



Economic Impact of 1996 Olympics: Predictions vs. Performance


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Georgia GDP History

- ◆ Compound Annual Growth in 1980's was about 3.0 %.
- ◆ Compound Annual Growth in the 1990's was 5.39%. This was the 8th best performance among all U.S. States, and the #1 performance among the 13 states with more than \$150 billion GDP

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- ◆ Compound Annual Growth between 2000 and 2004 was 1.95%, which ranked #9 among those 13 richest states, and #35 among the entire 50 states.
 - ◆ Is there good evidence that the excellent Georgia performance in the 1990's is linked to the 1996 Summer Games?

Types of Impacts

- ◆ Consumption Impact
- ◆ Long Run Economic Growth Effect
- ◆ Short Run Spending Impact

Also: Inter-Regional Effects vs.
Intra-Regional Effects

“ Short Run Spending Impacts” Reasons for Caution


1. Direct Base Spending Diversion Error
2. Induced Ancillary Spending Base Error
3. Multiplier Indirect Impact Error
4. Supply Constraint Crowding-Out Error

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5. Ex-post Verification Error
 6. Policy Interpretation (Partial vs. General Equilibrium) Error

While Each Is Important, Economists Have Been Especially Critical of the Failure to Compare Pre-Event Predictions with Ex-Post Performance

Economist Skepticism: Other “Mega Events”

- ◆ Porter (1999, 2001a, 2001b) takes the most extreme position, arguing that the NFL Super Bowl has yielded nearly \$0 of net economic benefits to host cities.
- ◆ Baade and Matheson (2000) conclude that the 1999 Super Bowl in Miami had an economic impact of \$36.5 million instead of the predicted \$365.0 million

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- ◆ Baade and Matheson further claim that the typical Super Bowl generates actual impacts of between \$21 million and \$32 million – about 10% of the commonly projected impacts resulting from Ex Ante studies.
 - ◆ They also (2001) calculate that the actual economic impacts to host cities of Major League Baseball All Star Games is negative.

Atlanta Olympics Predictions

Jeffrey Humphreys and Michael Plummer
(Selig Center, University of Georgia):

- ◆ \$5.1 billion total impact over the period 1991-1997:
- ◆ Includes: (1) \$2.6 billion through ACOG Direct Spending; (2) \$2.5 billion via Out-of-State Visitor Spending

Further Predictions


- ◆ Hosting the Games would add \$1.9 billion in Personal Earnings to the Georgia Economy.
- ◆ The Games would add 77,000 full and part-time Jobs.
- ◆ Additional Georgia Tax Revenues would exceed \$176 million.

Predicted Results in Context

- ◆ \$5.1 billion over 6 years is an average annual impact of \$0.85 billion. The average Georgia GDP over that period was \$177.33 billion, making the annual impact about 0.48% of GDP.
- ◆ Even if fully focused on 1996, the \$5.1 billion impact is 2.59% of GDP.

Favorable Ex-Post Studies

- ◆ Hotchkiss et al., 2003) found a 19.7% post Olympics increase in employment in Atlanta area counties, although the Columbus and Savannah areas did not experience significant employment gains post-Olympics compared to pre-Olympics.
- ◆ Potential income increases in the Northern Areas of \$0.6 billion to \$1.3 billion.


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- ◆ Total additional jobs in the areas closest to the Olympic activity = 293,000.
 - ◆ No significant positive effect on wage rates was found, suggesting that the additional supply of workers may have balanced the increase in demand.
 - ◆ Positive effects extended to year 2000.

Other Favorable Ex Post Results

- ◆ Willner and Aravantinos (2004) found more limited, but positive, effects on employment levels in counties close to the City, but not actually hosting any events.
- ◆ But, not all labor market measures were positive, including no increases in wage rates.

Less Positive Ex Post Results

- ◆ Don Ratajczak (GSU) identified significant expenditure shifting by locals away from local entertainment and hospitality and towards Olympics spending, thus changing the composition, but not the level of economic activity.
- ◆ Much labor was imported from other states, limiting positive local employment effects.


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- ◆ While only 35% of visitors were expected to stay with friends and family, it was closer to 70%.
 - ◆ Less than 33% of tickets were expected to be sold to Georgia residents, but it was closer to 45%.
 - ◆ Other conventions diverted away from Atlanta during AND prior to the Games

Modified Impacts

- ◆ Ratajczak calculated that the actual short run spending economic impact was closer to \$4 billion instead of \$5.1 billion, with \$3 billion occurring in 1996.
- ◆ The expected boom in rental housing units also totally failed to materialize, not only disappointing homeowners, but nearly ruining some careers.

Other Modified Results

- ◆ Baade and Matheson (2002) found only a modest boost in employment that was short-lived.
- ◆ Atlanta and Georgia spent \$1.58 billion to create 24,742 full or part-time jobs, averaging to a cost of \$63,860 per job created.
- ◆ The tax revenue projections even if \$200 million did not cover the \$353.9 million in total government spending (including \$92.2 million Federal)

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- ◆ Hotel occupancy rates actually may have declined due to the Games, falling from 72.9% in 1995 to 68% in 1996.
 - ◆ Per capita income growth and unemployment trends were not substantially changed.
 - ◆ Economic benefits were VERY uneven within the City, with some hotels and restaurants away from the “action” suffering badly during the Games.



Longer Term and Infra-Regional Benefits



- ◆ Dramatic shift in local investment to the inner-city.
- ◆ Significant speeding up of the development of inner-city housing.
- ◆ Public art projects and streetscape improvements.
- ◆ Permanent additions to sports infrastructure.

Additional Long Term Benefits

- ◆ Clear increase in the world-wide recognition of Atlanta as a major city, despite some short-term mixed publicity surrounding transportation problems.
- ◆ Significant increases in international tourism
- ◆ Further impetus to City population growth and improvements in balanced growth in the region.