

Can India's Golden Dream of Conducting the Olympics Fuel the Indian Economy?

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Abstract: *This paper undertakes a detailed analysis of the opportunities and challenges associated with hosting the Olympics Games. India plans to bid to host the Games in Ahmedabad in 2036 with Indonesia, South Korea and Qatar as potential rivals with the aim to potentially boost the country's economy. Using past experiences of the previous host cities, the paper provides a comprehensive analysis of all key factors that need to be considered for hosting the Games in India in 2036.*

Keywords: Indian Economy, IOC, Foreign Direct Investment, The Olympics in 2036

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1. Introduction

The Sports Minister of India, Anurag Singh Thakur said, "If India is making news in every sector from manufacturing to services, then, why not in the field of sports?" In lieu of his statement, India is seriously planning to bid to host the biggest sports event- **The Olympics in 2036**. India, the world's most populous nation, has already organized Asian Games and Commonwealth Games in the past and in September 2023 India is going to present a roadmap as Ahmedabad being a potential host city to the international Olympics committee in Mumbai.

In this paper, we have attempted to set out some of the economic benefits and costs that are associated with hosting the Olympics by taking into consideration the past experiences of host cities and analysing them in an Indian context. We argue that from an economic standpoint hosting the Olympics will come with both pros and cons but ultimately will bring a lot of prestige to the country in the coming years.

The second section talks about the cost of hosting the Olympics. The third section discusses the benefits associated with the Olympics and some misconceptions. We then move on to the cost-benefit analysis of conducting the Games in the fourth section. We then proceeded to section fifth in which we raised the question of whether it is beneficial for India to host the Olympics. The paper ends with a conclusion and references in sections sixth and seventh respectively.

2. The Cost of Hosting the Olympics

Economic studies concentrate on how resources are distributed and who pays the costs. The privilege to host the Games might be viewed as a limited resource when it comes to a mega-sporting event like the Olympics because it only occurs every four years. The right to host the games is given to one of the cities or regions that are competing for those rights.

The International Olympics Committee (IOC) is the monopoly seller of these rights. The cities must incur huge costs in order to present themselves as the most desirable venue to win the right to host the Olympics. They must not only demonstrate that they are capable of hosting the Games but they must also ensure that they can fulfil the IOC's requirements and goals. The host cities are responsible for the entire expenditure of organizing the event, although IOC provides some funds to meet the costs.

The process of giving rights of hosting the game is purposefully prolonged, which gives ample time to meet the IOC's requirements. Some of the IOC's requirements that demand huge expenditure are as follows:

- There has to be a minimum of 40,000 hotel rooms to accommodate spectators and an Olympic village for housing 15,000 athletes and officials. Even one of the most popular tourist destinations, Rio de Janeiro has to construct about 15000 new hotel rooms for the 2016 Summer Games. This emphasizes how difficult it is to meet the demands of hotel capacity.
- Good internal and external transportation facilities are required for the smooth movement of tourists to the city and sports venues.

- There is a need for specialized sports infrastructure which is equipped with the necessary facilities to host all the competitions. Boston, with four already existing outdoor stadiums, proposed \$400 million to build a new stadium in order to obtain rights for hosting the Olympics in 2024 but still failed to win the bid.
- Now there is a cost involved in event management, opening and closing ceremonies and security. The threat of terrorism and deadly attacks has led cities to increase their expenditure on security. While security expenses for the Sydney Games in 2000 were \$250 million, they exceeded \$1.6 billion in Athens four years later, more than quadrupling the initial budget.

However, once all of the construction is finished, the total expenditures usually always end up being far higher than the initial bid budget.

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3. The Benefits of the Olympics

Every coin has two sides; similarly hosting the Olympics also has its short-term and long-run gains irrespective of huge cost. It is of the view that the Olympics can serve as an optimistic indicator of the future status of the economy, which is a final economic rationale for holding them.

Hosting the Olympic Games is an extraordinary opportunity for a city and country to showcase its capabilities on a global stage. It has numerous benefits and effects that span many different areas of the economy.

The short-term benefits include:

- Infrastructure development for hosting the Olympics boosts economic activity in the short run due to increasing demand for labour and capital. This also gives rise to temporary and permanent rates of employment.
- Olympics results in the creation of huge revenues from ticketing, international and domestic sponsors, broadcasting, etc. Except for the revenue from the international sponsors, which gets divided between the IOC and the organizing committee of the host country, other revenues are kept with the host city.

