Mega-Event Sporting Opportunities: The Case of Developed vs. Developing Countries

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ABSTRACT

To host a mega-event, such as the Olympics and World Cup, is highly contended for by nations around the world, both developed and developing. Although the monetary and non-monetary benefits seem to be great, in many cases hosting such as event falls short of the expectation that a country had during the bid and build-up stages. For example, many countries actually lose money by hosting a mega-event, go heavily into debt during the build-up stage, and then rarely use the event infrastructure that was built in the time period after the games are over. This is especially critical for a developing nation, as these billions of dollars could be allocated toward education, healthcare, and infrastructure. The thrust of this paper is to analyze what factors facilitate a city and/or country in fully utilizing their hosting opportunity and to not only remain economically solvent, but to perhaps even generate profit.

Keywords: Mega-events, international tourism, economic impact, globalization

INTRODUCTION

“Games are central to the human experience. Outlets for aggression, universal forms of entertainment, metaphors for the struggle to survive. The cathartic experience of participating in a hard-fought contest takes us one step closer to an understanding of our mysterious, questing nature”. Mark Frost, author of The Greatest Game Ever Played.

Over the last several years, the nation of Brazil has been on the world sporting stage. It hosted the soccer World Cup during the summer of 2014 (in cities nationwide) and is also slated to host the Olympics during the summer of 2016 (in the city of Rio de Janeiro). The city of Tokyo, Japan is slated to host the Olympics in 2020 and Beijing was just selected to host the 2022 Winter Games, which will make it the first city to host both the Summer and Winter Olympic Games. The Olympics and World Cup are two of the largest sporting events in the world, and countries heavily vie to host them. Brazil in a sense is very fortunate to have been selected to host both of these events within a two year period, something which is a testament to the natural beauty, economic and social potential, and growing importance of Brazil among its global peers. Japan has just recently won its bid and is now gearing up for the investment stage in preparation for hosting.

Despite this seemingly fortunate turn of events, Brazil and Japan may be cursed to relive the fate of many fellow host countries—that of massive investment in the years leading up the event(s) and misappropriation, waste, fraud, and misuse of the funds and physical structures before, during and after the events take place. There are recent examples of host cities that have allowed the investment to be essentially wasted-- with stadiums, dormitories, training facilities, and other structures never being used again after the events are over. Many of these cities have lost billions of dollars in their quest to host these events—the revenue generated by the Games (World Cup and/or the Olympics) being vastly overshadowed by the massive investment of funds. However, there have also been examples of cities
and/or countries than managed their hosting opportunity very well and not only generated profit through the Games, but also were catapulted onto the world stage and have enjoyed a permanent rise in world prestige.

The thrust of this paper is to analyze what factors facilitate a city and/or country in fully utilizing their hosting opportunity and to not only remain economically solvent, but to perhaps even generate profit. This topic is important for several reasons. First, the amount of investment into any global sporting event is in the billions of dollars. For a wealthy country, this is not as significant as for a developing country (such as Brazil); however, for a developing country these are funds that could be invested in basic infrastructure, health, and education. This is the case for Brazil, where there is still a large portion of the population living in dire poverty and without adequate sanitation, education levels, or nutrition. Second, the financial stakes are extremely high—the amount of revenue generated from these sorts of events is also in the billions. Tourists and sporting fans travel from all corners of the globe to witness these events and leave behind billions of tourist dollars. As stated previously, some countries and/or cities use this category of event to both generate short-term revenue (and thus turn a profit by hosting the event) and catapult them permanently onto the world stage, thereby potentially permanently enjoying greater levels of tourism, foreign direct investment, and greater esteem from peer nations. Thus, the research question is the following:

**What factors facilitate a city and/or country in fully utilizing their hosting opportunity and to not only remain economically solvent, but to perhaps even generate profit?**

### LITERATURE REVIEW

To begin, it would be helpful to define or describe in some way what a mega-event is and how they are different from other events. A mega-event can be viewed in two primary respects—first, with regard to its internal characteristics (i.e. its duration and scale) and second with regard to its external characteristics (i.e. the media and tourism attractiveness, along with its impact on the host city or country) (Malfas et al, 2004). Richie and Brent (1984) describe such events as “major one-time or recurring events of limited duration, developed primarily to enhance awareness, appeal and profitability of a tourism destination”. Examples of such events would be the Summer Olympics, the Winter Olympics, the World Cup, the Rugby World Cup, and the European Football Championship. Generally these types of events attract a large amount of international tourism and are heavily vied for by countries around the world, for both economic and non-economic (i.e., prestige, national pride, community and civic awareness and spirit, etc.) reasons.

