

# The Olympic Dilemma: The Hidden Costs and Benefits of Hosting the Olympics

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## ABSTRACT

*This study explores the complex economic consequences of hosting the Olympic Games, taking into account both short-term benefits and long-term impacts. While hosting the Olympics has historically been associated with short-term economic benefits in the form of investment in infrastructure, job creation, and influx of tourism, its long-run legacy is a great deal less clear-cut. The report cites examples of success like Barcelona 1992, London 2012, and Tokyo 1964, where stability in politics and strategic planning helped in reconfiguring urban spaces and world city images. However, it also looks at examples like Athens 2004, Montreal 1976, and Rio 2016, where bad planning, debt, and unused infrastructure, or so-called "white elephants," left the host cities burdened financially for decades. Key determining factors of Olympic legacy success or failure include a nation's economic preparedness, political stability, and overall post-Games planning. Based on the analysis, while the Olympics can spur long-term development as well as global prominence, they pose tremendous fiscal risk. National governments hosting the Games must weigh the advantages they receive in the short term against prospective financial and social costs. Lastly, the paper determines that only nations that plan and invest well will be in a position to ensure that the Olympics leave a long-lasting, beneficial legacy for generations to come.*

**Keywords: Olympics, economic impact, urban development, tourism, legacy**

## 1. INTRODUCTION

The Olympic Games are the most prestigious sporting event in the world, and hosting the Games promises huge economic gains to host cities.

The Games have been consistently shown to provide short-term benefits to the countries that have won the bidding process, like new jobs, a spike in tourism, investment, and infrastructure [4]. The long-term financial effects are as equally sought after, but history has shown that there are no guarantees that a nation can reap the rewards in the years and decades after the Games [16]. If organized and carried out efficiently and effectively, the event may catalyze the host cities to become more urban, global, and sustainable [14].

However, time and again, we can see that those countries and cities with preexisting social unrest or myopic plans for the Games often go into debt after the Games conclude [15].

This research paper investigates the short-term gains, long-term positive impacts, and enduring challenges of hosting the Olympics, highlighting the factors determining whether the Games leave a lasting positive legacy or a financial burden.

## 2. SHORT-TERM POSITIVE ECONOMIC GAINS

Cities that win the Olympic bid almost always have to spend significant proportions of their budget on infrastructure development. To successfully host the Olympics, a city requires massive infrastructure investments such as sports complexes for all of the events, modern and efficient transportation networks to and from the arenas, housing for temporary workers, and other facilities, such as the Olympic Village, an adequate number of hotel

rooms for the surge of tourism that comes with hosting the games, and so forth. The existing transportation systems, such as subways, buses, roads, and airports, must be expanded to facilitate a much higher flow of human traffic [2]. These short-term investments are crucial for the successful hosting of the Games and create immediate economic gains through job creation, tourism, and local economic stimulation.

The Olympics typically deliver a swift inflow of revenue, capital, and employment. For example, the Rio 2016 Olympics, despite Brazil's economic challenges, created approximately 70,000 jobs, primarily in the construction and events sectors, temporarily reducing unemployment [13]. The Brazilian government invested around \$13 billion in infrastructure projects like new metro lines and stadiums, leading to an estimated \$6.2 billion boost in tourism [14]. Economically, host cities experience a 10-20% increase in tourism through media visibility and consumer spending during the Games. For instance, during the London 2012 Olympics, the total expenditure by tourists during the Games increased to £2.1 billion, a net increase of 9% compared to the same period in 2011 [7]. Given the massive expenses to win the bid and operate the games, such profits can be reinvested to help boost the local economy in the short to medium term [11].

The massive capital investment in infrastructure is the most observable short-term return on investment in the Olympics. The existing and newly built infrastructure must be state of the art for the events to take place, and a bonus of such updates means that cities have the opportunity to use such facilities during the Games and, if done correctly, these facilities can be enjoyed by citizens and tourists for decades to come [2].

For instance, Beijing's 2008 astonishing development led to the construction of iconic sporting facilities like the Beijing National Stadium, most commonly referred to as the "Birds Nest" for track and field and soccer, and the Beijing National Aquatic Center, famously known as the Water Cube [2]. China spent \$23.76 billion on transport infrastructure alone, expanding subway lines and upgrading roads to accommodate the massive increase in traffic during the Games [3]. These investments had short-term economic benefits, particularly in terms of employment in construction

and related businesses [4]. In the short run, these developments also stimulated tourism, with people flocking to visit these iconic venues even after the Games were finished. Likewise, the Vancouver 2010 Winter Olympics required extensive infrastructure changes, specifically concerning transport within the city. Such projects included constructing the new rapid transit Canada Line SkyTrain from downtown Vancouver to the airport, a project that cost CAD \$2.05 billion (about USD 1.6 billion), and the Sea-to-Sky Highway Upgrade (Highway 99), which cost CAD \$600 million (about USD 470 million) [5]. The highway upgrade improved transport links between Vancouver and Whistler, where many events were held [6].

