Hosting the Summer Olympic Games: 
Impact on Global Cities and International Business 

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Given that the primary intent of the modern era Summer Olympic Games is to provide an outstanding forum for international athletic competition, hosting the Games has been an alluring idea for many cities since they began in 1896. From their inception, however, the impact of hosting the Games has extended beyond athletics and in some cases led to results that were quite different from what was initially expected. Here, a political economy perspective is used to explore why the hoped for impact on a city as well as an associated increase in international business, may or may not have materialized.

INTRODUCTION

Since the first modern era Olympic Games in Athens (1896), including the 2016 Games in Rio de Janeiro, there have been 30 scheduled Summer Olympic Games. To date, with the exception of Berlin (1916), Tokyo (1940) and London (1944), all of the scheduled Games have taken place. Moreover, all have taken place in Global Cities of substantial to significant size ranging from a current urban population of over 1,000,000 (i.e., Antwerp, Belgium) to the currently largest city in the world (i.e., Tokyo) with an urban population of over 37,000,000 (see Table 1 below).

<table>
<thead>
<tr>
<th>Year</th>
<th>City</th>
<th>2016 Estimated Urban Size*</th>
<th>2016 Rank in Urban Size*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1896</td>
<td>Athens</td>
<td>3,480,000</td>
<td>128</td>
</tr>
<tr>
<td>1900</td>
<td>Paris</td>
<td>10,870,000</td>
<td>30</td>
</tr>
<tr>
<td>1904</td>
<td>St. Louis</td>
<td>2,195,000</td>
<td>225</td>
</tr>
<tr>
<td>1908</td>
<td>London</td>
<td>10,350,000</td>
<td>33</td>
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<tr>
<td>1912</td>
<td>Stockholm</td>
<td>1,510,000</td>
<td>336</td>
</tr>
<tr>
<td>1916*</td>
<td>Scheduled for Berlin</td>
<td>4,085,000</td>
<td>98</td>
</tr>
<tr>
<td>1920</td>
<td>Antwerp</td>
<td>1,015,000</td>
<td>494</td>
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<tr>
<td>1924</td>
<td>Paris</td>
<td>10,870,000</td>
<td>30</td>
</tr>
<tr>
<td>1928</td>
<td>Amsterdam</td>
<td>1,635,000</td>
<td>305</td>
</tr>
<tr>
<td>1932</td>
<td>Los Angeles</td>
<td>15,135,000</td>
<td>19</td>
</tr>
<tr>
<td>1936</td>
<td>Berlin</td>
<td>4,085,000</td>
<td>98</td>
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To what degree has hosting the Summer Olympics impacted the host city? While, at this time, there are no universally agreed upon standards for evaluating the relative impact of a Summer Olympic Games on a host city, it seems reasonable that at least three general areas would need to be considered. These general areas include: the quality of the athletic performances and the venue for the Games; the short- and long-term economic consequences related to hosting the Games; and any political developments associated with the Games. Considering these three outcome areas, there has clearly been a wide range of success over the modern Olympic era with some Games standing out as having been quite successful while others proving to be very disappointing.

To obtain a general sense for how the above three measures might be used in an evaluation of the relative success of specific Games, we can begin with a fairly recent ranking of the best and worst Summer Olympic Games by *Sports Illustrated*. For example, in the opinion of Richard Rothschild (2012), the two best Games took place in Rome and Barcelona and the two worst Games took place in Munich and St. Louis for the following reasons.

### #1 Best - Rome (1960)

What made these Summer Olympic Games particularly special was that it provided the site for some outstanding athletic performances in a venue that capitalized on the best of modern and ancient Rome. For example, on the athletic front, there were outstanding performances by: the greatest amateur USA basketball team of all time that won its nine games by an average of over 40 points; Wilma Rudolph became the first black female Olympic participant to win the 100 meters, 200 meters, and anchoring the 4X100 relay gold medal team; and Abebe Bikisa from Ethiopia, running barefoot, became the first black African to earn a gold medal while setting a new marathon record. In addition to great athletic performances the site was also memorable because Rome not only built wonderful new facilities for track and swimming, but they also held the wrestling matches in the 2000 year old Basilica of Maxentius and the marathon included running on parts of the Appian Way with the finish occurring in front of the Arch of Constantine. From an economic perspective, it was also noteworthy as being the first Olympic Games televised in North America (Rothschild, 2012).

