearly \$40 billion in infrastructure alone from 2002 to 2006 to transform the cityscape of Beijing.



Furthermore, the Olympics have had a significant influence on Beijing's economic development, environment, and the growth of the country's advertising, television, internet, mobile phone, clean energy, and sports sectors. Development has also impacted on refurbishment of 25 historic areas, including many of the city's landmarks, old streets, and four corner residences that date from the imperial period; and restoration of Beijing's many historic places, including the Forbidden City.

An analysis by Tobias Birkendorf (2009) considered that an economic growth can be attributed to the Beijing Olympic Games primarily by the realisation of necessary infrastructure investments and that the investments incurred led to improvements of the overall production conditions for domestic and foreign enterprises, making deal for private enterprises in Beijing more attractive.

Both Sands' and Birkendorf's evaluations focused on the benefits of the investment in the Olympic Games themselves, and did not point to longer-term economic benefits. Other studies (Economist, 2008) agree with this conclusion, that the longer-term economic impact of the games on China, and Beijing in particular, is not yet clear. Some sectors of the economy may have benefited from the influx of tourists, but other sectors, such as manufacturing, lost revenue due to plant closings related to the government's efforts to improve air quality. Many evaluations of the benefits of the Olympics are pessimistic, and it is generally expected by economists that there will be no lasting effects on the city's economy as a result of the Games.

4.5.2 Political impact of Beijing 2008

The Beijing Olympics in 2008 are seen by many, among Brajer and Mead (2003), as an evidence of China's acceptance into the global community and a way to showcase its economic growth and acceptance of the West.

Nevertheless, being at the centre of media attention has its reverse side of the medal. As it showcases the strengths of the host nation, it also exposes its weaknesses. For the Beijing 2008 Games, for instance, international media depicted China's politics in Tibet as non-respectful to human rights (Wachman, 2008). The regular portraying of the Chinese Government as a trespasser of human rights, eventually led to protests that occurred during the beginning stages of the Games. These riots flawed the Torch Relay, which shined a negative spotlight on China political system.

4.5.3 Social Impact of Beijing 2008

The building process of the Games as for past Olympic Games involved evacuating citizens from their homes. Normally the evictors would receive a "compensation" for the trouble. Nevertheless, citizens who were evacuated were unfairly compensated, if at all. A paper published by Berg said that the BOCOG (Beijing Organizing Committee of the Olympic Games) claimed that only 6,000 citizens had to be evacuated and were appropriately compensated; however, "the Geneva-based Centre on Housing Rights and Evictions said that since 2000, 1.5 million people had been displaced by Games related building in Beijing," which is far more than the 6,000 claimed by the Chinese government (Berg, 2008). Actually, there was no protest at all behind this matter because of the nationalistic unifying discourse of the people to schedule the best Olympics ever (Sweeney, 2009).

Media coverage of Beijing 2008 was also torn between the spotlight on China's human rights conditions, and its considerable sporting and organisational triumphs which may have had an influence on Olympic tourism (Weed, 2008, p.89).

4.5.4 Conclusion

The Beijing Games economically and politically did justify their cost according to literature. A significant economical growth was registered as legacy but this is not to last according to some economists. Socially, the Beijing Games had some flues, evacuating millions of people for nothing at all as claimed by Berg (2008). Politically, China made an efficient use of the Games to market itself to the West, though its image was a bit tarnished by human rights issues pertaining to treatment of Tibetans by the Chinese state.

CHAPTER 5: OLYMPIC IMPACTS ON LONDON 2012

5.1 Introduction

Some perceived benefits of hosting the 2012 Olympics in London include: athlete preparation camps before the Games, UK as a reference for elite sporting events after the Games, a UKwide Olympic football tournament, enhanced sporting performance for home athletes, increased funding for other elite and grassroots sports, business opportunities for UK companies, significant tourism opportunities, a mass volunteer recruitment drive, a national torch relay, a cultural program and sustainable physical activity initiatives (Sport England, 2009). Furthermore, still as post-Olympic benefits, the government plans to convert 1.5 million square feet of Game space into offices, and leave behind a large public park and about 3,300 apartments, which it hopes will become a sustainable community (Patrick, 2008).

The Mayor of London stated that the benefits that are targeted in hosting the Olympics fall into the following categories: Crime, Policing and Emergencies, Culture, Economic Policy, Environment, Equality and Diversity, Health, Housing, International, Planning and Development, Sustainability, and Transport (Mayor of London; Greater London Authority, 2008). These benefits were incorporated into the Mayor's five legacy commitments. The first legacy commitment is to increase opportunities for Londoners to become involved in sport; the second is to ensure that Londoners benefits from new jobs, business and volunteering opportunities; the third is to transform the heart of East London; the fourth is to deliver sustainable Games and develop sustainable communities; the last is to showcase London as a diverse, creative and welcoming city. From these commitments, it is quite obvious that the reasons for which the Mayor, the London Assembly and Greater London Authority wanted to host the Olympics are no longer consistent with its original purpose, which was to showcase sports. It is clear that these parties hope to make optimum gains from hosting the mega-event.

