
Book Reviews

Economics of the Olympic Games: Hosting the Games 1972-2000 by Holger Preuss (Sydney: Walla Walla Press, 2000), 291 pp., including references and appendices. Reviewed by Douglas Booth, University of Otago, Dunedin, New Zealand.

Given its enormity, it is somewhat surprising that neither the olympic¹ industry nor its detractors have seriously investigated the costs and benefits of hosting the games. Of course, as Holger Preuss reminds us in *Economics of the Olympic Games*, the obstacles are substantial. Changing economic contexts and political climates, different organizing committees and governments pursuing different motives and financing models and speaking different languages, incompatible accounting systems, and diverse urban geographies make it hard to compare games. Despite these difficulties, Preuss calculates costs and benefits by measuring a range of economic and non-economic criteria from the eight summer olympic games held since 1972. As he prudently acknowledges, economics does not exist in isolation from politics or social conditions. Among the non-monetary benefits of staging the olympics are improvements in the host city's international image and reputation, and enhanced transport networks and beautification schemes; non-monetary costs imposed on local residents include increases in noise and dust stemming from construction, expropriations of residential accommodation, and relocations of business and private dwellings.

Economics of the Olympic Games comprises five chapters. Chapter 1 describes the methodology. Preuss's major contribution to the field rests on the production of a comparable set of revenues and expenditures for each host city. He achieves this by adjusting the figures for inflation and converting them to a single currency (US dollars) and base date (1995). Chapter 2 compares the motives of each host city and the different models they employed to finance the games. Barcelona (1992) and Seoul (1988) viewed the games as a means to upgrade and refurbish their urban infrastructures; Los Angeles (1984) and Atlanta (1996) simply sought to "maximise short-term profit" and "avoid any deficit" (p. 34). While Montreal (1976) and Munich (1972) relied on public funds to finance their games, Los Angeles and Atlanta turned to the private sector. Seoul, Barcelona, and Sydney (2000) raised funds from public and private sources.

Chapter 3 analyses an array of macroeconomic aspects associated with hosting the games. Preuss deftly captures the complexities of them all. Two examples, urban ecology and tourism, must suffice. Local populations benefit from urban redevelopment programs that incorporate new recreational and transport facilities. The latter may reduce vehicle emissions and road noise, thus contributing to a healthier and more pleasant urban environment. (Interestingly, apart from Montreal and Los Angeles, all host cities since 1972 have developed previously disused sites; in Seoul, Atlanta, and Sydney these locations required decontamination.) But these benefits also carry costs. New traffic links and sports facilities can ruin sensitive natural environments. And, not only must organizing committees pay for individual environmental projects, often they must make decisions that will incur the wrath of some citizens.

Should, for example, a host city build a new stadium or a new hospital? Similarly, while an olympics may swell tourist numbers, increased tourism can beget more pollution.

The impact of tourism on host cities and the surrounding regions is equally complex:

in the majority of the host cities investigated the occupancy rate of hotels fell during the Olympic year. Even an occupancy rate of nearly 100 per cent during the Olympics can hardly change the average annual figures. In Los Angeles . . . the Olympics did not trigger a considerable increase in capacity. The occupancy rate during the games was indeed higher than in the previous year, however the surrounding areas suffered a fall in demand. For Korea, the ... Olympics were a turning point for the tourist industry. Prior to and during the Olympics, there was no significant increase. However, the games had a long-term positive influence on the growth of the tourist industry. The Barcelona Olympics did not cause a considerable increase in tourist numbers prior to the Games. The infrastructure of the city, however, was changed to such an extent that now all the prerequisites for increased tourism . . . are fulfilled (pp. 57-8).

Preuss also evaluates the principal arguments voiced by opponents of the games in Chapter 3. Replying to claims that high debt is an inescapable fact of hosting, Preuss reports that only cities undertaking 'extensive investments' in the local infrastructure incur financial liabilities (p. 254). Preuss dismisses outright the view that "money could be used for more sensible projects instead of Olympic venues." This is incorrect, he says, because "the largest part of funds would not flow into the city without the games" (p. 254). Likewise, Preuss rejects the criticism that the olympics benefit only prosperous citizens:

Even if unskilled workers were underpaid, they did have work and their income was improved-irrespective of their employment duration. It is frequently overlooked that the Olympics create new jobs or save existing ones which are not directly affected by the games (p. 101).

