



# Does the Olympics Help An Economy?

By *Conor Clarke*

Matt Yglesias [says](#) that even though competition to host the Olympics is fierce, "the reality is that cities only very rarely manage to reap the financial windfall that Olympics-boosters advertise." Ryan Avent [responds](#) with the argument that the Olympics help leaders overcome "significant constraints in trying to get necessary policy changes [put in place](#)":

The games often get cities to undertake massive infrastructure investments, many of which have been in limbo for decades. London's program of transit expansion in advance of the 2012 games is well documented for instance. Now, London may lose money on the games themselves, and it may end up throwing some money away investing in soon-to-be underused natatoria, but the new transit capacity will be around forever, boosting the local economy. Hard to see how that expansion doesn't easily pay for the games in just a few years.

But a [newly delivered NBER paper](#) by Andrew K. Rose and Mark M. Spiegel takes a third position: hosting a mega-event might not have immediate tangible benefits but it might have a large effect on national exports. They write: "We conclude that the Olympic effect on trade is attributable to the signal a country sends when bidding to host the games, rather than the act of actually holding a mega-event." Here's [the abstract](#):

Economists are skeptical about the economic benefits of hosting "mega-events" such as the Olympic Games or the World Cup, since such activities have considerable cost and seem to yield few tangible benefits. These doubts are rarely shared by policy-makers and the population, who are typically quite enthusiastic about such spectacles. In this paper, we reconcile these positions by examining the economic impact of hosting mega-events like the Olympics; we focus on trade. Using a variety of trade models, we show that hosting a mega-event like the Olympics has a positive impact on national exports. This effect is statistically robust, permanent, and large;

trade is around 30% higher for countries that have hosted the Olympics. Interestingly however, we also find that unsuccessful bids to host the Olympics have a similar positive impact on exports. We conclude that the Olympic effect on trade is attributable to the signal a country sends when bidding to host the games, rather than the act of actually holding a mega-event. We develop a political economy model that formalizes this idea, and derives the conditions under which a signal like this is used by countries wishing to liberalize.

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