As other intended benefits from the London Games, the organisers expect the following: uniting people/the feel good factor/national pride, improving awareness of disability (via the Paralympics), motivating/inspiring children, leaving behind a legacy of

sports facilities, environmental improvements, promoting healthy living, and offering social and cultural events (Atkinson, Mourate, Szymanski, & Ozdemiroglu, 2008).

Nevertheless, these so-called benefits as demonstrated previously come along with their set of inconveniences. These disadvantages include: crowding, increased risk of petty theft, increased safety and security risks, local disruption during construction, transport delays, and excessive media coverage (Atkinson, Mourate, Szymanski, & Ozdemiroglu, 2008). So, not only do the expected benefits come with a vast amount of drawbacks, but the expected cost of the London Olympics as stated in the Official report is £9.298 billion now which is already more than twice than the forecasted budget during the bidding stage (National Audit Office, 2011).

Despite the drastic increase in the budget, yet the costs are still likely to be understated and the total costs of the London Olympics should be expected to be 50 to 100% more. Cashman points out that “Olympic budgets are political, contentious and notoriously unreliable” and that quite often the infrastructure costs are concealed in the government’s public works budget (Cashman, 2002). These expenditures, though being incurred because of the hosting of the Olympics, are voluntarily omitted from the Olympic budget. The reason Cashman puts forward for such doing is that leak of the full costs of staging the Olympic Games might diminish the degree of public support which is a must criteria to be able to host the event. The fact that the budget is priced at £9.298 billion, that is, about \$17 billion, and yet is likely to be undervalued, it will be inconceivable to believe that the London Olympics can be financially beneficial.

Several studies done by some organisations prior to the Games tend to demonstrate the forthcoming profitability for London and UK of staging the 2012 Olympics. In that line, PricewaterhouseCoopers LLP (2005), commissioned by the UK government, found that there appears to be “significant potential benefits from hosting the Games.” Another study of London predicts a positive effect of increase in GDP from 2005-2016 of £1.936 billion and producing an additional 8,164 full-time equivalent jobs created for the UK (Blake, 2005). In 2005, this economic impact study predicted that London would receive revenues of \$1.627 billion while costing \$1.089 billion, but these budgets notoriously overestimate revenues and underestimate costs, thereby overstating profit (Blake, 2005). In addition,

these researches were performed much before the scheduling of the Olympics and many variables hence were not taken into account.

Actually the world is under the pressure of an economic downturn and London is surely not being spared. This undeniably curbed all estimated spending whether on tourism or any other areas. Therefore, examining the benefits that the Mayor has stated London will receive, coupled with the fact that the costs are going to be higher than anticipated, will shed light on the actual possibility the perceived benefits will actually materialise.

The reality being that the London Olympics come at a higher cost than envisaged and that therefore the derived benefits are not as pretended, has gained support from Londoners. A BBC survey found that “in London, host city of the Olympics, six out of ten people said there was nothing really in the Games for them...” (BBC News, 2008). Additionally, “73% of people thought there would be no noticeable benefit for their region” (BBC News, 2008). Another poll found that “only 15 percent of Britons think that hosting the Olympics will be good for the UK’s reputation” (Adfero Ltd, 2009). Another finding of this survey was that “40 percent of respondents think the budget for the 2012 Olympics is ‘out of control’ and that the final cost of the Games is likely to be at least twice as high as the current prediction” of £9.298 billion and that “...they feel the money could be better spent elsewhere.” Additionally, four in ten think that the Olympics will “provide no long-term benefits” and forty-five percent think that other areas of the UK would be just as capable of hosting the Games, and are in need of the regeneration more than East London (Adfero Ltd, 2009). Furthermore, half of the respondents, according to Adfero Ltd, believe that the government is too incompetent to run the Olympics. The result of these polls casts a dim light on the possibility of the 2012 London Games being “worth it” for the people of London. The following sections will discuss the financial, political, and social brunt of the 2012 London Olympics.

5.2 Financial Impacts

5.2.1 The costs of London 2012

The British Government as the other Olympic host cities committed itself to the International Olympic Committee so that LOCOG can deliver the Games in accordance with the Host City Contract. In the agreement, the Government ensured to provide well-designed and supplementary transport infrastructure projects and security. However with some of the commitments there are costs associated which are outside the Public Sector Funding Package. In addition, the Government is responsible for meeting any deficit between OCOG's costs and revenues.

The Public Sector Funding Package

When the Public Sector Funding Package was announced in the bid process, it was estimated to be about £4.036 billion (Evans, 2010). By March 2007, when Tessa Jowell announced the revised budget, it stood more than twice times the original estimate (National Audit Office, 2007). The initial budget bumped up to a whopping £9.345 billion (HoC, 2008). It then became clear that the discrepancy in cost was more than an accounting blip. The public fund was allocated to specific elements of delivering the Games, principally the venues and other facilities, and policing and wider security.