The 1996 Atlanta Games were predicted to generate 77,026 jobs and \$5.142 billion (in 1996 dollars) in economic activity, while the London Olympics promised £1.936 billion in economic activity and an additional 8,164 full-time equivalent jobs created (Humphreys and Plummer 1999, Blake, 2005).

The long-run benefits include:

- Hosting the Olympics can leave a long-lasting legacy for the host city and country. The sports facilities built can be used by future generations. The experience and knowledge gained from hosting such a large event can be used as a precedent for organizing large-scale cultural and sporting events in the future.
- Since the Olympics is a global event, it brings together athletes, officials, and spectators from around the world. It can help in building diplomatic relations between nations by facilitating cultural exchange, better understanding, and cooperation among nations. This will also promote peace and goodwill in the country.
- The Olympics attracts huge media that helps in promoting the hosting city as a destination for future tourism and investment. The Olympics also encourages Foreign Direct Investment and international trade by raising awareness, about the host nation, among investors and businesses globally.
- Investing in general infrastructure can have long-term benefits and make host cities more liveable by raising living standards and good quality of life of residents of the host city long after the Games.

4. Cost-Benefit Analysis

The IOC's sole stated goal is to choose a host who will "maximize the overall quality of the project" in order to create "a grandiose image of each Olympiad and an unforgettable memory." All the profits earned through the Olympics are kept by the IOC. It is important to note that IOC is unconcerned with the huge costs

involved in organizing these Games as long as the city promises to provide adequate infrastructure and sporting venues. The IOC's approach doesn't just allow for significant overbidding rather, it seems to actively promote it during the bidding process.

It has been observed that ex-post costs of hosting the Olympics are always greater than the ex-ante budget planned, which could be due to random elements associated with the Games.

- As there is a time lag between the awarding of rights to host Olympics and when they actually happen, there can be an unforeseeable event that might occur and will lead to a significant change in the estimated cost. The Tokyo 2020 Olympics can be a great example to show this, the spread of COVID pandemic gives rise to their cost.
- Another reason can be due to the fact that in situations like auctions, the winning bid frequently surpasses the item's value, this is known as the "winner's curse." The winning bidder is perceived as having overestimated the value of the products because their price is higher than what a reasonable individual would desire to place, this is linked with incomplete information, the emotions of the bidder, and other factors associated with the item.

It is evident that cost overruns and massive financial losses are virtually inevitable results of hosting the Olympics under the current system. It is clear from the example of the Tokyo 2020 Olympics that the total costs come out to be ¥1.42 trillion which is double their original bid as revealed by the Tokyo Olympics organizing committee.

The presence of fallacies in the benefits of the Olympics often leads to over-estimation of the gains of hosting the Olympics:

- The mega event like the Olympics is believed to generate high profits for the host city but it is observed from the past that cities often suffer from financial losses and debts. The assumption that the Olympics make money for the host city is relatively recent and is often associated with the financial success of the Los Angeles Summer Games in 1984. This success of Los Angeles was unique and cannot be replicated because the city had many advantages such as being the only candidate for the bid and thus eliminating the chances of winner's curse. They were successful in negotiating favourable arrangements with the IOC.
- One of the main drivers for cities to submit bids for the Olympics is the selling of media rights and business sponsorships. However, host cities are exaggerating the advantages of commercialization because of this growing division of income among many stakeholders. The sponsorship money from the Beijing Olympics was \$2.1 billion; however, it was split between the International Olympic Committee, the Olympic Committee of Great Britain, and the National Olympic Committee.
- Cities continue to bid in the hope that tourism will help local businesses and stimulate the economy and use impact assessments as justification for public spending for hosting Games. Taxpayers are being given inaccurate information about the true economic advantages of the Olympics because of the presence of leakages and crowding out effects that are not taken into consideration, leading to assessments that are overly positive. Locals might not be aware that the overall effect of the Games may be close to nothing.
- Investment in short-duration events like the Olympics results in replacing new demand with the already existing demand. Rather than the creation of jobs or inflow of income, the expansion in demand is met by raising the prices of the goods and services which leads to crowding out of the existing demand. Moreover, businesses like hotels often get much of their financing from foreign investors and therefore the benefits of the rise in prices do not help the local economy or region. This leakage reduces the multiplier effect of the circular economy.
- Cities continue to exploit the potential for urban renewal as a defence for hosting the Olympics, despite the fact that these massive infrastructure projects typically wind up costing the public more money than they generate. It is not enough to just repeat the strategies used by previous Olympic committees because every city has particular demands when trying to use the Games to execute urban reconstruction. Cases like the 1996 Atlanta Games demonstrate what might occur when regeneration initiatives are not meticulously structured around community aspirations. Atlanta could

have addressed some of the issues affecting the lower class instead of focusing on economic growth through beautification. The false belief that spending on Olympic infrastructure will result in urban renewal puts towns on a perilous path toward unfavourable social repercussions and intense public scrutiny.