During the infrastructure construction for these projects, thousands of jobs were created, which had a positive knock-on effect on businesses involved in the local economy [4]. The expanded transport networks allowed for more accessible travel during the Games, and again, this hugely improved and more efficient transport system was a positive benefit for the local economy. In the model cases of successful short-term investments, such as the Beijing 2008 and Rio 2016 Summer and Vancouver 2010 Winter Games, the direct monetary effect was profound since so many local firms received a boost in activity in the construction industry. Most of the investments made in infrastructure proved helpful not only during the Games but also in the further development of urban areas [2].

In conclusion, while hosting the Olympics requires massive upfront investments, every Games has delivered short-term economic benefits to the host nation. However, ensuring long-term success has proven much more elusive for many host nations, but if investments in infrastructure are made with the future in mind, they will continue boasting local industries well beyond the duration of the Games.

### **3. LONG-TERM POSITIVE ECONOMIC IMPACTS**

The short-term advantages of infrastructure developments, job creation, and a significant bump in tourism that the Olympics offers to host cities are relatively easy to identify. However, if planned correctly, cities can utilize the events to foster economic growth in the medium to long run. Specifically, the Olympics can be used as a platform to promote the city as a tourist destination for many

years after the games have ended, as a means of increasing global recognition, creating a network of international trading partners which drastically increase economic diversification and ongoing urban renewal and infrastructure legacy [11].

One of the most significant long-term positive impacts of hosting the Olympics is increased tourism and global visibility. For example, Barcelona 1992 is considered the archetypical success story since the Olympics turned the city into a world-class tourist destination. Before hosting the Olympics, Barcelona was not a particularly famous city worldwide. It is, however, essential to note that after becoming host to the Games, the city became almost universally recognizable, and the city's tourism prospects improved significantly. Over the subsequent two decades, international tourist arrivals grew fivefold to 7.1 million in 2012 from 1.7 million in 1990, 2 years before the Games [11&10]. This dramatic increase in tourism was not temporary, and the city can draw a straight line to the Games as the moment they started a significant uptick in revenue, ultimately making it one of the most popular tourist cities in Europe. Through the Olympics, Barcelona received modern infrastructure capable of accommodating many visitors and international marketing to publicize its attractions [11].

Likewise, Salt Lake City's experience with the 2002 Winter Olympics has had a long-term impact on the tourism industry. Since its hosting in 2002, Salt Lake City has established itself as a major tourist destination for winter sports by utilizing the Olympic Stadium and its facilities as a sports venue and tourist attraction [12]. The investment made from the Olympics has diversified its economic foundation around the tourism and service industries, building a reputation as a tourist destination for recreational and professional sports activities.

Economic diversification is another essential long-term advantage linked with the hosting of the Olympics. Organizing the Games can promote investment that can cause structural transformations in a city's economy, attracting international companies and new businesses. For example, the 1964 Tokyo Olympics made a significant contribution to the growth of Japan into an economic powerhouse. The reader should note the obvious that this happened a mere 19 years after the

unconditional surrender of Japan in WWII. Taking this opportunity to regenerate its global image, industrialization was promoted, and infrastructure projects such as the Shinkansen bullet train were developed, becoming an essential pillar of the Japanese economy [18]. In this way, the Olympic Games also boosted the service and technology sectors, and the host city attracted global partners and investors based on its improved brand image [17].

The Olympics can also play an essential role in promoting sustainable urban development and improving urban planning in the long run. For example, with the 2012 London Olympics, the East London area changed from a former industrial center to a modern residential and commercial area [7]. A high-speed rail system, known as the Olympic Javelin, was introduced to ferry passengers from central London to the Olympic Park in Stratford in only seven minutes. Previously, this journey would have taken more than 20 minutes. After the Games some of the Olympic Village buildings were converted into affordable housing to be provided to the local residents [8]. In addition, Olympic facilities, such as Queen Elizabeth Olympic Park, are still being put to good use in the community [9]. These urban renewal projects have pushed up the value of real estate in the East London area, allowing the city to continue its growth as an economic and social asset.