However, in May 2010, the new Conservative-Liberal coalition Government reduced the funding Package by £27 million, and, as an outcome of the Government's 2010 Spending Review, the Funding Package now includes additional Games-related costs. Table 2 overleaf summarises the changes, which include: a £778 million reduction in funding allocated to the Olympic Delivery Authority since March 2007; a £402 million net increase in funding for other work; and a £349 million provision for programme-wide contingency.

In a time where austerity was at the doorstep of UK, Britain's previous, Labour government set aside £9.3 billion to build a stage for the Olympics, with main upshot to regenerate the poorest boroughs of London. The 2012 Olympics are, in effect, a gamble on reviving the capital's poorest districts. Without the Games, the regeneration would have taken a lot longer. But the stake is mostly the whole country's money, and money is short.

Table 3: Changes to the public sector funding package for London 2012

Changes to the Public Sector Funding Package				
	March 2007 announcement of Funding Package	May 2010	December 2010	Change between March 2007 and December 2010
	(£m)	(£m)	(£m)	(£m)
Funding exclusively available to the Olympic Delivery Authority	8,099	8,072	7,321	-778
Funding for other, (non-Olympic Delivery Authority) work	988	988	1,390	402
Security contingency	238	238	238	0
Programme-wide contingency	0	0	349	349
Total	9,325	9,298	9,298	-27

Source: National Audit Office

5.2.2 Employment

The government announced in January 2009 that more than 30,000 new jobs will be created between 2009 and 2012 (DCMS, 2009). This goal includes training, employment, volunteering and business opportunities. It requires £11 million as fund to encourage employment, training and skills projects across the 33 London boroughs.

However, post-event employment and economic development is rather less apparent in the Olympic-related regeneration plans (Experian, 2006; Kornblatt, 2006). Estimates of the contribution of the Games to the *national* economy prior to the Olympic city award was put at only 0.34 per cent over seven years, with a net gain of £82 million (Crookston, 2004). It is the wider *distributive* effects that are attributed to the Olympic regeneration impact, particularly in employment. However, in the government’s own initial impact appraisal (PwC, 2005), projected employment is highly concentrated in pre-event construction activity and benefit the London region more than the local economy (see Table 3). The Olympic boroughs have above-average unemployment rates – some of the highest in the UK – much higher amongst some ethnic minority groups (young Asian and Black people 50 to 150 percent higher than their white counterparts), with economic activity rates some 10% lower than the London average. The Olympic borough’s policy and another ‘vision’, has been to address longstanding deprivation through ‘stopping the cycle of residents who prosper and for whom conditions improve, moving out of the area, as less well off people move in’ (London Borough of Newham, 2009)

Table 4: Summary of expected impacts on employment for London 2012

Area	Pre-event (2005-2011)	During event (2012)	Legacy/post-event (2013-2016)	Overall (2005-2016)
UK	2,955	3,261	1,948	8,164
London	25,824	3,724	9,327	38,875
North East London	7,344	311	311	7,966

Source: PriceWaterHouseCoopers (2005)

If the Lower Lea Valley is to be transformed – socially as well as physically – then these are the people who need to access new employment opportunities. Sustainable regeneration will require a genuine increase in the local employment rate – not just the result of highly skilled population moving in and displacing the indigenous less skilled one.

A sobering fact is that nearly 20% of the adult population in the Thames Gateway has no formal qualifications and half of the children live in workless households. As the chief executive of the Thames Gateway Partnership, Judith Armitt said: ‘educational attainment regeneration is as needed as transport and infrastructure’ (Building Design, 2006, p.5).

Initiatives like creating jobs, as cited before, often fail to produce their intended results, when prior to the Olympics, many prospective employees move into the town, taking away jobs from local citizens. Furthermore, the jobs created as a result of the Olympics are transitory as revealed by the table above. To solve the problem of unemployment, the Olympics are not the appropriate tool and this goal could be accomplished without hosting the Olympics.

5.2.3 Tourism

One of the biggest perceived benefits of hosting the London Games is increased tourism revenue. The Mayor of London points out that Australia was given a boost of £2.5 billion to their economy between 1997 and 2001, because of the 2000 Games, and that visitors travelled a great deal of time outside the host city (Mayor of London; London Assembly; Greater London Authority, 2008). However, the results from the economic impact studies done recently on the 2004 Athens Olympics did not cite these same results like it was discussed earlier in this paper, as they actually found a drop in tourism in the years 2002-2003 approaching the Olympics.

London 2012 estimates that tourist revenue to the Capital is going to increase by £2 billion over the time period in which the Olympic tourist spending increases are measured. However, the study done by ETOA dismissed this assertion, citing how Sydney and Athens made similar claims that did not pan out (ETOA, 2006).

5.2.4 Security costs

The overall cost of security during the Games has drastically increased. As part of the bid to secure the Games, the government provided a guarantee to the International Olympic Committee that it would underwrite the cost of security (above £29 million for Games time venue security being separately funded by LOCOG), but there was at that time no provision in the Public Sector Funding Package for venue security (National Audit Office, 2011). The £29 million was a significant under-estimate when bidding for the Games. After review, the government decided to provide an additional £282 million from the Public Sector Funding Package for venue security. This is in addition to the £475 million for wider policing and security that has always been within the Funding Package, bringing the total to £757 million, excluding contingency (National Audit Office, 2011).

