

Sporting mega-events

Just say no

Hosting the Olympics and the World Cup is bad for a city's health

Feb 28th 2015 | From the print edition

Circus Maximus: The Economic Gamble Behind Hosting the Olympics and the World Cup. By Andrew Zimbalist. *Brookings Institution Press*; 174 pages; \$25 and £18.50.

THERE may be few sweeter siren songs for public officials across the world than the dulcet tones of emissaries from the International Olympic Committee (IOC) and FIFA, the global governing body of football. To induce cities to bid to host the Olympics and World Cup, they promise infrastructure investment to modernise blighted areas, a lasting rise in tourism, improved public health, a month at the centre of the world stage and the eternal gratitude of constituents. And as for the costs? Well, the economic ripple effects will surely be so large that the spending will pay for itself, and it can always be financed with debt that comes due long after an officeholder has moved on.

Following the extensive media coverage of the economics of the London and Sochi Olympics and Brazil's World Cup, it should be no surprise that these lofty assurances rarely come to fruition. But even appropriately jaded readers are likely to be shocked by the evidence in "Circus Maximus", a brief polemic by Andrew Zimbalist, an American sports economist, which reveals the magnitude of the deception that precedes these events and the disappointment that follows. The book's misleading subtitle calls hosting the competitions an "economic gamble", implying it is a risky bet with a potentially high return. In fact, "Circus Maximus" leaves little doubt that under current conditions, prudent city governments should avoid the contests at all costs.

In principle, there is no reason why hosting such events needs to be an economic own-goal. Between television rights, ticket sales, licensing and sponsorships, the most recent summer Olympics, in London, generated \$5.2 billion in revenue. In a city with sufficient existing athletic, hotel and transport infrastructure, it would be easy to stage the competition for less than that figure and come away with a healthy profit—as Los Angeles did in the highly successful 1984 summer games. But over the past few decades, the IOC, in particular, has appropriated an ever-greater share of the proceeds for itself: the most recent public data reveal that it now pockets more than 70% of Olympic television revenue, compared with less than 4% between 1960 and 1980 (see chart). And there is little evidence to support the projections that hosting will bring a surge in tourism: Beijing and London both attracted fewer visitors during their summer Olympics in 2008 and 2012 respectively than they had in the same period a year earlier.

The international organisations argue, in return, that they also contribute to the costs of staging the contests: in particular, FIFA funds the entire World Cup operating budget. However, "operating" costs account for only a small portion of the price of hosting tournaments. The lion's share is spent on construction, both on stadiums and on transport capacity to shuttle people between events. Those expenditures are borne entirely by the host. Although there is no formal requirement that such venues be new, the IOC and FIFA have consistently selected cities with the most ambitious plans for custom-built facilities. It is the need to build so much, so fast that leads to taxpayer-funded cost overruns that would be comic were they not so tragic, running from a low of four times the original estimate up to ten times or more.

To justify this spending, proponents of hosting often argue that these infrastructure projects will provide continuing benefits long after the events end. Such claims are almost offensively misleading. Mr Zimbalist offers a whirlwind tour of the "white elephants" that litter host cities following the Olympics or World Cup: in Athens a volleyball stadium inhabited by squatters and a softball park overgrown with trees; in Beijing a weed-infested cycling racetrack; in Brazil a football pitch with 40,000 seats now used by a second-division team that draws around 1,500 fans a match. All of these structures cost millions of dollars a year to maintain, making the games' costs their enduring "legacy".

Perhaps the only encouraging finding in Mr Zimbalist's work is that potential hosts are getting wise to the bad deal the IOC and FIFA seek to foist on them. Twelve different cities bid for the 2004 Olympics, whereas the 2020 edition drew just five applicants. After Oslo dropped out last October, only two cities—Beijing and Almaty, Kazakhstan—are now candidates to host the 2022 winter Olympics, providing further support for a prediction in a 2012 report commissioned by the Dutch government that in the future only non-democratic countries will pay up to host the events. If the IOC, which markets the games as a force for peace and harmony, wants to avoid being turned into a propaganda tool for autocratic regimes, it may need to rethink. Thomas Bach, its head, recently established a working group to propose changes to the host-selection process.

Mr Zimbalist offers a number of proposals for reform. The most important would be for the IOC and FIFA to abandon their preference for new construction and give a fair hearing to bids relying on existing facilities. He also suggests limiting the number of cities bidding, adjusting the split of television revenue to favour host cities, making the organisations' voting systems more transparent and imposing term limits on their members. The IOC has clamped down on corruption. Both bodies need to do far more to curb costs and improve transparency and accountability. Nothing less than an Olympian advocacy campaign will be needed to change a system that has served many bigwigs so well.

From the print edition: Books and arts



Spoils alert

Distribution of summer Olympics broadcast revenue \$bn at 2012 prices



Sources: "Circus Maximus" by Andrew Zimbalist, IOC; BLS

Economist.com