There are short-term benefits in the process of preparing and hosting the Olympics, such as job creation and expanding infrastructure. However, the most essential value lies in the positive effects that will continue long-term after the Olympics. As seen in the examples of Barcelona, Tokyo, and London, the Olympics can be of great help to the development of the city, such as improving the infrastructure of the city, its global recognition as a tourist destination, and laying the foundation for global investment. Therefore, if used correctly, the Olympics will allow the host city to enjoy critical long-term benefits for economic growth and improve the quality of life for its residents [11].

#### **4. LONG-TERM NEGATIVE ECONOMIC IMPACTS**

While hosting an Olympics stimulates enormous fiscal spending immediately in a country, in reality, many cities face financial difficulties after the games

are over. One of the most significant long-term economic problems is the high cost and debt burdens inextricably linked with hosting. For example, Greece hosted the Athens Olympics in 2004, which cost an estimated €27 billion, more than double the original budget. The country's economy was severely affected, forcing it to take out loans to cover the costs [15]. The repayments from the debt massively increased the burden on the average citizen, causing huge rises in taxes [14]. Another representative example of the financial burden caused by hosting the games is that of Montreal, which held the Olympics in 1976 with costs exceeding \$1 billion. It took almost 30 years for the country to repay these debts fully. In the process, once again, the responsibility was that citizens who had to pay tax increases with the effects rippling through the domestic economy for decades [16].

Another noteworthy long-term problem associated with hosting massive events like the Olympics is colloquially known as "white elephants." The so-called white elephants are venues that are expensive to maintain and rarely used after the events are finished. Interestingly, these venues get their nickname from history, where the King of Siam (now Thailand) gave white elephants as gifts to countries he disliked because he knew they would be extremely expensive to keep alive [14]. These stadiums were constructed to host specific Olympic events; thus, most are not frequently used afterward, making it problematic to generate income for their maintenance. For example, the "bird's nest" stadium was built for the 2008 Beijing Olympics at a staggering cost of \$460 million. However, it still costs about \$10 million a year to maintain and is used only occasionally in major sporting events [2]. The same is true of the Sochi 2014 Winter Olympics stadiums. Sochi is a small resort city, so the maintenance burden puts a lot of pressure on the local economy because there is not much need for large sports stadiums [14]. These examples of white elephants are relatively common in the history of the Olympics. A city should plan for a pragmatic future, understanding that efficient long-term utilization for all venues is required.

Although the Olympics attract tourists and draw attention from all over the world, this tourism boom is often temporary. After the Olympics, the constant tourism growth, which many cities had expected, frequently does not continue. For example, Sydney

hoped the number of tourists would continue to increase after the 2000 Olympics, but hotel utilization decreased unexpectedly [11].

Foreign tourism declined by 30 percent in Beijing during the 2008 Olympics, and the impact of Olympic tourism was insignificant after the Games. While there may have been extenuating circumstances in this case, given Chinese Visa restrictions and security concerns, this kind of temporary tourism effect does not make up for the high cost of the games and should theoretically limit the role they play in driving the city and country's long-term economic growth [14].

The problems created by hosting the Games are simply financial but often take the form of social and political. Residents living in low-income areas are frequently forced to move to make way for Olympic facilities, but government officers frequently behave ruthlessly in these coerced relocations. Most residents are not compensated adequately or supported at all. For example, many residents were forced to flee their homes while preparations were underway for the 2008

Beijing Olympics. Over a million residents were displaced to make way for new infrastructure. The majority of these citizens received the news of the displacement mere weeks before construction began, and the compensation provided was not enough to buy new housing in the same areas. These sudden changes in circumstances led to the mass loss of jobs and meant they needed to seek other employment on the outskirts of the city where they were forced to move [1].

Similarly, during the 2016 Rio Olympics, 77,000 people were coerced to move out to low-income urban areas in the city, locally referred to as favelas. Compensation was \$7,000 to \$10,000 USD, but these amounts were insufficient for the residents to purchase a similar house in Rio's real estate market. So those who were displaced not only lost their homes but also the communities that had existed in these areas for generations and further intensified social inequality [14].

Although it may seem like the Olympics is a golden opportunity for a city to increase its economy and make a name for itself globally, the truth is that the results are often considerably more complex. While huge short-term profits are almost always made during the Games, many cities, and by default,

taxpayers, face large debts once the cameras, athletes, and tourists have left. Exacerbating these debt burdens are “white elephants,” the often seldom used and expensive to maintain stadiums, and of course, there is a lasting resentment among many locals towards the government caused by coercive practices in the lead-up to the Games. Simply put, the Olympics serve as an example of how the choice to make short-term gains can hamstring cities and their residents for decades to come [16].