**1. Arguments for Hosting a Mega-Event**

**Quantifiable Benefits of a Mega-Event**

There are mixed results in the academic literature in terms of whether or not it is an economically prudent endeavor to host a mega-event such as the Olympics, World Cup, etc. Some studies, such as Rose and Spiegel (2009), have found that countries that host the Olympics experience a significant increase in trade. However, many others have found that although such mega-events may lead to a short-term increase in trade, tourism, and general spending, that this effect is very temporary. In fact, being host for the Olympics Games is unlikely to gain a nation much more beyond prestige (Appelbaum, 2014). In fact, there is mixed evidence that tourism is increased over the long-term or that it offsets the costs of tourism-related improvements to hotels, attractions, and infrastructure (Stewart, 2014). However, from a strategic
perspective, the objectives may include highlighting or spotlighting a city or nation, attracting investment, or creating jobs. Among these, the economic value that could potentially accrue to the city or country is the most commonly used rationale for gathering public backing for these events (Tien et al, 2011).

Mega-events, if successful, can potentially lead to “long-term positive consequences in terms of tourism, industrial relocation, and inward investment” (Roche, 1994). Research has shown that individual countries’ currencies tend to appreciate more during the time leading up to the Olympics. There is also evidence that host stock markets are positively affected by Olympic host announcements (Ganguly, 2012). In a study by Veraros et al (2004), it was found that there was a significantly positive effect on the Athens, Greece stock exchange in general as well as infrastructure-related industries in particular upon the announcement of Athens’ successful bid to host the 2004 Games. However, no such significant effect was found on the Milan, Italy (the losing bid city) stock exchange. In a similar study, Dick and Wang (2008) found a significant and positive announcement effect of hosting the Summer Games, with a cumulative abnormal return of about 2% over the course of a few days. Additionally, among the host countries, small economies tend to have greater cumulative abnormal returns than large economies. However, no significant results were found for the Winter Olympic Games.

Non-Quantifiable Benefits of a Mega-Event

The Olympics and other mega-events can also act as a “signal” that the country is ready to step onto the world stage. In fact, even bidding to host the Olympics is a signal. According to Rose and Spiegel (2009), hosting a mega-event has a positive effect on national exports—trade is around 30% higher for both countries that have hosted the Olympics and countries that have unsuccessfully bid to host. Successful and unsuccessful candidates are similar in terms of proclivity toward trade and liberalization. Hosting a mega-event is a robust signal of liberalization and openness to trade because such events are highly visible, infrequent, and have long-lead times. The costs of hosting the Games is usually borne by the host city along with the central government. Policy makers on both levels are likely to benefit from liberalization. In addition, hosting a mega-sporting event seems to coincide with other political/economic events of the country that signal openness.

There are also non-monetary benefits of hosting a mega-event. This could be described as the “feel good” factor that the countries’ citizens experience, which could also be considered civic pride. Essex and Chalkley (1998) have claimed that mega-events can increase local pride and community spirit. In fact, the use of sporting events to provide entertainment for the masses has been around for thousands of years. The term “bread and circuses” dates from the 1st century Roman Empire where extravagant games were held in conjunction with giveaways of subsidized food in order to pacify the citizenry and reduce urban unrest (Matheson, 2006).

