

Hosting the Olympic Games

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» *Hosting the Olympics is not an economic boon, but may prove to be a societal one—increasing national happiness and thereby justifying enormously over-run budgets. Rethinking the traditional allocating method may further increase the happiness that hosting the Games produces.*

While athletes may still be cooling down from the recent Summer Olympic Games in Rio, economists remain at a boiling point when it comes to research on the Olympics. They have created bookshelves worth of publications about the economic effects of hosting the Games. So, what did they find? First and foremost cost overruns. Between 1960 and 2012, the Olympic Games consistently overran budgets, on average by 179 % in real and by 324 % in nominal terms as researchers from the University of Oxford found out. Although politicians and interest groups continually justify the overarching costs by promising future economic benefits, economists have a hard time finding any economic impact from hosting the Olympics, when engaging in ex post analysis of economic indicators like GDP, employment rate, and trade volume or via ex ante analysis of capital market expectations.

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Recent award decisions made by the International *Olympic Committee* have made economists painfully aware that their research on hosting the Olympics has minor or no effects on the real world. In particular, autocratic country leaders seem to be fine with hosting the Games even if they do not create economic gains and merely result in political benefits for themselves. The World Bank's Christopher Colford compares this to the declining Roman Empire, where the population was pacified with *panem et circenses* to obfuscate fundamental societal problems. However, is it amoral when leaders use the Olympics to make their subordinates happy rather than rich? What happens if people are more likely to expect happiness from the Olympics, rather than economic benefits?

Our recent study with representative survey data from 12,000 respondents in the USA and eleven European countries provides evidence that in regard to hosting the Olympics, people indeed care less about economic factors which bring them wealth than they do about social factors that make them happy—at least if you look at a national level. The reason is that the social welfare of people goes beyond classical economic data, actually including various intangible factors. Leading economists, like Ed Diener and Bruno Frey, have therefore long argued that happiness, as a proxy of social welfare, is what really matters for economic evaluation.

Thus, going forward, it may prove fruitful to devote more time and attention to the effect of hosting the Olympics on transnational happiness. Developing measures of actual and expected happiness gains from the Olympics, economic research could become a catalyst for out-of-the-box reform ideas that could revolutionize the hosting of the Games. This does not mean that economic facts no longer play a role, but that during times of chronic budget overruns, measures of expected happiness gains could play a decisive role when choosing the country and city to host the Olympic Games. The respective stakeholders can then decide whether spending the money for the forecasted happiness gain of the Olympics would be preferable to alternate targets of public spending (e.g., education, public health, or the art and cultural purposes). As long as higher overall happiness can be achieved, ideas such as hosting the Olympics multiple times in the same place, splitting the hosting across disciplines across multiple countries, or using a random drawing mechanism to award the Games to a host remain viable. Thinking beyond the traditional boundaries of economics and teaming up with researchers from other fields would enable economic research on the Olympics to evoke a greater impact among decision makers and help to keep the Olympic dream alive—within academia and for millions of people worldwide.