5.2.5 Transportation system



Figure 8: The Olympic Javelin Service

The Mayor purports that hosting the Olympics in London and undergoing its many transportation/infrastructure improvements will develop London's transportation system. However, the Olympics will speed up these improvements and increase the risk that these projects are not completed very effectively.

Although these improvements may benefit local citizens, more than £6 billion will be spent to improve London's transport systems by 2012 (National Audit Office, 2011). Although this was not included directly in the budget of the Olympics, it was stated that this helped London attain its winning bid. Therefore, these costs should be fully or at least partially included in the Olympic budget. This shows that although hosting the Olympics will help bring about improvements to London's transport system, it comes at a great cost.

5.2.6 Venues and infrastructure costs (National Audit Office, 2011)

The following paragraphs give an update on four of the higher cost projects namely the main stadium, the Aquatics centre, the media centre and the athlete's village. We shall also have an overview of the costs of some other infrastructures and venues.

The Main Stadium

The Olympic Delivery Authority finished the construction of the Stadium in March 2011, and handed it over to LOCOG in June 2011. The Stadium was delivered for £486 million, which is 2 % less than its original budget of £496 million.

The Aquatics Centre

The construction of the Aquatic Centre was supposed to be over in April 2011. However the end-date was delayed to June 2011, closer to the target for handover to LOCOG in July 2011. The delay was in fact due to the design and fabrication of the roof steel, which proved more complex and protracted than envisaged. The Olympic Delivery Authority is now forecasting that the project will cost £269 million, 11% over its initial forecast of £242 million.

The Media Centre

The Media Centre will accommodate around 20,000 journalists and broadcasters. Initially, it was to be funded with £160 million of private finance and £220 million of public money. Nevertheless, the economic downturn made it difficult to secure private sector funding on value for money terms and the project is now entirely publicly funded, and will be a public asset after the Games. When the decision to publicly fund the project was made in January 2009, the estimated cost was £355 million. In December 2009, the total cost of the Media Centre project was estimated as £334 million. The final cost of the site was evaluated to £301 million and was achieved in July 2011 in advance of the target date for handover.

The Athletes' Village

The Athletes' Village will provide accommodation for around 17,000 athletes and officials during the Games. The site is of the project for the Stradford City regeneration. After the Games, the Athlete's village will be converted into homes. The Village was originally intended to be privately financed with the exception of £272 million for improvements to the land and infrastructure on the Village site, net of a £250 million estimated share of profits from post-Games development (this estimated share of profits reduced to £100 million in 2009). However, again, the start of the economic downturn made it difficult to secure private sector funding on value for money terms, and as a result the project was entirely publicly funded.

The Olympic Delivery Authority has forecasted the delivery of the Village to be before January 2012. By December 2010 the project was 66.8 percent complete to Games time, compared to the planned 72.8 percent.

In December 2010, the Olympic Delivery Authority was forecasting that the net cost to develop, build and sell the Athletes' Village and surrounding land and infrastructure would be £898 million, £81 million more than forecast when we last reported. The increase is largely due to the increased forecast cost of acquiring additional surrounding land, infrastructure costs and matching security operations with those for the Olympic Park.

The Village is actually smaller than first planned when it was going to be developed by the private sector (2,818 housing units instead of 3,700). Out of the 2,818 housing units 1,379 affordable homes have already been sold to Triathlon Homes (a consortium of two Registered Social Landlords and an urban development and investment company) for £268 million.

The Olympic Delivery Authority's forecast cost (and therefore the adequacy of the Public Sector Funding Package) is dependent on achieving income of at least £501 million from sales of the remaining residential units in the Athletes' Village. The Delivery Authority has taken professional advice that the £501 million is achievable, but the level of future income is inherently uncertain.

Figure 9: Location and costs of venues and infrastructures of London 2012(National Audit Office, 2011)



1. Olympic Stadium - £486m

2. Arcelor Mittal Orbit sculpture by Anish Kapoor - £19.1m

3. Aquatics Centre - £269m

4. Water Polo Centre

5. Westfield Stratford City - £1.4bn

6. Athletes' village - £1.1bn

7. Basketball Arena - £42m

8. Velodrome - £93m

9. Hockey pitches

10. Media Broadcast Centre - £355m

11. Handball courts - £44m

5.3 Political and social impacts of London 2012

5.3.1 Introduction

To regenerate East London, this was the motive put forward to justify the bidding of the 2012 Games in London (Mayor of London; Great London Authority, 2008). According to Ken Livingstone sayings, Mayor of London in 2008, the Olympics is a matchless occasion to transform East London. He further alleged that the substantial investment in infrastructure will create local jobs, improve skills and help to get thousands of people into work. Ken Livingstone ensures that the new sports facilities will help encourage people to lead healthier lifestyles.

The past Mayor advances statistics figures like an immediate legacy of 9,000 high-quality homes on the Olympic Park site, many of which will be affordable to Londoners on low incomes, 30,000 homes built in the surrounding area providing more affordable accommodation and supporting 14,000 Londoners and 1,500 local businesses in employment, training and skills.