According to Blake (2005), the financial performance of a mega-event itself is a very narrow vision of the economic benefits of hosting such an event. The wider economic impact of hosting a mega-event includes the effects that the visitors have on the local economy through their expenditures in the host city, the developmental benefits of targeted infrastructural investments in deprived areas and the long-term “legacy” benefits that the increased exposure to the international media brings through increased tourist arrivals and tourism receipts in the years before, after, and during the Games. However, according to Malfas et al (2004), “while the prospect of economic growth is the driving force behind bids for hosting the Olympic Games, the legacies that follow their hosting are difficult to quantify, prone to political interpretation and multifaceted”. Owen (2005) concurs; “legacy impacts are generally not incorporated into the economic impact numbers, but rather offered as an additional, unquantifiable benefit.”
2. Arguments against Hosting a Mega-Event

Quantifiable Costs of Hosting a Mega-Event

The Organizing Committees of the Olympic Games (OCOGs) tend to report that every city that has hosted the Olympics since 1984 has broken even. However, the OCOG budgets take into account only the operating costs, not the capital costs (stadiums, the Olympic Village, media center, infrastructure, etc.). The capital costs represent the greatest expenses but are not included in the reports (Zimbalist, 2011). Although the cost of hosting the Olympic Games used to be fairly modest, the cost has dramatically increased over the decades. For example, the 1948 London Games cost about $30 million in today’s dollars. In comparison, the 2008 Beijing Games cost roughly $40 billion while the Sochi Winter Games cost roughly $50 billion. Although an increase in tourism may offset some of this cost, this increase is not guaranteed—Beijing actually saw a decline in hotel bookings during the Olympic time period (The Economist, 2013).

However, from the perspective of risk, hosting a mega-event may be too expensive to generate economic rents and may lead to additional financial hardships when large investment projects become “White Elephants” after the events or when these projects produce adverse effects that may crowd out a nation’s other important projects (Tien et al, 2011). In other words, hosting such mega-events as the Olympics or World Cup is “a potentially high-risk strategy for stimulating local economic growth” (Andranovich et al, 2001). In fact, Preuss (1998) summarizes the argument very succinctly, “Olympic Games only lead to an over-indebtedness of the city if sports facilities and traffic infrastructure required to stage the Games are hardly existent and if there is no follow-up demand for such a structure”. He goes on to say that host cities must undertake the investments that the Olympic Committee cannot finance and is not taken on by private industry or government (federal and/or state). The investments only pay off if the expanded capacities are used after the Olympics.

In order to be financially viable for the host city, new infrastructure must be integrated into the host city’s economy and it must have a clear legacy value (Barclay, 2009). However, the demands of the mega-event organizing bodies can be stringent. For example, FIFA, the organizing body of the World Cup, requires that a host nation have at least eight to ten modern stadia with seating capacities of approximately 40,000 to 60,000. For the 2002 World Cup, South Korea spent $2 billion constructing ten new stadia and Japan spent $4 billion in building or refurbishing ten stadia (Barclay, 2009). This infrastructure is many times already present (up to a certain extent) in developed countries but many times must be built in the years preceding the event in developing countries.

Critics of economic impact studies frequently cite the use of inappropriate multipliers as a primary reason these studies overstate the true economic gains to the hosts of these events. Matheson (2002) states that beyond theoretical reasons to the contrary, ex-ante estimates of economic benefits far exceed the ex-post observed economic developments of host communities following mega-events. Moreover, the funding being devoted to subsidizing an event is very likely to be misallocated (Dwyer et al, 2005). During the bidding competition between cities for the right to host a future mega-event, politicians and other proponents bring forth predictions highlighting the expected economic benefits of hosting the games. These predictions are often used as justification for the massive public subsidies and to convince the general public that it is a good idea to use scarce tax revenues to secure and promote the event. However, in many cases when the games are over, these cities are left with substantial debts and little to no lasting economic benefits (Porter & Fletcher, 2008).

