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Politicians like to boast that if their country hosts the Olympic Games an economic bonanza will follow. They usually add that if the country's athletes win a lot of medals, it will inspire many young people to get into sport. In the run up to the XXXth Olympiad, John Armitt, the chairman of the United Kingdom Olympic Delivery Authority, the body in charge of building the sports venues, argued: "Before the bid our capital city did not have an indoor velodrome, a modern world-class athletics stadium, or the sort of new venues it now has". But as that basilisk observer of international sporting events, Simon Kuper, commented in the Financial Times "London didn't have those venues because it did not need them. London's centrepiece stadium still has no post-games tenant". In other words, politicians are deluding themselves and the public.

Yet the London Olympics were by most reckonings very successful. They might have diverted \$9.6bn of public funds into 16 days of sport, some of which did have some economic impact – notably improved transport and sporting facilities in eastern London – but London's once poor East End has been in the throes of a vast project of rebuilding and gentrification that started a generation earlier when the go-ahead for the Canary Wharf project in the east of the city was given. It could be argued that the Olympic Games played along with a well-written sheet of music. As it is, the 490-acre Olympic Park constructed on a former industrial site at Stratford was developed with an emphasis on sustainability.

London was selected as the host city in 2005, defeating bids from Moscow, New York, Paris and Madrid, thus becoming the first and only city to host the modern Olympic Games three times, having previously done so in 1908 and in 1948. The reaction, in Paris in particular, was bitter: a sign of how keen the competition between the two enemy brothers has become in recent decades. As economists predicted, the Olympics did not prompt a tourist boom, with more visitors staying away fearing fuss and crush than those who visited London. Spencer Dale, the Bank of England's chief economist told Agence France Presse "I don't think it will have a material impact in our projections."

The benefits of the Olympic Games lie elsewhere. In most countries that economists have studied, the games make people happier. They boost self-esteem. This also occurs after countries host a major football competition. In strapped times – London in 1948 just after the end of the Second World War and in 2012 as the UK was emerging with the rest of the West from a painful financial and economic crisis – the games make people feel happier. Simon Kuper sums it up as follows: “Hosting a World Cup or an Olympics is like hosting a party. It is fun. Most people who come have a good time and go away feeling more connected with each other. But you do not host a party to make money. It just costs you money. You have to buy the beer, after all.” Thus viewed, \$9.3bn is probably worth every penny. In a sense, the games were like the Queen’s Diamond Jubilee – the opportunity for a great party.

Of course there is always the risk that things will go wrong, as has happened in Brazil. Brazilians seem to be losing happiness before the games, realising that transfers of money are from the Brazilian taxpayer to FIFA and the world’s football fans, to Brazilian football clubs and the construction companies that are paid to build the new sporting venues. Demonstrators in Brazil chant “We have world-class stadiums – now we just need a country to go around them”. The political crisis which engulfed Brazil last spring does not spell much happiness even as the games get under way. London was an altogether happier affair as the opening ceremony which celebrated the United Kingdom’s history won great acclaim – a combination of the Sex Pistols and Queen Elizabeth flying a mission with James Bond combined with a quirky sense of humour deemed to be particularly English. Many people however cannot forget that within 24 hours of London being awarded the games, the good news for London was overshadowed by bombings on London’s transport system.

The cost of financing the games is separate from that of building the venues and infrastructure and redeveloping the land for the Olympic Park. The cost of the latter two were met largely by public money, the first was privately funded. The original budget for the games increased almost fourfold to \$15.28bn, a not unusual state of affairs for such large projects. There is an increasing realisation however that the Olympic Games are a very costly business. In recent decades only very large megacities have won the competition to organise them; smaller capitals such as Madrid have lost out. The prediction made before the 2002 World Cup by Japanese and Korean government officials that the tournament would boost their economies by \$26bn and \$9bn respectively would be laughed out of court today. Hence the approach to the Tokyo Olympics in 2020 is altogether more modest.

Beyond the questions of whether Olympic Games cost too much to organise or make the hosts feel happier, they undoubtedly help to burnish the overall brand name of a city. London today, with its cosmopolitan mix of people unlike anywhere else in Europe, is arguably the most influential city in Europe, in the same league as New York, Shanghai and Bombay. Home to a 150,000-strong financial industry and 40,000 journalists – the greatest such gathering in the world – it boasts soaring house prices but also 32,000 people every night attending a theatre. To the chagrin of its southern neighbour, France, it attracts 300,000 young working French men (in sharp contrast, British residents

in France are essentially retired people). Some of its leading lights like to think of modern London as the true heir to ancient Greece, helped by a language, English, which is the lingua franca of the modern world. Like its forebear it benefits from the rule of law and like Renaissance Florence it has built artistic triumphs on economic success. This view of London might be somewhat arrogant, a mite condescending but it is shared by people well beyond the banks of the Thames. Consciously or not, the success of the Olympic Games in 2012 was part of the myth and reality that every great city is.