The former Mayor of London even published five legacy commitments to the whole of London as a result of hosting the Games. Below are the five legacy commitments:

1. Increasing opportunities for Londoners to become involved in sport.
2. Ensuring Londoners benefit from new jobs, business and volunteering opportunities.
3. Transforming the heart of East London.
4. Delivering sustainable Games and developing sustainable communities.
5. Showcasing London as a diverse, creative and welcoming city.

From the stated legacies, we can deduce that London 2012 Games are depicted as the event that will be about lasting benefits and life-changing opportunities for the Londoners. Next, we are going to analyse each of the legacies and we shall determine how viable these are to justify the hosting of such a mega-event like the Olympics in today's context.

5.3.2 Increasing opportunities for Londoners to become involved in sport

The first Legacy Commitment of the London Olympics is to increase opportunities for Londoners to become involved in sport (Mayor of London; Great London Authority, 2008). As mentioned in previous sections, the Olympics fail to turn people to physical activities for long-term. At least no studies about past Olympics on sport participation have shown the contrary. Similarly for London, it is also unlikely to occur. The Mayor, in his commitment report, mentions that 60,000 Londoners are already taking part in the pre-Games Summer of Sport, and that 45,000 disabled Londoners are involved in sports now. He further added that through the “Winter of Sport” program, £79 million will be invested to raise the interest of Londoners in sports. Rationally analysed, this project cannot be classified as a direct Olympic legacy, since it is feasible without the Olympics. The high cost of such a project makes it difficult to be perceived as a likely benefit of the Olympics. Moreover, with the economic downturn striking the world actually, such a plan is not realistic, when compared with the opportunity costs involved.

The amenities like the Olympic Stadium, the Aquatics Centre, the Velopark, and the Hockey Centre and the Indoor Sport Centre shall be put at the community’s disposal after the Games. The aim is to help the local people to get in shape. (Mayor of London; Greater London Authority, 2008). The Mayor stated:

“The Olympic and Paralympics Games will be a uniquely inspiring and motivating experience, boosting participation in all levels of sport in London and across the UK” (Mayor of London; Greater London Authority, 2008).

If new sports venues were obligatory to get the Londoners in shape, these could have been built regardless of hosting the Olympics. Hosting the Olympics of course triggers the local agenda in terms of infrastructures constructions but instead of being benefit, it tends more to be to the disadvantage of the Olympic host communities as witnessed by past Olympic Games. As discussed before, the claim, that the Olympics may help the local host community to get into shape, is debatable and quite speculative.

The BBC study, mentioned earlier, found that out of the 2,000 adults questioned, “just one in five said the Games in London would inspire them to exercise” and people appear sceptical about other “key promises - to use the Games in London to get the nation fitter” (BBC News, 2008). Coalter points out that the effect of the Olympics is much like the “well known short-lived annual ‘Wimbledon effect’” which occurs in the tennis world (2007). Coalter states that: “On the basis of current research evidence the general conclusion is that using the Olympics as ‘the catalyst that inspires people of all ages and all talents to lead more active lives’ will require, like competing in the Olympics sustained hard work, based on a coherent strategy with no guarantee of success” (Coalter, 2007).

5.3.3 Ensuring Londoners benefit from new jobs, business and volunteering opportunities

The second legacy commitment states that Londoners will benefit from new jobs, business and volunteering opportunities (Mayor of London; Great London Authority, 2008). The London 2012 Games according to the commitment report shall help to create 50,000 new jobs in the Lower Lea Valley area and inspire a series of projects that can help to reduce by 70,000 the number of Londoners without work. The Games will also train 70,000 volunteers for the Olympic event and £11 million will be injected to support 1,500 local businesses to help them to take advantage of the opportunity offered by London 2012 (Mayor of London; Great London Authority, 2008).

Tackling the problem of unemployment is quite appraisable but the jobs offered are mostly Games-related jobs. As previously examined in the section related to the financial impacts of the London Games, employment is transitory in nature. The Olympics prior and during the Games create temporary jobs, thereby decreasing the rate of unemployment. After the Games, many of the jobs created will be cancelled, thereby raising again the unemployment rate. Also promoting local businesses to gain Games-related contract is positive too but will they be able to cope with the slowdown effect of the post-Games and sustain their existence when the economic situation will be back to normal?

As for the fact that the Olympics will create volunteer opportunities for Londoners to take part in, there are plenty of volunteer opportunities already available in London, so the Olympics do not add many more.

5.3.4 Transforming the heart of East London

The third Legacy Commitment states that more than 40,000 new homes will be built in and around the Olympic park and this will help regenerate East London (Mayor of London; Great London Authority, 2008). It is claimed that new housing will also attract residents to 2,800 apartments and other dwellings in the Olympic Village and about 9,000 in the Olympic Park area (Mayor of London; Great London Authority, 2008). However, Olympic delivery agencies intentionally exaggerate about the existing development activity. In fact, the 'new' homes replace demolished housing, for example former 450-resident/150 dwelling Clays Lane Estate, and include modified housing in Stratford City which was already designated for development, even without the Olympics. Therefore, the net increase actually is equivalent to only half of the predicted new homes (Cheyne, 2008). The master plan for East London along the Lea Valley also allows new housing and amenities to be designed but with facilities that are less than the accepted national standards (Ryser, 2010). Hence instead of promoting a better standard of living, this might do the opposite for the local community; it runs the risk of reinforcing a lower quality of life on this historically poorly served community.