Mega-events may lead to inflated multipliers and exaggerated claims of economic benefits (Matheson, 2004). For example, in the case of Brazil, the expected economic gains from hosting the 2016
Games are large—a 4.26 multiplier, meaning that for every $1 invested, $3.26 will be generated until 2027 (Haddad and Haddad, 2010). However, sports economists have found economic impact studies lacking both in theory and practice. Ex-post studies have consistently failed to find evidence of long-term economic benefit from hosting a mega-event (Owen, 2005). However, the aspiration remains. In fact, according to Short et al (2000), “the promise of worldwide exposure and economic gain has made hosting these major and regularly scheduled sporting affairs a lucrative goal for aspiring cities around the world”. However, Baade and Matheson (2002) concluded that “the evidence suggests that the economic impact of the Olympics is transitory, one time changes rather than a ‘steady-state’ change”. Fourie and Santana-Gallego (2010) ask the following to express the problem: “Are the costs for infrastructure, stadia, security and marketing worth the gains from tourism, trade and tickets? And, if not directly, does the event spark—maybe indirectly—long-run economic development?”

The promise of substantial economic impact provides a justification for public subsidies for building mega-event related infrastructure. Proponents of these subsidies argue that these expenditures should be treated as investments that generate positive economic returns. However, two reasons the ex-ante predictions may not be as substantial as the ex-post reality are the “substitution” and the “crowding out” effects with regard to tourism. With regard to the former, tourists may choose to visit the host city in lieu of visiting other cities or regions in the country. Thus, net arrivals and tourism dollars are roughly the same. With regard to the latter, tourists visiting the host city for purposes of the attending the mega-event may supplant or otherwise disperse normal tourism flows (due to overcrowding, lack of available hotel space, etc.). So again, the net effect is roughly the same (Matheson & Baade, 2004). Along those same lines, Fourie and Santana-Gallego (2010) state that although ex-ante expectations would predict an increase in overall tourism levels, a growing level of research seems to point to possible tourist displacement; in other words, “regular” tourists that change their behavior when a mega-event is held, either going to a different city or country, or traveling to the same destination at a different time.

**Non-quantifiable Costs of Hosting a Mega-Event**

However, besides the infrastructure costs associated with hosting the games, the increased crowds require additional public safety, sanitation, and public transportation. In addition, there are non-economic costs such as traffic congestion, vandalism, environmental degradation, and disruption of residents’ lifestyle (Matheson, 2006). In addition, mega-events could serve to exacerbate social problems and deepen existing divides among residents (Ruthheiser, 2000). Along those same lines, Preuss (1998) states that “Olympic Games are to the benefit of all citizens in the form of jobs and additional income. Nevertheless, the Games bring about a gentrification which is primarily to the benefit of the upper stratification”. Lastly, Owen (2005) states, “The lack of any ex-post study that finds improvements in economic growth or living standards due to mega-events should cast some suspicion on the legacy effects of Olympics, or at least the ability of such effects to be transformed into real economic benefits to the local economy”.

**3. Is there a Difference between a Developing vs. a Developed Country Host?**

It’s often assumed that mega-sporting events in general, and the Olympics in particular, can create large, permanent economic benefits, such as attraction of funds from non-local sources, creation of jobs, and an increase in tourism. This is all in spite of the need to invest massively in sport-venues and related infrastructure (Short et al, 2000). Some scholars have argued that the lucrative prospect of hosting mega-events was even less likely for developing countries because the opportunity cost of providing high-class facilities were much higher and the lack of modern infrastructure required there to be a much higher
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initial investment (Zhang & Zhao, 2009). Tien et al (2011) examined the economic impact of the Olympic Games on host countries and found that the impact on certain parameters (i.e. gross domestic product and unemployment) is significant only in the short-term. Moreover, the success that a country is able to experience may depend in part on its level of economic development. There are studies that indicate that in developing countries, the economic impact by the Games is smaller than in industrialized countries (Gaffney, 2010).

CASE STUDIES OF CITIES THAT HAVE HOSTED MEGA-EVENTS

The following are small case studies of cities that have hosted Olympic Games over the past several decades. Some of these hosts are reported to have experienced economic benefit while some are not.

Los Angeles (1984)

Los Angeles was the sole city bidding for the 1984 Summer Olympic Games. This could explain why the Games were profitable for the city. In fact, most likely due to the fact that they had no competition in terms of other cities vying to host the games, the city refused to sign a contract with the IOC (International Olympic Committee) on IOC terms (Baade & Matheson, 2002). In terms of profitability, the Los Angeles game have been a model for proceeding games to follow in the years since.

