

(SP) ECONOMIC ANALYSIS OF SPORTS MEGA-EVENTS: THE CASE FOR OLYMPIC GAMES

Carlos Alberto Colaço, José Pinto Correia & Gustavo Manuel Silva Pires
Faculdade de Motricidade Humana, PORTUGAL

Introduction

Our World joins nowadays, through its “new era of globalization”, a greater intimacy among people, standardized goods and services, and especially in globalized sports, which is consequential to the general process of “a dead of space and a compression in time” (Thoma & Chalip, 1996; Castells, 1996, 2000; Maguire, 1999).

Therefore, the sports mega-events, and mainly the “most mega” of all those, the Olympic Games (Summer and Winter Games), imply for their diversified dimensions nowadays important diversified effects/outcomes, in which those that are of economic kind assume a determinant importance (Preuss, 2004a, b).

The making of the Olympic Games in each of the host countries is preceded by a long maturation process, which starts with the national decision of bidding (from one city with National Olympic Committee approval) more than 10 years before, and is thereafter developed all along the period that goes from the International Olympic Committee (“IOC”) final decision to the date of the Games (7 years long). And, after the Games, in the post-period, the process still goes on for several years, perhaps 5 to 10 years more, in which it makes all sense to evaluate and re-evaluate the economic impacts of the Games (Monagas & Botella, 2002; New South Wales, 1997, 2002).

This long-maturation process implies that adequate methods and analyses of the economic impacts and effects of the Games are used, not only to foresee those outcomes, but also to confirm, in an ex-post methodology, the real economic results for the host city and country of that special “sports mega-event” that constitutes the Olympic Games.

Methods

The most recent editions of the Olympic Games (Summer and Winter) have been evaluated in their economic impacts, have the theoretical principles of economic science and evaluation prescribe, through macroeconomic impact studies or cost-benefit analyses. Those were the two main methods of analysis of the economic dimension of the Games.

Examples of the analytic macroeconomic methods in use are the studies done for the Winter Games of Salt Lake City (USA), Lillehammer (Norway) and Vancouver 2010 (Canada) and for the Summer Games of Atlanta (USA), Barcelona (Spain) and Sydney (Australia) (State of Utah, 2000, 2002; Monagas & Botella, 2002; InterVistas Consulting, 2002; Jeanrenaud, 1999), all of which were surveyed in our study.

But all those studies are ex-ante evaluations, which obey necessarily to hypotheses and forecasts whose real values can only be confirmed by ex-post studies, which became naturally so much in need (Rossi et al., 1999; Spilling, 1997).

Unfortunately these ex-post evaluations are very scarce and so the one done by Spilling (Spilling, 1997), for the Lillehammer Games, constitutes a very interesting and specially theoretical-based case, which should be an initial basis for other much in need analyses of the same kind.

Another minor for those evaluations was the fact that only to the London 2012 bid the cost-benefit methodology was used to evaluate in an ex-ante posture the economic results of the Games. And in so doing, it turns possible for this host country to value the “socio-economic rentability” of the Games project. And as we already know this method

has pronounced advantages over the macroeconomic impacts studies used in the other editions (Rossi et al, 1999; Késenne, 1998, 2005).

Results

The above referred economic impact studies of Olympic Games, namely those that use macroeconomic impacts methodology (sometimes modelled by input-output matrixes and correlated multipliers), present quantitative data about product output and income (related to GDP), employment and tourism, which are direct, indirect, or induced impacts. And in some of these studies scenarios are introduced, granting with them sensitivity and risk analysis to the “Games project” (State of Utah, 2000, 2002; InterVistas Consulting, 2002; Jeanrenaud, 1999).

On the other hand, in cost-benefit analysis studies, from which the London 2012 candidature is the most recent example, it is possible with the analysis to make a national comparison of the “Games project” with other relevant country commitments, by means of their respective “socio-economic rentability”. What will then put the “welfare function” in scene and consequently the analysis of the economic problem of the use of scarce resources for reaching “social optimums” (DCMS,2003; Stiglitz, 2002)?

Moreover, this method turns it possible to compare the Games project with the other several alternative societal projects, mainly those of social kind (v.g. education, health, non-competitive sports, etc.) and give the necessary foundations for the political choices (public policies included). And some explanation of the correspondent development effects in the future of the sports community is necessary to establish the national society’s rationale for the Games project (v.g. concepts of sport level and sports development factors in Pires, 2004, 2006).

Discussion

As already said, most of the studies concerning the analysis of the economic impacts of Olympic Games were done in a macroeconomic ex-ante posture, obeying to hypotheses and forecasts whose effective real data may become, in most cases, under subsequent re-evaluations.

So, if it is understandable that under the principles of the “evaluation theory” the ex-ante studies are an initial essential support tool for the decision of hosting the Games, it also becomes indispensable to use in the future ex-post evaluation studies to confirm or renew the initial data and conclusions made under those ex-ante analyses (Rossi et al., 1999).

We must stress the real advantages of the cost-benefit analysis over those traditional macroeconomic impacts methodology, analysis which was used for the first time in the London 2012 Games bid, because it has absolute merits in the accuracy of its accounting and findings, but also because it can serve as a general comparator for the scrutiny of the host country public policies efficiencies.

Another important new line of research (which Spilling, 1997, started to explore for the Lillehammer 1994 Winter Games) is the establishment of the fundamentals of the relation of the Games project with the development of the country or the state/local economy which hosts the event. This new line of future research will do a nice contribution to the “Economy of the Olympics”.

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E-mail: jcorreia@fmh.utl.pt .