The 'new' Olympic Park similarly leads to the eviction and relocation of the host community as well as of the Travellers communities. Both groups were re-housed, much to chagrin of residents, in newly-built bungalows and allotment sites. The Manor Gardens allotment holders had been evicted and transferred to temporary, less satisfactory sites in 2007. The allotments are due to return to a site within the Park seven years later. However local authority mayors are adamant and do not really want the allotments to return there.

The Olympic zone is now served by new transport links to central London, Canary Wharf and the suburbs. The result was that the borough of Newham produce the highest increases in average house prices in the UK between 1999 and 2009 – up 190% over this decade (compared with the national average of 117%), with above-average rises in neighbouring Olympic host boroughs of Hackney (143%) and Tower Hamlets (146%) (Evans, 2010).

One legacy benefit is of course housing provision for local people, incumbent, Londoners and migrants. The athlete village housing is supposed to meet promised social

housing need or affordability. 50% of London 2012 Olympic Village housing is targeted to be affordable homes after the Games and are adapted for everyday occupation. With average house prices between £250,000 and £300,000 a first time buyer requires £55,000 p.a. income to secure a mortgage but the average household income in Newham is £28,000 (Evans, 2010). Only socially-rented property would meet the housing needs of many local people and families on lower incomes.

5.3.5 Delivering sustainable Games and developing sustainable communities

The fourth Legacy Commitment is to deliver sustainable Games and develop sustainable communities after the Games. This is the first time in the history of the Olympics that such an initiative is taken. Nevertheless, it is hard to predict the effects of such a commitment. Among the outlines of this fourth legacy commitment, the Mayor of London stated that the organising committee plans for 102 hectares of open space in legacy, provided by the Olympic Park and that students in London's colleges and universities will be taught about new cultures and countries, as a result of the launching of its 2012 Education Program (Mayor of London; Great London Authority, 2008). In addition on the environmental part, London is committed to delivering a low carbon Games through the design and construction of buildings, provision of efficient energy supplies and the use of waterways to transfer waste and deliver construction materials (Mayor of London; Great London Authority, 2008).

Among the measures envisaged, carbon emissions will be reduced from permanent buildings in the Park by 50% by 2013 similar to the actions Beijing taken before its Games. Although during the Games, Beijing benefited, once the restrictions were lifted, the emissions went back to the levels originally found. 50% of construction materials will be transported by rail or river and the source all timber used in construction will be from sustainable sources (Mayor of London; Great London Authority, 2008). In addition, the Olympic Delivery Authority has set a target of recycling or reusing 90% of demolition materials and, at Games time (Mayor of London; Great London Authority, 2008). The disadvantage to rushing the construction projects and recycling most of the materials is the

same as those involved with speeding up any construction project, there is a risk of a disastrous result.

The Games will be car-free except for those used by disabled drivers. Lastly, the Mayor discusses how the Olympics will allow for the reclaiming of contaminated land that will become home to the biggest new park London has seen since Victorian times. Again, however, the Games need not occur for these benefits to be seen. The park could be built anyway, the contaminated land could otherwise be reclaimed, and the environmentally friendly policies could absolutely be implemented regardless of the Olympics. Making the event car-free is still a positive benefit, but it does inconvenience to the local citizens and could anyway be done regardless of the Olympics.

These goals could be beneficial to London, but there is a financial burden involved for these highly ambitious projects and for the educational programme as well people will have to be paid to teach the students. The final costs are not directly identifiable and can be very high.

5.3.6 Showcasing London as a diverse, creative and welcoming city

The fifth Legacy Commitment is titled, “showcasing London as a diverse, creative and welcoming city,” and outlines how the image of London will be publicised to the world. It will involve cultural programs in the North, South, East and West London, the upshot being to showcase all of the city cultural offerings to the international audience. The Mayor states that the cultural festival will be spanned on four years, beginning in 2008 and continuing into the summer of 2012, and will feature events, exhibitions, and educational activities (Mayor of London; Great London Authority, 2008). An investment of £3 million will be made in the tourist industry to promote further that sector.

Livingstone praised the multiculturalism of London but did not really come to the point, that is, how this can be a benefit left from hosting the Olympics. Nonetheless, as cited earlier in this paper, tourism revenue might not increase before, during, or after the Games. Showcasing London nationally and internationally to promote tourism industry could be done regardless of whether or not the Olympics are held.

Besides, with an eventual increase in tourism comes the need for increased security. Though London may have one of the largest police forces in the world, yet threats of terrorist attacks are indeed present. “Both the Government and I are committed to providing a safe environment for London today, tomorrow, and the future, for all its people, visitors and economy” (Mayor of London; Greater London Authority, 2008).