Barcelona (1992)

The 1992 Barcelona Olympic Games cost the host city and country over $10 million to bid for and $10.7 billion to host (Tien et al, 2011). Brunet (2005) studied the economic impact on the city of Barcelona from the period 1986-2004 of hosting the Olympic Games in 1992. His conclusion was that hosting the Games was a tremendous success for the city and contributed greatly to urban regeneration and the attractiveness of the city. The city’s use of resources and planning were exceptional, and their minimizing of cost and required investment was superb. As a result, Barcelona has become the model from which all other potential host cities since that time have based their development. According to Malfas et al (2004), unemployment fell from 18.4% to 9.6% from 1986 to 1992. However, between 1985 and 1990, inflation increased dramatically, especially in the housing market, where prices rose by 235% (Broudehoux, 2007).

In fact, major infrastructure projects were undertaken in the city, especially with regard to new transport systems and the rejuvenation of a previously run-down coastal area (building a new marina, leisure facilities and renovating certain beach areas). Thus, it can be said that hosting the Games was a catalyst in bringing forth desperately needed construction projects that otherwise would have remained dormant (Malfas et al, 2004).

Atlanta (1996)

According to Hotchkiss et al (2002), hosting the Olympic Games boosted employment by 17% in the counties of the state of Georgia affiliated with and close to Olympic activity. Estimation of a random-growth model confirms a positive impact of the Olympics on employment. According to Malfas et al (2004), an investment of $2 billion was made into the city in Olympic-related projects between 1990 (when the winning bid announcement was made) and the spring of 1996. However, over 580,000 new jobs were created in the region between 1991 and 1997. The Atlanta Convention and Visitors’ Bureau estimated the cumulative economic impact of the Games during these years was $5.1 billion. However, it should be noted that these ex-ante studies were predictive and most likely biased, as the entities that performed these studies also would be benefited from hosting the event.
**Beijing (2008)**

In its quest to successfully bid for and host the 2008 Olympic Games, the city of Beijing underwent a thorough rebranding effort. According to Zhang and Zhao (2009), there was a mismatch between the identity and core values as branded by the city’s government and the realities as experienced by visitors and residents. Its identity and core values were not well accepted by the general public. The Olympics did not fundamentally change people’s experience of the city. However, the 2008 Games were one of the most costly to date, with investments of almost $40 billion. This was three times what Athens spent, and more than all the Summer Games since 1984 combined (Broudehoux, 2007).

On the other hand, according to Zhou and Ap (2009), the majority of the residents of Beijing perceived the impact of the Games very positively, particularly for those related to the sociopsychological, urban development, and economic development factors. However, residents’ perceptions toward social life impacts (i.e. overcrowding, higher prices, etc.) were mixed. In fact, in an article by Broudehoux (2007), it was postulated that Beijing’s “image construction” program actually assisted in exacerbating the profound inequalities that have come to epitomize China’s transition to capitalism within an autocratic political system. Moreover, the country is now one of the most economically unequal on the planet. The author later went on to state that, “Beijing’s spectacular Olympic preparations have in many ways acted as a propaganda tool and an instrument of pacification to divert popular attention from the shortcomings of China’s rapid economic transformation”.

**METHODOLOGY, DATA & HYPOTHESES**

Based on the above literature review and theoretical backing, the hypotheses attached to the research are the following:

**H1**: It is economically more viable for a developed country to host a mega-event vs. a developing country.

**H2**: It is economically more viable for a developing country to host the Winter Olympics or World Cup vs. the Summer Olympics.

**H3**: There is a correlation between the population of a mega-event site and the Total Cost and Profit generated from hosting the games.

