What Are Economic Merits and Demerits of a Country Hosting the Olympic Games

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Abstract. The Olympic Games, from their initial competitive bids for hosting, have evolved to a situation where fewer countries are applying to host. The operational costs of the Olympic Games have been increasing, while the economic benefits that can be gained have become harder to recover. This article compiles numerous economic essays, categorizing them to summarize and analyze the inherent economic advantages and disadvantages of hosting the Olympic Games. The benefits of hosting the Olympic Games for local and national economies show in many different ways. For local economy, Hosting Olympic Games can enhance more infrastructure and boost the service sector economy. Hosting Olympic Games can not only lead to positive outcomes for local economy, but also provide positive outcomes for the entire country such as enhancing the manufacturing industry economy, increasing GDP, increasing employment rate. However, there also are drawbacks to host the Olympic Games for a country's economy such as significant resource wastage, short-term price increase, short-term government budget deficit, and high risks of unexpected future. Finally, the government should balance advantages and disadvantages to make a correct judgment on whether hosting Olympics Games or not.

Keywords: Olympic Games; local economy; country economy; giant sport competition.

1. Introduction

In the past, a great variable countries and cities were competing to host the Olympic Games. However, nowadays, there were only limited number of countries and cities wanting to host the Olympic Games. For example, only two cities, Los angeles and Paris, were competing to host the 2024 Olympic Games [1]. However, there were 10 countries were initially competing to host the 2008 Olympic Games.

Nowadays, hosting the Olympic Games will be a tough decision for a lot of countries and cities. They need to consider a lot of different aspects of hosting the Olympics Games since it requires economic burden for the government. The government has to guarantee they will receive solid economic returns to cover the spending during the Olympics Games or even more. Thus, in this article, it will illustrate economic effects of hosting Olympics Games. What are the merits and demerits of hosting Olympics Games.

2. Economic Merits

2.1. The Benefits for the Local Cities Hosting the Olympic Games

2.1.1 Boosting the service sector economy

At the stage of the Olympics Games preparation, it will also boost the service sector economy. Since there are a lot of tourists and medias coming during the Olympics Games, the local people have to provide decent service for those people. The economic spending and employees are increasing, which boosts the service sector economy. Based on the data from the Table 1, there is constantly increasing on the service sector from 1998 to 2009 [2].

Table 1. Contribution of rate of the three primary industries in Beijing

Age	Agriculture	Industry	Service
1982	6.6	64.3	29.1
1998	3.2	34.2	62.6
2001	2.1	29.2	68.7
2004	1.4	28.4	70.3
2008	0.9	21.4	77.7
2009	0.9	21.2	77.9

2.1.2 Enhancing the manufacturing industry economy

Hosting the Olympics games can also enhance the manufacture industry. The country hosting the Olympics games need to build the infrastructure for the requirement of the Olympics games. There was a sharp increase of the annual average growth rate of the total output value of the manufacturing industry in Beijing by 3.4% from 2002 to 2006 [2]. Those infrastructure can enhance the manufacturing industry. Not only would those infrastructures be used during the Olympics games, but people who live around that city can also utilize those infrastructures after the Olympics games.

In addition, after analyzing the data from different countries background, the study shows that building new infrastructures and having more employees to the service sector require a lot of money to hire people to do that. Thus, developing countries can receive higher economy return since they have cheaper labor [3]. Besides, they can also maximize their utilization of new buildings since they are developing [3].

2.2. Benefits for the Countries

2.2.1 Increase GDP

A lot of different essays emphasis the benefit that the Olympic Games give to the country -- increase GDP. According to the data collected from "Overall impact assessment of the Beijing Olympics," the direct economic boost to GDP will be 130.066 billion yuan, while the indirect economic impact triggered by the multiplier effect of the investment contributes to around 110.555 billion yuan, accounting for about 45.9% of the total revenue [2]. This means not only the initial spending during the Olympic Games can increase GDP, but it also triggers the multiplier effect.

According to the study of short-run impact of the 2018 Winter Olympic Games, it also illustrates the same effect which can increase GDP [4]. The tourist spending attracted by the Winter Olympic Games is estimated to generate 2 trillion Korean won of output, 324 billion Korean won of income, and 744 billion Korean won of value added. The total effect that the multiplier has is about 3-10 times higher than the initial direct effect, which may indicate that the feedback effect for the construction sector is fairly large [4]. Besides, there is also a prove of the long-term positive effects and events which will increase GDP. Increasing GDP does not just happen during the Olympics Games, but it also has a long-term effect after Olympics Games[5]. Since hosting Olympics Games will provide a lot of business opportunities for local businessmen and employees, they can connect and cooperate with those foreign companies, which finally gives positive impact for the economy.