Preuss observes that the olympics can threaten existing business by interrupting supply and reducing demand. In the case of the latter, many residents leave the host city during the games, others have their normal shopping habits disrupted by traffic diversions, while others switch to competitors' products introduced during the games. Nonetheless, Preuss finds that the lower classes carry the greatest burden of hosting:

It is exactly this part of the population which suffers from expropriation and relocation caused by the construction activities which lead to the loss of their social environment. It has to be mentioned that the municipal authorities try to use this opportunity to expel [the] homeless, street traders and prostitutes who, in their opinion, disturb the image of a modern city open to tourism. It must also be seen that especially the lower classes are forced to [leave] . . . area[s] that [are gentrified] (pp. 102-103).

Replying to the criticism that the olympics bring only short-term job opportunities, Preuss agrees that organizing committees can only generate short term employment opportunities. The average duration of employment in an organizing committee is four years while assistants may gain a few days work. Yet, the 'impulse' generated by the games can induce long-term employment or unemployment in the tourism and leisure sectors; the precise outcome depends on the image created by the olympics and whether regular visitors feel disposed to return to the city after the games.

Lastly, Preuss rubbishes the view that the olympics permanently increase the cost of living although he concedes that smaller host cities which spend large sums on infrastructure "may suffer slight price index increases in the cost of living in the years before the games" (p. 73).

It is in the context of these arguments that Preuss identifies the winners in the hosting stakes. Assuming a financial surplus and a positive image for the city, the major winners are politicians and senior public servants, building enterprises that receive large orders (including real estate agents and banks), the middle and upper classes who benefit from the gentrification of selected urban areas, and tourists who find improved infrastructure and additional attractions.

An inordinately long Chapter 4 (143 pages!) investigates the sources of revenue and major expenditures of the games' organizing committees. Organizing committees draw revenue from a plethora of sources including television, sponsors, ticket sales, commemorative coins, postage stamps, lotteries, rents and fees from the olympic village, advertising opportunities on buses and electronic advertising boards, olympic pins, shares in olympic stadiums, olympic license plates on cars, and the auctioning of t-shirts. Preuss analyses all these sources and draws some sobering conclusions, particularly with respect to television rights, which since 1984 have accounted for approximately 30 per cent of revenues. Preuss shows that the popular assumption that money secured by television rights has grown exponentially is quite 'wrong.' On the contrary, after adjusting for inflation, the increase in the total revenues has been linear and when analysed by region has actually decreased in some cases, notably the United States (p. 108).

Preuss examines expenditure under four headings: venue/site (including site costs), operational/production (including events-competitions, equipment, victory ceremonies, test events-culture/ceremonies, technology, security, administration), promotion (including public relations and media), and the oddly labelled talent (which includes expenditure on the olympic family). One of the trends identified by Preuss concerns the costs of the opening and closing ceremonies. The sophistication of these ceremonies is such that today they even influence the construction of an olympic stadium. The technology required to stage the ceremonies is also becoming more advanced and complex. The ordinary stadium floodlights and loudspeakers used prior to 1984 are no longer adequate. While athletic competition requires bright stable light, artistic displays need lights that can be dimmed and brightened quickly and switched on and off at short intervals.

Chapter 5 offers readers an extremely useful set of twenty conclusions divided into three categories. In the first category—organising committees and the International Olympic Committee (IOC) as decision makers—Preuss reminds us that the political and financial power of the IOC rests on what he calls "the olympic aura" which is nourished by its own peculiar ideology and set of ideals (p. 248). Category

two-macroeconomic implications of the olympic games—contains nearly half of the conclusions. Four were of particular interest to this reader:

- hosts appear to be “limited to those cities which already have an adequate infrastructure” in place (p. 251),
- bidding cities increasingly view the games as an instrument to achieve rapid urban redevelopment,
- cities need to take a longer term view of what constitutes a successful olympics and they should use games to trigger further development in permanent tourism, industrial settlements, and new economic relations with other regions,
- “the economic benefits of the games, which is frequently emphasised during the preparatory phase, is often overestimated” (p. 253).

Interestingly, Preuss does not believe that the IOC will perpetually preclude third world cities from hosting olympic pageants. The greatest hurdle they face is poor infrastructure rather than an ability to meet operational costs. At some point in the future, the third world may benefit from a ‘more efficient form’ of organization based on mobile teams of experienced and skilled administrators, temporary facilities, and the incorporation of games related facilities into urban development schemes (p. 252).