Using OLS Regression (via SAS) with data from the World Bank, the regression is the following:

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\text{Funds Utilization Effectiveness (as expressed by Total Spending and Profit/Loss)} = \alpha + \beta_1 \text{Developed vs. Developing Country} + \beta_2 \text{Economic Growth} + \beta_3 \text{Population} - \beta_4 \text{Inflation rates} + \beta_5 \text{Interest rates} - \beta_6 \text{Mega-event type}
\]

The methodology will roughly follow that of Tien et al (2011), in which pre-event, event, and post-event periods were examined for countries that have hosted either the Summer Olympics, Winter Olympics, or World Cup. A period of 7 years was examined for each mega-event—3 years prior to the event, the event year itself, and 3 years after the event. “Developed vs. Developing Country” is a dummy variable (with values of 0 and 1, respectively) as is Mega-event type (with values of 0 for Summer Olympics, 1 for Winter Olympics, and 2 for the World Cup).
RESULTS & INTERPRETATION

The following tables are the raw data results. The interpretation will follow.

Table 1: Total Cost

| Variable         | Parameter Estimate | t-Value | Pr>|t| |
|------------------|--------------------|---------|-----|
| Dev. vs. Developing | 139.98             | 7.85    | <.0001 |
| GDP              | 0.8089             | 0.38    | .7080  |
| Population       | -1.6994            | -1.84   | .0698  |
| Savings Rate     | 5.3196             | 3.02    | .0036  |
| Interest Rate    | -4.2055            | -3.53   | .0008  |
| Inflation        | -8.3912            | -4.55   | <.0001 |
| Type of Event    | -22.0570           | -4.63   | <.0001 |

Table 2: Profit

| Variable         | Parameter Estimate | t-Value | Pr>|t| |
|------------------|--------------------|---------|-----|
| Dev. vs. Developing | -121.1910          | -9.08   | <.0001 |
| GDP              | -0.1407            | -0.21   | .8372  |
| Population       | -2.5078            | -4.62   | <.0001 |
| Savings Rate     | 1.3094             | 1.83    | .0754  |
| Interest Rate    | -0.0473            | -0.09   | .9305  |
| Inflation        | -0.8666            | -1.53   | 0.1349 |
| Type of Event    | 0.8853             | 0.23    | 0.8210 |

Regarding Hypothesis 1, there is a strong positive correlation between the dummy variable Developed/Developing and the Total Cost of hosting a mega-event. In other words, developing countries seem to incur a higher total cost of hosting a mega-event such as the Olympics or World Cup. This could be due to the tendency for developing countries to be forced to build the necessary infrastructure required to act as host (highways, stadiums, specialized venues, dormitories for athletes, etc.). On the other hand, developed countries tend to already have much of this infrastructure already in place, and thus tend to incur lower total costs. This idea is further supported by the negative correlation between Developed/Developing and Profit—profit earned from a mega-event is inversely related to the type of country serving as host (either developed or developing). This is echoed by Gaffney (2010) above. Therefore hypothesis 1 is fully supported.

Regarding Hypothesis 2, there is a very statistically significant inverse relationship between the type of event (Summer Olympics, Winter Olympics, and World Cup) and the Total Cost. Although there is no such statistically significant relationship with Profit, this could be further indication that if a developing country is to host a mega-event, it would be less economically burdensome to host the Winter Olympics or World Cup. As many developing countries (such as Brazil or Russia) are forced to incur debt and use funds that would otherwise go to education, health care, additional infrastructure, etc. this is something worth considering.

Regarding Hypothesis 3, there is a statistically significant inverse relationship between Population and Total Cost as well as Population and Profit. In terms of Population and Total Cost, this is explainable through the fact that smaller cities generally have to invest more in infrastructure projects (highways, stadiums, airport expansion, specialized athletic venues, dormitories, etc.) than larger cities, which tend to have much of this sort of thing in place already. In terms of Population and Profit, although it may seem
counterintuitive at first, one explanation may be the following. Large megalopolises (especially those of the developing world, such as greater Rio de Janeiro) may suffer from displacement of “normal” tourist flow during the time of a mega-event. This could be due to tourists choosing to visit the city at a different time of the year or electing to visit another city or country altogether. It also may dissuade potential mega-event tourists from staying as long as they might otherwise, or not coming altogether. In most cases this is due to the perceived increase in prices, crime, traffic, etc. This “crowding out” effect of tourism displacement was referenced above (i.e. Matheson & Baade, 2004; Fourie and Santana-Gallego, 2010).