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*Source: Demographia World Urban Areas. 12th Annual Edition 2016:04*
These Games were notable for the fact that they drew participants from a record 169 nations to compete and the competition did not disappoint. Among the most notable performances were those by: Vitaly Scherbo of Belarus, who won six gold medals; Carl Lewis, who won his third of four straight long jump gold medals; and Deratu Tulu of Ethiopia, who became the first black African woman to earn a gold medal when she won the 10,000 meters event. In addition, the organizers took advantage of some special local venues, such as the Sagrada Familia Church to provide a wonderful backdrop for the outdoor diving competition as well as building some engaging new facilities (Rothschild, 2012).

While these Games did not lack many outstanding athletic performances such as: Mark Spitz winning seven gold medals in swimming; Soviet teenager Olga Korbut’s outstanding gymnastics routines; and Frank Shorter being the first American to win the marathon in 64 years, unfortunately, the Games were marred by political tragedy (Large, 2012) as Palestinian terrorists killed 11 Israeli athletes (Rothschild, 2012).

One of the most disappointing overall Summer Olympic Games, however, took place in St. Louis, which was not even originally intended as the site for the Games. Chicago was initially selected as the site, but then U.S.A. President Theodore Roosevelt decided that it should be held in St. Louis in conjunction with the 1904 World’s Fair and so the Games were moved to this new venue. With barely a dozen teams in attendance and events spread out over four and one-half months the Games went on in the shadow of the World’s Fair. To make matters worse, there was even more embarrassment associated with these Games stemming from troubled events like the marathon, which was initially “won” by Ed Lorz, until it was discovered that he only ran part of the race, then took a car ride back to the stadium and finished the race (Rothschild, 2012).

While debates will always rage about which Summer Games were most memorable for the quality of the athletic performances and the venue, looking at the Summer Olympic Games as-a-whole from a political economy perspective (Smith, 1776; Ricardo, 1817) yields other important and interesting ways to evaluate the impact of the Games on host cities that are less subjective.

Based on experience from the modern era Summer Olympic Games, the case can be made that hosting a Summer Olympic Games is a good (IOC News, 2012) or not so good (Zimbalist, 2015: The Economist, 2015;) economic investment for a city and country for several reasons. To understand why such different opinions can be rendered, however, first, it is important to recognize at the outset that the estimated costs associated with hosting the Games has increased over the years from millions of dollars for the first Athens (1896) Games to a record of over $40 billion for the Beijing (2008) Games, so, no apples-to-apples comparison is possible. Second, estimating the costs and benefits associated with any particular Games is inherently complicated because it is necessary to assess both the short- and long-term costs and benefits for the host city. Specifically, in the short-term the major costs will often center on pre-Games site construction and infrastructure development efforts while the benefits can include increased local employment, increases in tourism, and in more recent years a share of the broadcast revenues. Meanwhile, in the long-term, which can have a long tail, the major costs may result from debt payments for facilities and infrastructure construction as well as opportunity costs stemming from the lack of use for the Olympic facilities after the Games are concluded while the benefits may include increased tourism, increased general employment, and increased global trade as well as direct foreign investment. Third, given that the Olympic Games are only one part of a much larger and dynamic economic landscape, estimates of the short-term costs and benefits are relatively easy to determine. On the other hand, the long-term benefits, in particular, may be harder to evaluate because it is difficult to parse out exactly how
much and for how long benefits such as increases in tourism stem directly from the Games and what it being derived from other factors. That said, when making the case for short- and long-term economic benefits two examples that often stand out are Barcelona (1992) and the London (2012).

