



Written by [Bob Adelman](#) on August 2, 2012

The 2012 Olympics: Stiffing the Taxpayers for Pride

Two days after the opening ceremonies of the XXX Olympiad in London, England, Smith College Professor Andrew Zimbalist [was asked](#) if he knew of any Olympics that ever justified the enormous expense involved from an economic point of view. His answer: only Barcelona, in 1992.



Zimbalist, the [author of numerous books and articles](#) about the economics of professional sports, said the reason the Olympics don't make money for the taxpayers is that the system isn't designed that way. First of all, the bidding process, which can take up to ten years, is co-opted by private interests which see for themselves an opportunity to reap huge taxpayer benefits under the cover of local civic pride. Said Zimbalist:

The cities ... offer elaborate plans with fancy, spectacular stadiums and transportation, communication infrastructure investments [and] security proposals.

And at the end of all the bidding, the cities basically bid away any profit they might have.

The list of beneficiaries when taxpayer monies are doled out in support of pride grows endlessly, which, in the Olympics bidding process, includes construction companies and unions, architectural firms, investment bankers and their lawyers, and their political friends and allies who see an opportunity to fund their favorite infrastructure projects which wouldn't pass muster otherwise.

Of course, such monies are justified on various bases, including increased tourism, a higher international profile and improved communications and transportation infrastructure. Never mentioned in those proposals, however, is what is to be done with the arenas and housing structures and related buildings that are used for 17 days and then vacated. Never mentioned are the ongoing costs of maintaining those facilities, whether they are used for other events or lessees, or not.

As Zimbalist noted:

Then, once of course the Olympics happens, it's 17 days of festivals and spectacles, and then it's over.

You are left with a dozen or so permanent venues that have to be kept up and maintained. It might cost \$10 million, \$20 million a year for that.

[The Bird's Nest](#) in Beijing, for example, cost the Chinese government \$423 million to build and costs \$9 million annually to maintain despite the fact that it remains largely unused. For example, the Beijing Guo'an football club was scheduled to play at the stadium but backed out at the last minute, citing "embarrassment" that only 10,000 people were likely to show up at the 80,000-seat stadium.

And then there's "[The Big O](#)," the stadium built in Montreal for its hosting of the 1976 Olympics. It



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earned its nickname early on in reference to both the Olympics and the doughnut shape of its roof, but soon earned a less-favorable appellation, “The Big Owe,” in reference to its astronomical cost that didn’t get paid off until 2006, 30 years after its construction. Initial projections were that the stadium would cost only \$134 million, but by the time it was completed (*only after the Olympic games were over*, due to labor strikes and design faults!) costs had doubled to \$264 million.

A special tobacco tax was levied on Montreal’s citizens to pay off the debt, which after 30 years of debt service, maintenance, repairs and inflation had reached in excess of \$1.6 billion. When the Montreal Expos baseball team [was moved to Washington, D.C.](#) in 2005 and renamed the Washington Nationals, it left the Big O without a major tenant.

In addition to the failure of the Olympics typically to turn a profit because of the bidding process, and the massive overbuilding that then largely remains vacant but costly to maintain nevertheless, there is the claim that hosting the Olympics will increase tourism enough to justify the gargantuan costs. Zimbalist calls this [the myth of “The Olympic Stimulus,”](#) which, with the single exception of Barcelona, never materializes:

These days the summer games might generate \$5-to-6 billion in total revenue (nearly half of which goes to the International Olympic Committee). In contrast, the costs of the games rose to an estimated \$16 billion in Athens, \$40 billion in Beijing, and reportedly nearly \$20 billion in London...

The high costs are bound to make hosting the Olympics a bad deal in the short-run. Promoters, however, claim that there is a strong benefit that accrues over time connected to the advertising effect of hosting the games. The idea is that the hundreds of hours of television exposure to hundreds of millions of viewers around the globe will generate increased tourism and business for the city.

It’s a lovely idea, but there is little evidence that it pans out.

Furthermore, there’s little evidence that tourism *increases* during the Olympics either as so many locals stay away to avoid the congestion and higher prices levied by merchants during the games.

Even Barcelona, Zimbalist’s single poster child for a successful Olympics, ran up \$6 billion in debts to [host the games in 1992](#). However, the city’s image improved significantly and tourism now contributes substantially to the local economy.

London’s initial estimate to host the 2012 Olympics was \$3.75 billion but quadrupled as the games drew nearer, to over \$14 billion, and included numerous improvements to the London Overground’s East London Line and upgrades to the Docklands Light Railway and the North London Line. Additional roads had to be built to handle the expected traffic, and a cable car was built across the River Thames, to help reduce congestion.

But the big project, as most viewers know, is the 500-acre Olympic Park which, along with related construction, is estimated to have cost Londoners in excess of \$8 billion.

And they aren’t happy about it, either. [Websites have popped up](#) criticizing the expense during a time of austerity, calling the games a “complete waste of money.” And when the BBC sponsored a pop music festival in late June, they had to post a notice backstage to ask performers not to refer to “the Olympic games in a negative or derogatory way.”

But the deed is done. The enthusiasm for the games that began with the 2005 decision by the International Olympic Committee to award the honor to London was enough to generate sufficient



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“political capital” to pull this off. What’s unclear is just how long it will take for the unhappy Londoners footing the bill to pay it off.



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