For example, during the 2002 World Cup held in South Korea, it was estimated that 460,000 tourists visited the country, the same number as visited the country in the previous year during the same period (Golovnina, 2002). The newspaper *USA Today* (2002) reported, “Consumer goods such as TVs and sporting goods sold well, while some casinos and hotels had drop offs as regular customers and business travelers avoided World Cup hassles”. Moreover, while the Sydney Olympics increased tourism by an astonishing 43% during that year, tourism to Athens, Greece fell by 30% during their hosting year. This may be suggestive that country-specific characteristics could influence the success of the event from the perspective of tourist arrivals (Fourie and Santana-Gallego, 2010).

Perhaps a solution to this challenge is for developing countries to refrain from hosting mega-events in their largest cities and to instead host in “second tier” cities (for example, in the case of Mexico, instead of hosting in Mexico City, to host in the cities of Guadalajara or Monterrey; in the case of Brazil, instead of hosting in Rio de Janeiro, to host in a city such as Belo Horizonte). These types of cities still would have sufficient resources to already have the necessary infrastructure in place (or to build it), but may not suffer from the deleterious effects of massive overcrowding during the hosting period mentioned above. This could potentially have the secondary effect of “showcasing” the nation’s lesser known cities in order to promote future tourism, business opportunities, etc. for these areas as well.

**CONCLUSION**

Given the preceding analysis, how can a host city and/or country maximize the net benefits that accrue to an area? First, by limiting the amount of new infrastructure that is built for the event in question. In this way, cost can be substantially reduced and the probability that an event will result in positive net benefit will increase. Second, while specialized infrastructure (i.e. stadiums or other specialized venues that will likely be only used during the Games) is generally now recognized as wasteful and economically harmful, general infrastructure spending (i.e. for the development of roads, outer-ring highways, etc.) is likely to lead to long-term benefit (Matheson, 2006). In addition, in order to be economically successful in its hosting experience, a country (especially a developing one) should focus primarily on supporting infrastructure (such as transport and communication services) than excessive specialized sporting venues (stadiums, etc.) that most likely would have a low net worth after the event. However, given the strong possibility that stadiums and other sporting venues would need to be constructed, it is essential to regularly upgrade and maintain these structures. Also, the prospect of perhaps building one major iconic stadium should be considered (Bohmann & van Heerden, 2008).

Although hosting a mega-event can seem like a sure ticket to future economic prosperity and a seat at the table of the great nations of the world, hosting an event of this magnitude requires a tremendous level of strategic planning—both in the years before as well as during the Games. Again, according to this research, from a sheer economic perspective, only developed countries should attempt to host an event such as the Olympics and World Cup. However, if a developing country is to host a mega-event, it may
be worth considering hosting a “lesser” mega-event (such as the Winter Olympics or World Cup). Although the non-economic benefits that accrue to a country from hosting a mega-event are worth considering, “it is the economic value accruing to the host that is commonly used as the basis for gathering public backing for such events” (Lee & Taylor, 2005). In other words, if there is no belief that some level of economic benefit will be realized, it is doubtful that a country would ever be able to overcome the probable popular backlash against the event that most likely would ensue.

Again, with regard to developing country hosts, although at first glance it would seem that large cities would be the optimal locations for games to be held in, perhaps large megalopolises should refrain from hosting, as tourism displacement and the “crowding out” effect is likely to occur. As crime, lack of proper accommodations, traffic snarls, and other social ills are already in existence in many developing countries’ megalopolises, a mega-event is enough to exacerbate the problem beyond the breaking point. Instead, “second tier” cities would perhaps be better locations for the events, as they normally have sufficient infrastructure but tend to have fewer social ills and would perhaps be able to draw in more tourist dollars through longer stays.

In sum, as O’Brien (2006) states, “mega-events and the opportunities they present are merely the seed capital; what hosts do with that capital is the key to realizing sustainable long-term legacies”. Or in the words of Baade & Matheson (2002), “In the absence of careful and directed planning, cities that succeed in hosting the Olympics may well only find fools’ gold for their efforts”. Although hosting a mega-event is many times the stuff of dreams for a country, it would behoove a nation to examine the event from the angles described above before “throwing its hat into the hosting ring”.

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