

## Fool's gold: British taxpayer is Olympics' biggest loser

By [Patrick Basham](#) 6:10 PM 07/27/2012

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American taxpayers should breathe a retrospective sigh of relief that seven years ago New York was not chosen from among five finalists to host this summer's Olympic Games. The International Olympic Committee (IOC)'s selection of London as the 2012 host city ensured British taxpayers are picking up the exorbitant tab for the world's most economically dubious sporting event.

Simply bidding for the Olympics cost London a cool \$25 billion. Proponents saw that as money well spent given that no other sporting event draws more visitors from so many parts of the globe nor so visibly showcases the host city. It was assumed that the Olympics would bring London enormous economic benefits.

After all, everyone knows that such mega sporting events as the Olympics generate so-called "Big Booms" of tourism, boosting local incomes while construction and infrastructure projects create large numbers of new jobs. At least, that's what the host cities' economic impact studies always tell us.

Today, Britons are told that building the Olympic Park will regenerate a rundown section of London's East End, a lasting legacy thanks to new rail lines and improved public transport. At an original estimate of \$2 billion, such urban regeneration was an obviously sensible investment.

Such economic confidence stemmed, however, from a peculiar reading of the economic history of the Olympic Games. London's backers expect a significant "Olympic Legacy," whereby a successful event increases post-Games tourism and attracts new foreign investors as infrastructure improvements kick-start blighted urban areas.

Sadly for the British taxpayer, such pro-Olympics economic propaganda represents the triumph of hope over experience, as both London 2012 and past Olympics perfectly illustrate.

For the 2012 Games, London originally estimated total costs at \$4.7 billion. Within two years, the official estimate had risen to \$15 billion, more than triple the cost at the time of the 2005 bid. As significant private funding never materialized, \$15 billion in British taxpayer money was hurriedly allocated to pay for these Olympics.

With the UK National Audit Office revealing that private-sector funding now constitutes less than two percent of the Olympic budget, the UK parliamentary Public Accounts Committee has predicted total costs around \$18 billion. Worse still, an analysis by the Sky Sports TV network, which included the costs of upgrading public transportation, now puts the cost of the Olympics at a staggering \$38.5 billion!

This financial calamity should not come as a surprise. Ballooning budgets and debt burdens are always the most likely Olympic outcome.

The Chinese government budgeted \$14.2 billion but spent \$40 billion on the 2008 Beijing Games. The 2004 Athens Olympics costs ten times the original estimate of \$1.6 billion. A decade earlier, Spanish taxpayers were left \$6.1 billion in the hole at the conclusion of the 1992 Barcelona Games.

And, it was three decades before the \$2.7 billion owed from the 1976 Montreal Olympics was paid off. Montreal had followed the disastrous 1972 Munich Games that, in addition to the tragic loss of life, cost German taxpayers \$687 million.

Even the small profits achieved by the 2002 Salt Lake City Winter Olympics and the 1996 Atlanta Summer Olympics, respectively, are illusory, as these accountings do not include millions of dollars of security assistance provided by the U.S. Defense Department (2002) or the \$2 billion spent by federal, state, and local governments (1996).

A \$38 billion taxpayer bailout in an era of fiscal austerity is even less palatable when one considers how little Britons will benefit economically for their efforts.

A recent Goldman Sachs report concludes that the limited gain to the UK economy this summer will dissipate before the year is out. Similarly, Moody's Richard Morawetz says, "Overall, we think that the Olympics are unlikely to provide a substantial boost to the UK economy and believe that the impact of infrastructure developments on UK GDP has probably already been felt."

London's Olympic legacy will mirror that of practically every previous host city. As the academic research literature clearly shows, the promise of large long-term benefits is an economic mirage.

Increases in tourism are marginal, quite transitory, and even less pronounced for well-known destinations, such as London. There is no empirical evidence from past Olympics to suggest that London will enjoy net increases in either employment or real per capita personal income.

The same monies could have been spent on far more worthwhile projects than temporarily boosting a sense of national pride. Or, hard-pressed taxpayers could have been allowed to keep their own money to spend how they chose. Thankfully, the IOC spared American taxpayers both the cost and the insult incurred by their transatlantic cousins.

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