## 5. FACTORS INFLUENCING LONG-TERM OUTCOMES

There is little debate about whether hosting the Olympics will bring economic benefits in the short term. However, a number of important factors contribute to ensuring long-lasting advantages.

Before the Olympics, financial conditions, planning and management strategies, and political and economic stability played a significant role in creating the conditions necessary for positive long-term outcomes. As a result, cities that make good use of the infrastructure, new global notoriety, and investment created by the Olympics can achieve long-term growth [11].

For long-term success, the most important thing is the host city's preexisting economic situation. The richer the cities, the better the long-term management of the benefits of hosting the Olympics will be. For example, cities already wealthy prior to the Games, such as London and Tokyo, used tourism and global investment opportunities to better reap the massive costs associated with the Olympics. More specifically, with support from the well-known financial and service sectors, London was able to integrate its new infrastructure into long-term urban planning goals, such as the revitalization of East London after the 2012 Olympics [7]

However, cities with weak economies may struggle with the cost of hosting the games. Athens hosted the 2004 Olympics during a time of severe economic instability in the country, which only added to Greece's debt crisis [15].

Banks in Greece still have billions of dollars of unpaid loans and unused infrastructure. This example shows that economic stability is critical for cities to have a chance to benefit from hosting the Olympics in the long term and hence prepare both financially and stably to have a successful legacy [14].

Just as important as the long-term outcomes of hosting the Olympics is the planning and management in the lead-up to the Games. Well-planned cities can better capitalize on the benefits of Olympic-related investments and avoid the debt risk and underutilization associated with Olympic infrastructure. In Barcelona's successful long-term planning, the 1992 Olympics are frequently cited as an example. The Games became a vehicle for the city to transform its waterfront, improve its public transportation, and modernize its infrastructure. The changes helped Barcelona to become one of Europe's leading tourist destinations: international visitors rocketed year on year after the Games [11 & 10].

Also, London's 2012 Games were planned with the continuous use of facilities after the Olympics in mind. Affordable housing replaced the Olympic Village, while Queen Elizabeth Olympic Park, as it has become known, remains a community hub for locals and tourists alike [8]. Both London and Barcelona had a clear and carefully planned strategic plan to ensure the billions poured into the Games were not wasted but reinvested into the cities' futures [7].

On the other hand, some countries lacked proper post-Olympic plans which resulted in problems in maintaining or repurposing Olympic infrastructure. For example, Rio de Janeiro's lack of clear post-game strategies led to numerous unused venues and mounting maintenance costs after the 2016 Olympics. So, a failure to plan for the event itself, but also for the years and decades that followed, resulted in a net negative [14].

Furthermore, the host country's political stability is another critical factor in the Games' long-term outcome. The level of development of a country affects how capable it is of hosting the Olympics. Nations with less political turmoil and sound economies will be best able to handle all the problems related to hosting, such as large-scale investments. Generally speaking, countries with high levels of democracy and strong economies have much lower levels of reported corruption. Japan, for example, made use of the 1964 Tokyo Olympics as a means for rapid industrialization and global reintegration thanks to its stable political climate and robust economic foundations [17]. Investment in infrastructure, such as Japan's Shinkansen bullet

train, had far-reaching consequences outside of simply helping while hosting the Games [18].

However, countries characterized by political instability or weak governance typically find that the long-term benefits of the Games are challenging to achieve. For example, outraged citizens claimed the 2014 Sochi Olympics in Russia was plagued with corruption and cost overruns as most of the infrastructure created for the Games has since failed to see long-term use [19].

A combination of poor economic performance and political instability increases the risks of hosting, transforming a potentially highly profitable investment into a drain on people's finances and the broader social fabric [14].

## 6. CONCLUSION

The economic impact of hosting the Olympics is a complex balance of short-term benefits and long-term outcomes. The immediate benefits of the Games — in terms of job creation, tourism, and infrastructure — should be nearly instantly evident to the organizers and local residents [11].

However, the impact of the Games will only be sustained if the planning is thorough, the economy of the host nation is robust before the Games, and if there is limited political turmoil throughout the lead-up to the Games [14]. Model cities like Barcelona and London show how, with proper investment and planning, the Olympics can act as a transformative event for host nations. On the other side of this coin, however, cities like Athens and Rio De Janeiro show how costs can mount, and facilities can be underused and become a constant liability for cities and taxpayers [15].

Ultimately, when countries are making the decision to campaign to host the Olympics, they must weigh the potential gains against the losses, and ensure that their plan will create an Olympic legacy that benefits future generations [16].

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