**Barcelona (1992)**

What made the Barcelona Games interesting and perhaps contributed to their subsequent perceived success was that prior to the Summer Olympic Games this large, somewhat overlooked Spanish industrial coastal city had started to create a future vision for itself in the 1980s as becoming one of Europe’s leading cities (The Place Brand Observer, 2015). So, for them hosting the Summer Olympic Games became a means-to-an-end rather than an end-in-it itself. For example, prior to the Games, this city that today is thought of as a place of sun, sand, and fun did not even have a beach. So, the city demolished industrial building on the waterfront and created 2 miles of beachfront and a modern marina (Taylor, 2012). In addition, they invested heavily in infrastructure such as: a 15% increase in roads; 17% increase in new sewers; and 78% increase in new green areas and beaches (Taylor, 2012). While this investment cost approximately $11.4 billion, in hindsight, it has been argued as a good investment because: unemployment dropped dramatically from 127,774 in November 1986 to 60,885 in July 1992 and it is estimated that the Games created over 20,000 new permanent jobs (Taylor, 2012).

Of equal importance, twenty years after the Games, Barcelona has gone from being rated as the 11th best city in Europe to 6th and it is now the 12th most popular tourist destination in the world (Taylor, 2012) with over 7.5 million tourists in 2013 (The Place Brand Observer, 2015). In addition, hosting the Games has had the beneficial effect of turning Spain into a sports center with world class soccer, basketball, cycling, and tennis that all make money (Taylor, 2012). Also of note, following the Games, Barcelona has continued to invest in the city’s future with the aim to make it an attractive place to visit, to attract global talent, and to pursue business growth (The Brand Place Observer, 2015). In line with this goal, through combined public and private support, it has successfully rebranded itself as a “Smart City” (The Place Brand Observer, 2015) and in 2015 it was ranked as the Number One Smart Global City in the World (Juniper Research, 2015).

**London (2012)**

Like Barcelona, London, which invested approximately $15 billion to host the Games (Beard, 2014) had a long-term plan in mind to benefit from hosting the Summer Olympic Games by showcasing all the qualities that make the city stand out in the global economy (IOC News, 2013 a). In the short-term, the city benefitted from construction projects that gave the UK economy a £7.3 billion boost (IOC News, 2013 b). The Games also helped to reduce unemployment by 1.2% as 46,000 people, 10% who were previously unemployed, worked on the Olympic Park and Olympic Village (IOC News, 2013). One unexpected cost, however, was the number of tourists who visited London during the Games actually declined from the previous year (The Economist, 2015).

More long-term, one year after the Games, it was announced that the UK economy had already recognized a GBP 9.9 billion trade and investment increase from hosting the Olympics as outlined in a four-year program of activities aimed at capitalizing on the Games (IOC News, 2013 a). Moreover, it was estimated that this benefit would rise to GBP 16.5 billion by 2017. In addition, it was expected that an additional 17,900 permanent jobs per year would be created between 2012 and 2015 (IOC News, 2013). More good economic news was evident in the record rise of tourism in 2014, with London welcoming 17.4 million international visitors that year (London and Partners, 2015), who spent £11.8 billion (IOC News, 2013) making it the number one tourist destination in the world with a projected increase to 18.8 million in 2015 (CNN, 2015). Finally, to continue to invest for the future, like Barcelona, London has continued to expand its use of smart technology and accordingly was ranked as the Number Three Global Smart City in the World in 2015 (Juniper Research, 2015).

While hosting the Summer Olympic Games proved to be a prudent investment for Barcelona and London, other cities have been less fortunate. Leading the list of those cities with expensive Games and questionable economic payback are Athens (2004) and Beijing (2008).
Athens (2004)

Athens spent an estimated $18 billion to host the Games in 2004, which was twice the original budget. Unfortunately, since the Olympics ended most of the sites have remained unused and some are falling apart (Beard, 2014). The high cost of preparing for the Games and the subsequent lack of use of these facilities after the Games has contributed to the continuing financial challenges being faced by Greece a decade later (Beard, 2014).

Beijing (2008)

It is estimated that China spent over $40 billion to host their Summer Games. Given the size of their overall economy, it has been possible for China to escape some of the drowning debt experienced by other countries and the good news is that most of the facilities are still being used today. In addition, the city has benefitted from associated improvements to roads, telecoms, and subway lines (Beard, 2014). On the other hand, unfortunately, the construction also displaced many people and pollution remains high (Beard, 2014).