In category three-specific economic implications of the games—Preuss restates several political realities. Firstly, the primary objectives of contemporary organizing committees are to ensure a surplus (or at least avoid a deficit) and to gain prestige. Secondly, globalization of the games threatens the unique ‘cultural-national’ flair that has long been a hallmark of olympic pageants. Thirdly, contrary to the popular notion that it fuels overcommercialization, the IOC has regulated the commercialization process.

Economics of the Olympic Games is a landmark in olympic studies scholarship. It provides a sorely needed rigorous statistical and sociological comparison of the costs and benefits of hosting an olympic games. It also issues a strong caution to the hype-masters, flag-wavers, and sports ideologues who gravitate to the olympics: hosting is not a panacea for a city’s problems. The breadth of Preuss’s work is phenomenal, although, paradoxically, this could be the book’s Achilles’ heel. Economists will undoubtedly contest some of the assumptions upon which Preuss’s economic models rest while sociologists and historians, better informed about individual cases, will certainly find faults. Those familiar with the machinations of the Sydney organizers, for example, will smile at Preuss’s praise for the committee that was ‘smart’ to give A\$100million to the Australian Olympic Committee (AOC) as a way of supporting local sport. According to Preuss, this gift reduced the organizing committee’s total surplus and thereby minimized Sydney’s payment to the IOC (p. 196). It is an extremely narrow interpretation that ignores the skulduggery and political ambitions of John Coates, a senior vice-president of the organizing committee and president of AOC. Coates established a special sports commission within the Sydney organizing committee with the sole object of securing total control over every aspect of the organization of the games. Under the terms of its contract with the IOC, the AOC would have received 90 per cent of the profits from the 2000 games. Of course, there was no

guarantee that Sydney would return a profit, a point Coates knew only too well. The sports commission thus sold the AOC's profit rights to an extraordinarily naïve New South Wales government for A\$100 million, to be paid from the government's share of television rights. In short, the organizing committee never gifted the money to the AOC, rather John Coates filched it from the New South Wales State government on behalf of Australian olympic sport. Whereas the former represented the financial interests of the broader population, the latter represented only narrow sectional interests.

Preuss bases his interpretation on a single source, a senior official of the Sydney organizing committee. This highlights the biggest problem facing scholars attempting comparative analyses across different countries and languages, and over substantial time spans. They must collect a representative set of sources that includes counter evidence before they make claims or draw conclusions.

Contradictions also creep into Preuss's analysis. For example, on the one hand, he claims that ambush marketing damages olympic sport and the companies that utilize the strategy. According to Preuss, ambushing increases the apparent number of sponsors among spectators who might view the companies in a negative image light if their "marketing strategies become publicly known." On the other hand, Preuss cites studies showing that ambush marketing is "worthwhile" if the ambushing company receives high exposure and the public recognizes it as more creative than the official sponsor. Other studies also suggest that the general public considers ambush marketing a "trivial" offence (p. 149).

These are minor criticisms and Preuss deserves applause for producing a book full of statistical, historical, and sociological detail and insight. The following gem illustrates the comprehensive nature of the book. The Soviets were the first to emphasize the cultural-artistic aspects of the opening and closing ceremonies. They used them to great effect to portray "the strength of their social system and show the boycotting West that the Olympic idea was in extremely good hands with socialism." The great paradox, however, was that the style of opening ceremony strongly resembled "a Hollywood production of the class enemy" (p. 208).

Finally, *Economics of the Olympic Games* is a fine piece of scholarship but it is certainly not bedtime reading. Originally written in German, the translation is mechanical and stilted. I found myself having to read many sentences twice, some three times. Wrong words and spelling errors frequently intrude. The layout of the book does not assist; it is congested and cluttered. The numbered report-style helps the reader to navigate the text, but the book would have benefited from an index.

Endnotes

1. The olympics do not warrant the veneration of a capital letter. The ancient games were held at Olympia, hence the use of the upper case as a recognised geographical name. Any resemblance that the modern sports pageant may have to the ancient version or to the place called Olympia is remote and allusive—hence the lower case 'o.' Nor does the philosophy of olympism have a greater claim to a capital letter than liberalism, humanitarianism, authoritarianism, utopianism, or fascism.