Although this statement is convincing, increased security is not a true benefit. The security required for the Olympics is high because of the safety concerns. Therefore, the Olympics do not actually make London safer, as they may possibly expose London to increased risk. Not only does increased security come with drawbacks but it costs hundreds of millions of dollars. From the year the games were awarded to London, security experts were already complaining that the \$400 million, estimates of security costs for the London Games were way too low (Cohn, 2005). It was believed that these security costs will likely be around \$800 million as it was confirmed by the National Audit Office in 2007 (Cohn, 2005, National Audit Office, 2011). As a reminder, Athens officials thought that it would have cost their city \$122 million for security and that figure wound up topping \$1.8 billion (Cohn, 2005).

5.3.7 Conclusion - Olympic legacies or over- indebtedness of host city

As we have seen in the section assessing the London Games financially, there are quite a lot of venues and infrastructures that are being built as a result of the Games. The initial budget has more than doubled as we demonstrated. Several projects that were to be financed wholly or partly by the private sector failed to raise the required fund due to economic recession. Hence, the public sector had to take over these tasks which are of course at the expense of the taxpayers.

Another issue is that the London Games is following the same pattern as the Montreal Games, that is, the public sector is investing massively in infrastructures, with little private sector support. Already, austerity measures are being applied in UK. With the Olympics, the risk may be very well to burden further the community financially in terms of taxes. Though the five legacy commitments may to some extent very well benefit the host community, the associated drawbacks may be very high for the entire London economy as well as for the UK citizens since there will not be direct paybacks on the

investments made. Furthermore if it creates an imbalance in the British economy, the taxpayers will be the ones who will absorb the cost. Actually, if well thought, one would say that the made promises are nothing more than political deeds; the social aspect is quite questionable.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

The literature provided in this thesis showed us that there are many drawbacks to hosting the Olympics and there is evidence that the costs incurred to host the Olympics in many cases outweigh the tangible benefits. The evidence suggests that not only are there theoretical reasons to believe that economic impact studies of Olympic Games overstate the true impact of the event, but in practice the ex-ante estimates of economic benefits far exceed the ex-post observed economic development of host communities following the mega-event or infrastructures construction.

Quite often, the organisers of the Games tend to lay much emphasis upon intangible benefits to a host city or country to justify the staging of the Games. However, to measure intangible benefits is not an easy task and though these might be pragmatic enough to be accounted for, they have to be balanced against the opportunity costs they involve. Furthermore, implementation of structured social programs could potentially offer the same, even better and targeted, intangible benefits as well as tangible ones like financial, social, and/or political for a much lesser cost.

It seems that those who receive the benefits are not the ones who absorb the brunt of the costs. The people who bear the impact of the costs are normally the residents, local economy and local/national governments. Among the greatest beneficiaries of the Games we found the IOC, the respective NOCs and the athletes. Since these organisations are the ones who commission and issue the reports, most of the official reports contain information that mainly portrays a positive reflection of the Olympics.

If the Olympics can be potentially detrimental financially, politically and socially to host cities, then why is it that cities throughout the world continue to bid for the Olympics? The answer is somewhat simple; those who earn from the Olympics are doing a truly brilliant job masking the fallacies in the perceived benefits of hosting the Olympics. The parties involved in the bidding to host the Olympics amass the majority of the benefits, but leave the brunt of the costs to the host communities. Convincing skilled politicians and businessmen sweeten the appeal of the Games to the taxpaying community so majestically

that the latter enthusiastically consents to the hosting of the Olympics, believing in the economic and social myth of the Olympics promises.

The aim of this paper is not to suggest that the Olympics are denuded of benefits. Indeed, the Olympics do provide certain advantages to the community like local volunteerism, youth education programs, employment though temporary and funding for community developments and cultural programs. But even so the opportunity costs and economic, political and social threats are high. A state willing to provide the benefits associated to the hosting of the Olympics can do it without having to obligatorily host such a costly event. The Olympic Games contribute greatly in accelerating politicians' agenda. The capital budget for infrastructures is most of the time the taxpayers' money. Implementing the developments due to the Olympics but without the Olympics, would have been a deal less to the taxpayers' pocket. If a city is to optimise however the hosting of the Games, the staging of the Olympics should fit its local development agenda and socioeconomic and political studies should be done taking into account the various opportunities and risks for the local community.

6.2 Recommendations

6.2.1 The bidding process

The whole mechanism of the Olympics starts once the bid is won. The IOC before accepting a bid should perhaps review its criteria to protect more the host community.

Recommendation for the bidding process

- Cities prior to placing a bid must commission studies from unbiased experts firms as well as from scholars to determine the viability of hosting an economically, politically and socially beneficial Olympic Games.
- The IOC should choose cities with existing facilities and not go for countries where extravagant constructions would have to be erected as venues or infrastructures.
- Significant funding from private sectors must be raised for the capital budget; more than 50% of the infrastructure costs must be met by corporate firms. Hence, the

Montreal scenario is less likely to occur and the burden on taxpayers is significantly less.