The above discussion illustrates why from an economic perspective it is possible to select case studies to support the argument that hosting the Summer Olympic Games is a good idea (IOC News, 2015), or something that should be approached with caution (Zimbalist, 2015) or why a city should Just Say No (The Economist, 2015), which has led one observer to philosophically suggest, it may not make you rich, but it may make you happy (Applebaum, 2104).

Before leaving this discussion, it is important to note from an economic perspective, however, that while a city may or may not benefit economically from hosting the Summer Olympic Games, the same cannot be said for the other major stakeholder in the Summer Olympic Games, namely, the so-called Olympic Movement and their governing body the International Olympic Committee (IOC), discussed in more detail below. Indeed, this international body currently controls the receipt of all the revenues from international, national and local broadcasting (47%), sponsorships (e.g., Coca-Cola; McDonalds; General Electric) (IOC, 2016 a) (45%) , ticketing (5%), and licensing (3%) from each Summer Olympic Games as well as any subsequent distribution (IOC, 2016 b). In the case of London (2012) this amounted to over $2 billion dollars (IOC News, 2013 b).

POLITICS OF THE SUMMER OLYMPIC GAMES

While the Founders of the Olympic Games may have envisioned global events that would transcend politics, the reality has been that internal and external politics have played a significant part in both the hosting of the Games and how the Games have played out. Below is a brief discussion of how the Olympic Movement and the International Olympic Committee have exerted internal political influence on the hosting of the Games and how external political issues have interjected themselves into some of the Games.

Olympic Movement

The evolution of the modern era Olympic Games and their impact on cities and international business cannot be understood apart from the role that the Olympic Movement and the International Olympic Committee (IOC) have played in their growth and development. Both the Olympic Movement and the International Olympic Committee (IOC) were officially established on June 23, 1894 at the Paris International Congress organized by Pierre de Couberlin (IOC Factsheet, 2015). From its inception, the Olympic Movement, under the supreme authority and leadership of the IOC, was viewed as encompassing organizations, athletes, and others who agreed to be guided by the Olympic Charter (IOC Factsheet, 2015). According to the Olympic Charter the goal of the Olympic Movement is clearly defined, namely, “The goal of the Olympic Movement is to contribute to building a peaceful and better world by educating youth through sport practiced in accordance with Olympism and its values.” (Olympic Charter, 2015).
International Olympics Committee (IOC)

The first meeting of the IOC included just 15 individuals. Today, the IOC is an international, non-governmental, non-profit organization, of unlimited duration, in the form of an association of legal persons recognized by the Swiss Federal Council with headquarters in Lausanne, Switzerland consisting of 102 Members including the President Thomas Bach from Germany and the Executive Board (IOC Factsheet, 2015). The Members, in line with the Charter requirements, reflect the important part that many segments of the Olympic family play in the Movement. Accordingly, Members come from the International Federations (IF), National Organizing Committees (NOC), as well as athletes who belong to the Athletes’ Commission. Indeed, at this time, 38 Members have taken part in the Olympics as athletes and 28 of these Members were medalists (IOC Factsheet, 2015).

The enormous political power of the IOC vis-à-vis the host cities for control over the Games can be seen in its highest level of work that takes place by Members in the “Session” where: the Charter is reviewed and modified; new Members are elected to the IOC; and host cities are elected. Supporting the administration of the work of the IOC, at this time, are 30 working Commissions that prepare recommendations for the IOC on a wide range of issues such as ethics, medical, marketing, radio and television, and finance. In addition, the IOC has permanent liaison with: the IFs, which are responsible for overseeing the technical aspects and management of specific sports at the Games; the NOCs, which promote the Olympic Movement through the endorsement of future host cities and sending participants to the Games; and the Organizing Committees for the Olympic Games (OCOGs), from the host country and cities, whose job includes giving equal treatment to each sport, identification or creation of required facilities, insuring appropriate accommodation for athletes and officials, and organizing cultural events as part of the celebration (IOC Factsheet, 2015).