Finally, it can largely increase the among of international trades, which also increases GDP. On top of that, in short-term, the summer Olympics games can increase regional per capital GDP as well [6]. The hosting areas' per capital GDP have significantly increase 3.6% of that year comparing to the hosting countries' national per capital GDP of that year [6].

2.2.2 Increase employment rate

The need for temporary staff during the event organization and operation stages and because of substantial resources invested in the event organization process stimulating the development of related businesses or industries enables more people to have more opportunities to find jobs. Thus, there was increase employment rate during the Olympics Games. According to data from the "Overall

Impact Assessment of the Beijing Olympics" report, during the period of the Olympic Games preparation from 2004 to 2008, approximately 1.82 million jobs were generated due to Olympic-related factors, resulting in significant economic benefits [2].

2.2.3 Boost tourism development

Since the Olympic Game is a large activity, it attracts numerous people from different countries. When they arrive, they will consume, live, and visit in the city, which brings a lot of economy benefits for the hosting country [4]. Also, it is also good for the country's currency. When more people are coming to this country, they have to change their own country's money into the hosting country's money. This behavior will lead to an appreciation of the hosting country's currency [7]. Finally, it will also enable the hosting country to increase their foreign currency reserves [8].

3. Economic Demerits

3.1. Significant Resource Wastage

Since building a large place requires substantial need of resources and energy, it may cause the negative impact of local environment. Environmental degradation during the preparation process, including damage to the local air, water resources, and land resources [2]. Those damage can be long lasting, triggering different problems for the future, which causes more money to recover environmental problems and affect real estates, the tourism industry, and other sectors. Also, this behavior will reduce the quality of life index for local residents, affecting local resident life [2]. Two factors both can influence economy.

3.2. Short-term Price Increase

Hosting giant activities will led the rise in the Consumer Price Index (CPI), Retail Price Index (RPI), and other relevant indications related to the increase in prices for goods and services [2]. Reflected in the rise of consumer price indices, retail price indices, and related indicators, this is primarily driven by increased local prices due to consumption during the preparation phase. This situation will also undermine the economic benefits countries gain.

3.3. Short-term Government Budget Deficit

Hosting the Olympic Games require countries' strong economic strength to support. The initial economy burden is huge. For example, the 2020 Tokyo Olympic Games, initially, the Japanese government budgeted $26 billion for the event [9]. However, due to the colossal scale of the Olympic Games, the actual funding far exceeded the planned budget. In the case of the 2012 London Olympic Games, some banks and investors that were originally set to sponsor the event withdrew one after another [1]. If the government does not prepare enough money to support the Olympic Games, it may trigger a problem.

According to the data from Beijing's public spending, there is a stable increase of requiring money. The increasing rate is also increase as well. From 2001 to 2008 years, the money spending rises from 559.11 to 2319.36 Yuan each years [2]. If government does not prepare enough money, it may enable them to face a budget deficit problem.

3.4. High Risks of Unexpected Future

After having the opportunity to host the Olympic Games, the country also has to face the high risks of unexpected future. For example, the Covid-19 pandemic has a strong negative impact to the Tokyo Olympics. After successfully bidding for the Tokyo Olympic Games, the Tokyo Metropolitan Government published a projection in April 2017, stating that the Olympic Games would lead to an additional revenue of 20 trillion yen for the city between 2013 and 2030, resulting in economic benefits exceeding 32 trillion yen for Japan as a whole [8]. However, when the Olympic Games really happened, audience attendance rate was just about 4%, which means the situation in the Tokyo

Olympic Games cannot bring same economy effect that was estimated in the past because of pandemic.

3.5. High Price of Maintaining Sports Facilities

Building countless sports facilities may cause a lot of money. However, maintaining sports facilities also cause a lot of money and time. According to the data from the 2018 Pyeong Chang Winter Olympics, the facilities that were not using will cause a deficit of 8.5 million dollars each year, which also leads to a decrease of investment from the hosting country and other countries [10].

4. Conclusion

Based on the research and essays related with the economy of the Olympic Games, the author believes that the developing countries which have economy strength and demand of improving basic infrastructure can maximize their benefit. They can not only shoulder the burden of hosting the Olympic Games such as short-term government budget deficit, increase of short-term price, high price of maintaining sports facilities and significant resource wastage, but also obtain advantages such as the increase in employment rate and GDP and enhance of service sector and infrastructure. However, they should also remind that they should will face high risks of unexpected future. Political problems, wars, and other pandemics may lead to economic loss.

In additional, there are some limitations of this essay. In this essay, it only talks about some direct effects influencing the economy. However, there are other factors that may influence the country's economy such as polity, culture influence, and citizens confidence etc. Those indirect effects may impact the country in positive or negative ways by depending what country are hosting and how they are hosting. If countries fully consider and understand effects, hosting Olympic games can be a positive way to improve countries' economy.

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