- The IOC should invest a percentage on eventual sports venues and not cater only for the operational cost of the Games. A fixed amount, for instance, could be allocated for sport-related venues. If the city is to go beyond the budget given, it will be required to look for the additional fund.
- The IOC must impose a limit to the amount a host city can expend as capital budget. This is to prevent extravagance and burdening the host community with costly infrastructures.
- The IOC and the International Federations should be less rigid about the venue standards. This will remove the burden of having to build new infrastructures if existing ones are not 100% conformed to the standards.

6.2.2 Governance

Historically, the Olympic Games are multiphase events. Bid groups disband at the successful award of an event and an OCOG takes over. When the games end, the OCOG disappears. This does not allow for continuity of vision or effective stewardship before, during and after the event. The issue can be overcome with a governance structure that precedes and survives the Games event.

Recommendation for good governance at all levels

- Research should be conducted on alternative governance organisations to ensure continuity and accountability around the social, political and economic performance/stewardship.
- All the Bid partners must collaborate and set out a mechanism to assure long-term guidance and successful outcomes. A governance structure could be designed and put in place in the near-term. Facilitation would be required to develop role clarity, a common agenda, a shared vision and cooperative working arrangements.

6.2.3 Housing

A key community issue relates to housing availability and affordability. In the course of the construction phase of Olympic infrastructures, some people might be evicted from their homes. The Olympic village often is converted to domestic houses for the local community. Recommendations are related here to more actions by the government of municipalities.

Recommendations for proper housing management

- A broader governance organisation should be established to work with all levels of government to facilitate a process that minimises the loss of housing and accommodation.
- The local authorities should expand homeless shelters or build new shelters in all communities affected by the Games. Resources should be identified and allocated prior to the Games to assist with the anticipated increase of the homeless caused by the Games. These shelters should be established at least two years before the Games.
- The government should develop a housing registry or shelter resources listing in each host or impacted community to assist potential evictees or transients attracted by the 2012 Games and related opportunities, with relocation and short-term shelter needs.
- Tenants displaced by Games-related events should be identified and allocated emergency funds and other resources. In order to accurately forecast these needs, the host city must undertake further studies on the matter once they have been awarded the Games.
- A review of tenant protection laws must be made to ensure effective tenant protection before, during and after the Games.
- Laws to prevent landlords evicting tenants to profit from Olympic visitors must be established.

6.2.4 Employment

Employment is a significant existing concern for residents of most Olympic host communities. Many residents see the principal benefit of the Games as the opportunity to create employment for traditional and non-traditional sectors of the labour market. At the same time two of the greatest expressed communities' concerns about employment are that Games related employment can go to non-residents and some of the jobs are just temporary.

Recommendation for employment legacy

- The OCOG and government could undertake measures to allow redeployment of temporary workers after the Games. A registry could be made of all workers employed directly in connection to the Games and the listed persons with temporary jobs could be redeployed in other sectors or jobs.
- The government of the host country could establish a protocol that encourages corporate sponsors to hire and train locally, to support long-term-community capacity building as part of a sustainable employment plan.
- To increase the employment of marginalised groups in host communities, specific strategies should be put in place.
- The authorities can establish a job-counselling program to assist transient workers to get work in other jobs.

6.2.5 Sports participation

Increased in sports participation is one of the legacy often the organisers of the Games put forward. However studies have failed to demonstrate that such a legacy is viable.

Recommendation to increase sports participation

- The government should clearly establish mass sport activities to encourage the general public to practise a sport regularly.
- The OCOG as well as the government should ensure that the legacy facilities can be used by the wider sports community, and not just by elite athletes.

- The sports and recreation legacy facilities should be turned to sponsoring organisations to allow access to low-income people.
- Funds should be put aside for program improvements at grass-roots level in the communities, with the target of youth, equity-seeking and marginalised groups.

6.2.6 Legacy facilities

Another concern of the Olympics is the so-called “white elephants.” Often gigantic and magnificent constructions are constructed with no usage plan or little or no provision has been made to cater for the maintenance of these infrastructures.

Recommendation for sports facilities

- Prior to building a venue, the government should ensure that adequate funds are raised /set aside to maintain the legacy facilities at a quality level following the Games.
- No new infrastructures should be at the entire expense of the city. It should be either shared with private sectors or be completely private.

6.2.7 Security and civil rights

Since the 9/11 terrorist attacks, there has been an increasing concern in security for the Games. The figures can reach the astronomical sum of \$1 billion plus.

Recommendation to preserve civil rights and reduce security cost

- The IOC, OCOG as well as the government must commit that the Charter of Rights and Freedoms will be adhered to during the Games. This would assist in alleviating the perception by some advocacy groups that the Games create a special set of circumstances in which an individual’s rights can be subverted.
- The OCOG can work with local governments to implement a strategy for peaceful expression. Locations and protocols could be created for individuals or groups to express their points of view in a manner that doesn’t reduce the security of visitors and residents, but enables those people to capitalise on the special circumstances that the Games creates.

- Public forces could be used to ensure security instead of having recourse to private security firms. Further, policemen from other cities could be called upon to support the local police. These policemen could receive special training to be at the level of the event.

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