Taking the Measure of the Games: Lessons from the Field
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Summary
Bidding to host the Olympic games has become a strategy for urban development. The rationale for engaging in this process is often presented on financial and image-building grounds. In this article, the authors assess the lessons from recent Olympic games, highlighting the challenges and inconsistencies in the assumptions of Olympic boosters, and noting how precarious the legacy can be.

As Vancouver prepares to host the 2010 winter Olympics, it seems appropriate to take stock of the benefits and risks to cities in hosting the games. Our assessments are based primarily on our study of three Olympic cities in the United States, and the work of other scholars. In this article, we critically examine two themes central to understanding the relationship between cities and the Olympics: paying for the games and building a city's image.

Getting behind the Myth of Self-Financing Games
After the success of the Los Angeles Olympics in 1984, with its $225 million surplus, a myth has been cultivated that the games are largely self-financing; that is, the sizable revenues that the Olympics can generate mean that taxpayers in the host nation will not have to pay. Of course, some basis for the claim exists, because the revenues from broadcast rights, corporate sponsorships and ticket sales that flow to the local organizing committee may cover the operational costs of the games. Preparing a city to host the Olympics, however, often entails substantial costs for infrastructure.

Although the Los Angeles games were cost effective, in large part because local organizers used existing facilities, substantial pressure is often exerted by local, national and international Olympic organizations for cities to develop new sports facilities. Additional pressure comes from local development interests to use the games to build new, or expand existing, infrastructure. These costs are absorbed by the various levels of government that contribute to the production of the games. Of the $2.9 billion spent on facilities and public infrastructure for the 1996 Olympics in Atlanta, for example, most of the money came from local (29 percent), state (8 percent) and federal (34 percent) governments.2

The complexity of the public-private arrangements necessary to stage the games makes it difficult to take the measure of either the benefits or costs of the games. Accounting for the revenues and operational expenditures directly associated with the games is fairly straightforward. Beyond that, however, things get murky. In terms of assigning cost, there is considerable uncertainty in the areas of infrastructure and venue construction; for example, who should be assigned the cost of a new road or airport expansion that suddenly becomes a necessity with the Olympics coming? Of course, new infrastructure presumably provides lasting public benefits to the host city. The prospect of hosting the games, however, often serves to colour judgments about future demand for public infrastructure. The rhetoric of “hosting the world” and “becoming a world-class city” may lead local policy makers to overemphasize projects that primarily fit the needs of Olympic organizers. Without the games looming on the horizon, investment in some projects may not have been judged necessary or a less expansive plan might have sufficed.

That the myth of self-financing games persists is understandable, especially when Olympic organizing committees in cities such as Los Angeles and Salt Lake City announce substantial surpluses after the games. However, any surplus generated by the Olympic organizing committee is not the property of the host government and cannot be used to
cover the costs of hosting the games. Instead, the money is typically distributed to various Olympic entities or used to fund the future operations of Olympic venues. For example, after the 2002 winter games in Salt Lake City, the organizing committee funded a $76 million "legacy fund" for the future operation of two Olympic venues. Despite this substantial endowment, the nonprofit organization operating these venues has cut staff and programs to keep its annual operating deficit from draining the endowment.\(^1\) The potential for worse outcomes for Olympic legacy venues exists as well. In Sydney, the viability of the venues was over promised, and the State of New South Wales now finds itself saddled with expensive maintenance of underutilized structures. The Sydney SuperDome is in receivership, and revenue from the Sydney International Shooting Centre covers only 10 percent of operating costs. In all, maintenance subsidies for the Sydney Olympic legacy facilities are estimated at $46 million annually.\(^4\)

In addition to the cost of facilities and infrastructure, other costs are often downplayed in the process of bidding for the games. One such cost is the assignment of local government employees to games-related tasks. A report by the New South Wales Auditor General estimated this cost at $102 million for the 2000 Sydney Olympics. Even though governments in local venue communities are not in line to share in any post-Olympic surplus, they will incur substantial costs to plan and coordinate routine governmental tasks such as trash collection, health inspections and court administration during the games. An even greater cost concern is security. Security costs for the Olympics have risen dramatically since the attacks of September 11, 2001. Using a variety of sources, we calculate that security costs in Atlanta in 1996 were 2.9 percent of total costs including operations, legacy facilities and infrastructure. For Sydney in 2000, the cost rose slightly to 3.4 percent. When the winter Olympics were held in Salt Lake City in 2002, five months after the September 11 attacks, security costs jumped to 13.3 percent of the total. For the 2004 Athens summer games, security costs were estimated at $1.5 billion or about 15 percent of the $10 billion budget for the games.

Finally, it is important to understand who makes the decisions and who bears the costs of the games. In nearly all cases, the small group of elites who control the local Olympic organizing committee exert enormous influence over what facilities are built and who pays for them. These decisions, in turn, drive the agenda of infrastructure upgrades. The ability of these elites to get their way resides in their connections to other powerful actors, their control of revenues to subsidize venues, the large impact of their operations on the local economy, and their use of the Olympic requirements as a wedge to influence local decisions. While city residents are often persuaded to support the games, they seldom consider the opportunity cost of the investment, that is, the extent to which Olympic spending crowds out other sorely needed social expenditures. Furthermore, little light is shed on the darkest side of Olympic development and the special costs born by people displaced by Olympic projects. In Atlanta, nearly 2,000 very low-income residents of Techwood/Clark Howell public housing were displaced by Olympic redevelopment.\(^2\)\(^3\)\(^4\)

