

Vitor Hugo Silva dos Santos

Eastern Illinois University

Sports Economics

How the Olympics and the World Cup Induce Overspend

The Olympics and world cup are among the major international events that globally attract the most massive audience. Treated as three entities by the Olympics Committee since 1994, the Summer Olympics, Winter Olympics, and the World Cup Soccer presents a particular thing in common. The two events occur after four years and have the most massive international and television audience. Also, they have similarities in the event's location since they are always different and have increased controversies in choosing the place and the outcomes of some particular sporting events. However, overseeing these local arrangements and adhering to the set rules and standards that need to be accomplished to participate or host the events induces high overspend to these parties. Thus, paper analyzes the Olympics and the World Cup Induce Overspend in all parties involved in the two events.

Hall (2018) notes that World Cup organizers in Russia projected that the tournaments' total economic impact would go up to the \$30.8 billion by 2023. The Committee indicated that expenses are mainly in construction and other general investments. These are in the case of the hosting states for the World Cup and other leading sporting events. Hall (2018) notes that, even if these hosting countries will attract more tourists according to Pop et al. (2016), showcase the country's best cities and initiate the essential infrastructures, the overall costs to attain these noble goals seems to outweigh economic benefits that they usually produce. The opportunity cost arguments denote that a country can use these costs to carry out other long-term investments that

would impact its GDP. World Economic Forum (2017) notes that such value needs to be applied in focusing on inclusive growth to deliver the best broad based and economic development and have the best sustainable improvements in the living standards.

Engerman (2012) notes that the increased competition rate among the countries to host these events has become so fierce. The nature of bidding to host these events, according to the Engerman (2012), is the crucial aspect that makes these countries to spend more. Meeting these set standards by the Committees such as infrastructure, housing for the participants, and the ability to host the global participants makes it more challenging.

Time spent preparing for hosting the events and the actual day has increased costs above what is being projected. However, this cost needs to have to be attained by the host to meet the set obligations. For instance, Engerman (2012) notes that the Montreal summer Olympics incurred approximately \$1.3 billion and ended up to a debt of \$750 million that have dragged until 2010. The Barcelona Olympics of 1992 incurred \$10.7 billion, and the government was left to struggle with \$6.1 billion debt. Additionally, the 2004 Athens Olympics spend an amount equivalent to the country's 5% of GNP, and the country was left fighting with \$11.5 billion, according to Engerman (2012). The number of anticipated visitors in the nation additionally fell by approximately 12%.

According to the Department for Digital, Culture, Media & Sport (2013), the British Museum notes a decrease in the visit by 22% after the Olympics games. It denotes the displacement of the potential visitors due to prices rise and overcrowding. Cost incurred includes preparation of the subsidiaries for the professionals who will participate in the sports. The countries have to franchise in the building stadium and arenas for them to train. Additionally, the franchising effects to gain the best prestige of having the most league teams and ensuring they

have the best attention bring about high spending. Baumann & Matheson (2013) note that there is no capital return after the increased crowding in the service industries. Eissa & Al Refai (2018) notes that wages to service workers do not increase with the same level as the increased number of tourists during these events, thus having a higher labor cost.

Overall, these are some of the elements that lead to overspending in the Olympics and World cups. These elements bring about a higher rationale for seeking the World Cup and Olympics, though, on the other side, it gives a higher cost to the hosting nation. Therefore, according to the past records, a country bidding to host these events needs to be ready to incur expenses out of higher spending levels.

References

- Baumann, R., & Matheson, V. (2013). Working Paper Series, Paper No. 13-02 Infrastructure Investments and Mega-Sports Events: Comparing the Experience of Developing and Industrialized Countries. http://web.holycross.edu/RePEc/spe/1302-Baumann-Matheson_MegaEventsDeveloping.pdf
- Department for Digital, Culture, Media & Sport. (2013, July 18). Report 5: Post Games evaluation: Meta-evaluation of the impacts and legacy of the London 2012 Olympic and Paralympic Games. GOV.UK. <https://www.gov.uk/government/publications/report-5-post-games-evaluation-meta-evaluation-of-the-impacts-and-legacy-of-the-london-2012-olympic-and-paralympic-games>
- Eissa, M. A., & Al Refai, H. (2018). Mega-Sports Events and Stock Market Return: The Case of the 2022 World Cup. *Event Management*, 22(3), 379–388. <https://doi.org/10.3727/152599518x15239930463154>
- Engerman, S. (2012). Hosting the Olympics and the World Cup. In *revista.drclas.harvard.edu*. Harvard Review of Latin America. <https://revista.drclas.harvard.edu/book/hosting-olympics-and-world-cup>
- Hall, S. (2018, June 7). Does hosting a World Cup make economic sense? *World Economic Forum*. <https://www.weforum.org/agenda/2018/06/world-cup-football-smart-investment-russia-host/>
- Pop, I., Kanovici, A., Ghic, G., & Andrei, M. (2016). The Economic Effects of the Mega Sport Events on Tourism in the BRICS Countries Case. *Anfiteatro Economic*

Journal, 18(Special Issue No. 10), 960–975.

<https://www.econstor.eu/handle/10419/169048>

World Economic Forum. (, 2017). The Inclusive Growth and Development Report 2017. The Inclusive Growth and Development Report 2017. <http://reports.weforum.org/inclusive-growth-and-development-report-2017>