External Political Influence

The influence of external global politics on the Games has already been alluded to above in the references to the fact that three Olympic Games (i.e., Berlin (1916); Tokyo (1940); and London (1944)) did not take place as scheduled because of on-going world wars and that tragically 11 Israeli athletes were killed at the Munich (1972) Games by Palestinian terrorists. The impact of global politics on the Games, however, does not stop there. For example, in the Berlin (1936) Games, Hitler decided that only Aryan German athletes could participate, which led to some athletes refusing to compete. Later, the USA. led a boycott of 62 countries and regions at the Moscow (1980) Games to protest the Soviet Union invasion of Afghanistan. In retaliation, the Soviet Union team boycotted the Los Angeles (1984) Games. Most recently, the Beijing (2008) were haunted by the Free Tibet movement protests.

POLITICAL ECONOMY OF THE SUMMER OLYMPIC GAMES

Viewing the Summer Olympic Games from a purely economic or political perspective leads to many informative and interesting insights and observations. Adding a political economy perspective further enhances our understanding of the modern Olympic era. In particular, that the potential risks and rewards for host cities, as described above, have become much greater than those experienced by the Olympic Movement and the IOC because while host cities are hoping to expand their international business growth and development, in some significant ways the Olympic Movement and the OIC are becoming more of an ever more successful established international business through such efforts as the creation of the Olympic Broadcast Services and The Olympic Partners Programme described below.

Olympic Broadcast Services (OBS)

In 2001, the IOC created their own broadcast system to provide coverage of not only the Summer Olympic Games, but also the Winter Olympic Games, and the Youth Olympic Games. The stated purpose of this organization as the Host Broadcaster was to create and transmit unbiased live television and radio images and sounds of every Olympic event in every venue through what is called either the International Signal or the World Feed (Olympic Broadcast Services, 2016 a). In doing so, they became the owner of the broadcast rights for all of the Olympic Games that, has in turn, become the largest source of funding

The Olympic Partners Programme

The second major source of revenue for the Olympic Movement and the OIC is a highly developed marketing platform that allows a select few major organizations (e.g., Coca-Cola; General Electric; McDonalds; Proctor and Gamble; Samsung) to partner with them through their TOPS program (IOC, 2016 a) in the promotion of the Games. In the 2009-2012 cycle, this program generated $950 million in revenues (Olympic Marketing Fact File, 2014). In addition, there are three lesser tiers for partnership with smaller organizations to likewise commit to the promotion of the Games. In the 2009-2012 cycle, these partnerships generated an additional $1.838 billion in revenue (IOC 2016 b; Olympic Marketing Fact File, 2014).

SUMMARY AND CONCLUSION

After over a century of experience what have we learned about the impact of hosting the Summer Olympic Games on a global city and international business? First, in general, we know that the impact can vary dramatically in terms of the quality of the athletic competition as well as the economic and political outcomes. For example, while the Summer Games in both Barcelona (1992) and London (2012) were very successful on all counts, those in Athens (2004) were sobering from an economic perspective and those in Munich (1972) were a political disaster. Second, while the risks and rewards associated with hosting the games from an athletic competition standpoint have remained fairly stable, the economic and political stakes to cities have continued to climb significantly. This can be seen in the cost of hosting the Games rising from millions to billions of dollars and the realization that the world-wide coverage of the Games has made them an ever more attractive venue for individuals or groups to make a political statement that can tarnish the image of a city for a very long time. Third, while hosting the Summer Olympic Games may or may not lead to an increase in international business for a city, through the creation of the Olympic Broadcast Services organization and The Partner Programme, the Olympic Movement itself has become a successful and growing billion dollar international business. In conclusion, while the prospect of hosting the Summer Olympic Games can be alluring and stimulate city and national pride as well as the hope for long-term economic development, in practice, the decision about whether or not to host the Games should be approached with caution and long-term planning. Caution is important because economic costs can and usually do escalate in preparation for the Games and internally- or externally-motivated political influence such as that sometimes seen by the International Olympic Committee or individual or group actions beyond the control of a city can have a profound negative effect on the costs and images associated with a particular Summer Games. Long-term planning is an equally or an even more important factor to consider because, in retrospect, there is evidence to suggest that if the Games are seen as a means-to-an-end, including an increase in international tourism and trade, rather than an end-in-itself, the likelihood that hosting the Games will have a significant positive impact on the city and international business will improve.

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