Why then would cities host the games? The promise of increased tourism is the economic benefit most often cited by Olympic promoters. Estimating the impact of the games on tourism, however, is controversial and open to the charge that consultants' reports are largely self-serving. Studies undertaken during the bidding process often identify substantial cumulative benefits and promoters are inclined to take these at face value.\(^6\) In the bandwagon environment of Olympic bidding, critics are unlikely to find a platform to air their concerns. After the games, there is little incentive to fund studies to determine the validity of original estimates.\(^3\)

Critics argue that most studies fail to account for displacement where existing business and holiday travelers change plans, either to avoid the disruption of their normal travel patterns or to avoid potential price gouging. Nor do they account for outbound travel of locals who leave to avoid the crush of the event or take advantage of reduced airfares resulting from heavily booked inbound flights. This displacement may mean that the Olympics deter regular customers or that the expected Olympic customers are more concentrated than expected.\(^8\) The effects of displacement of the typical tourist trade and the concentration of Olympic visitors were felt in Los Angeles, Atlanta and Salt Lake City.\(^3\)

Careful studies of Olympic tourist impacts have generally concluded that, "There appears to be little evidence that hallmark events have lasting effects on tourist arrivals."\(^9\)\(^10\) Illustrating the displacement effect, a study of the economic consequences of the summer games from 1972 to 2000 concluded that, "In the majority of the host cities investigated the occupancy rate of hotels fell during the Olympic year."\(^11\)\(^12\) Preuss' notes, however, that cities that invested in tourist-related redevelopment such as increased hotel space were providing the prerequisites for increased tourism. Spurr\(^13\)\(^14\) states that the long-term effects of investments play out differently for cities. For example, Barcelona increased its attractiveness as a short-break European destination, while Sydney, because it is a long-haul destination, did not. In the end, Spurr concludes that modeling the impact of the Olympics on tourism is very difficult, because intervening variables, such as economic downturns or changes in exchange rates, tend to overwhelm any Olympic effect.

**Placemaking and the World-Class City**

While serious questions about the ultimate costs and benefits exist, most researchers agree that the Olympic games mark the city as a world-class location, presumably enticing as a convention and travel destination or as a site for corporate investment. For 17 days, the city is host to an event that takes its namesake and partner in the production of a highly symbolic drama.

But the close identification of the city with the games creates both opportunity and risk for the enterprise of local
placemaking. The host city must demonstrate its local distinctiveness by showcasing its culture and heritage. Simultaneously, it must stage a global event subject to the edicts of the International Olympic Committee (IOC), financed by corporations seeking global markets, and packaged for global consumption by the media. As the premier international sports event, the Olympic games become a focal point for concerns that can stigmatize the host city: Mexico City, Munich, Atlanta and Moscow are remembered for terrorist acts or political protest, Montreal for fiscal irresponsibility, and Salt Lake City for corruption. Using the Olympics to brand a city is a more difficult and risky venture than is usually imagined.

The success and failure of enacting the Olympics as a placemaking event can be illustrated by examples taken from two ends of the spectrum: Lillehammer and Atlanta. Lillehammer, a small community of 28,000, was an unlikely candidate to host the 1994 winter Olympics. The financial challenge of the undertaking led the national government to intervene, thereby drawing the creative resources of the country into the effort. The result was some of the most celebrated structures of the Olympics and the most coherent linkage of sports production to culture and heritage of place. Three structures—the “Viking Ship” with its roof design resembling an overturned ship, the “Northern Lights” skating hall with its all-wood structural support, and the hockey hall at Gjovik—highlighted Norway’s local materials, landscapes and world-class technological prowess. On the cultural side, the incorporation of a 4,000-year-old cave drawing of a man on skis into a series of popular sports pictograms made evident the deep linkage of Norway to winter sports. Lillehammer demonstrated that commercial success does not require commodification of place and showed that a global event could be hosted in a way that enhanced its sense of culture and heritage.

The Atlanta Olympics in 1996 provides the counter example. To win the bid, Atlanta mobilized its reputation as the heart of the New South, the economic engine of the region, and the beacon of social moderation exemplified in the civil rights work of Martin Luther King. However, in the end, the games played out like a southern novel. The vision of social moderation was shattered by a bombing in Centennial Olympic Park that later was linked to an anti-abortion protester. In hosting the event, Atlanta was criticized for what it has always been, a dynamic but grasping booster city whose reputation for promotion far exceeded its capacity to deliver. The international press and the IOC scolded the city for its communication and transportation failures, its lackluster venues, and especially its excessive commercialism. In the long run, it is difficult to know what image endures for an Olympic city.

Conclusion
Taking the measure of the games is a difficult task. Our purpose was to critically examine some of the challenges of this task. While it is clear that the benefits of hosting the Olympics may be overstated, and that the risks to a city’s image are probably underappreciated, cities continue to compete to host the games. One explanation is that true costs are known but obscured by elites who will benefit most from the games. Another explanation is that Olympic enthusiasm and the promise of Olympic revenues are viewed as a costless stimulant for consumption-oriented development.

This illusion focuses attention on other potential benefits such as increased tax revenues from tourism and legacy facilities and obscures the real costs that are broadly distributed and largely invisible until after the games. Perhaps in the end, the most enticing Olympic event is this illusory game that lures cities to crowd around the Olympic-bidding table.

References and Notes
5. Gorrell M. Utah Olympic venues to cut budget $1.6 million to trim deficit. Salt Lake Tribune 2004 Jan 8.