The opportunity cost of hosting the Olympics is often ignored while calculating the total cost of hosting the Olympics which reflects the cost that could have been spent on other priority sectors that may enhance the economy of the country.

Despite the fact that hosting the Olympics had resulted in enormous financial debt and cost overruns in the past, cities still keep participating in the competition with the assumption that the Games will bring in money, boost the local economy, and result in extensive urban regeneration. However, it is evident from our cost-benefit analysis that benefits are greatly overstated and very insignificant. The bidding process makes overbidding inevitable and the winner can only hope to become one of the very few success stories of organizing the Olympic Games. Achieving financial and economic gains similar to that of Los Angeles in 1984 is a very challenging task due to the existence of various uncertainties and difficult terms and conditions of IOC.

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5. Olympics in India in 2036: Is It Worth It?

Union Minister, Anurag Singh Thakur said that India would submit a bid for the 2036 Olympic Games with Ahmedabad as a potential host city. During the IOC session in Mumbai in September 2023, the government would provide a roadmap to the IOC's full membership, which is being prepared in consultation with the Indian Olympic Association (IOA). Hosting the Olympics in India can prove to be a great catalyst in the development of infrastructure in Ahmedabad, just like the Asian Games (1982) and Commonwealth Games (2010) provided a developmental push in Delhi.

In 1951, New Delhi hosted the first Asian Games, which was undoubtedly a triumph for the country at the time of its independence. However, the way India managed the 2010 Commonwealth Games organization is undoubtedly not very inspirational. Mega-multidisciplinary events like the Olympics are frequently held as a demonstration of a country's capabilities. However, India has never submitted a bid for the quadrennial event in the past, given the experience of hosting the 2010 Commonwealth Games but no one is really complaining about it. Nevertheless, several sports enthusiasts have expressed their desire to bring the Olympics to India.

It is very important to discuss whether the Olympics is even worth hosting in India because India has a long way before it can officially meet the list IOC's requirements for hosting the Games.

As discussed in earlier sections, the primary objective behind hosting these Games is the benefits that they could bring to the host city but the question is whether the huge costs involved in bringing these benefits are worth it. The guaranteed increase in the growth rate in the tourism sector isn't as certain as it is claimed to be, and the high infrastructure cost raises the question of whether it is actually worth it. These enormous costs can put a developing country like India at great risk because they even caused a developed country like Canada, which hosted the Olympics in Montreal in 1976, to incur significant debt that was paid off in 2006.

It is important to note that not all Olympics have proved to be a failure for the host cities, therefore we need to take them into consideration as well. The Los Angeles Olympics in 1984 is the first ever Olympic to make a profit which raises the question of whether India can replicate its model. At the time of the Los Angeles Olympics, the television rights were sold at three times higher than the amount they were fetched in 1980, today even though the value of the rights has gone up ever since but now the revenue generated goes to IOC rather than the host city.

In order to make Ahmedabad a potential location for the Summer Olympics, the Ahmedabad Urban Development Authority (AUDA) has been performing numerous analyses and developing several plans. Sardar Vallabhbhai Patel Sports Complex was built in such a way that it can hold international Games in the future. Another sports complex called Naranpura Sports Complex is also being built at a projected cost of Rs.500 crores to serve the same purpose. Clearly, neither Ahmedabad nor any other city in India has already existing infrastructure that can be used for conducting the Games. As a result, the only way the cost of the infrastructure could be reduced is if these facilities were built under a public-private partnership model and

used by the corporation after the Games just like done in the LA Olympic model. It is impossible to predict how many corporations would genuinely support the idea give the nation's sports culture.

The authors are of the opinion that a nation doesn't need to spend billions of dollars just to ensure the development of civic infrastructure, but this sum can be invested to provide decent quality sports infrastructure across the nation rather than concentrating it in one mega-city just to host multi-discipline sports event and can be invested on the athlete. This will also make us competitive on international platforms along with saving the money which will be absorbed in maintaining these huge complexes in the future. Our claims are supported by the 2010 Commonwealth Games held in Delhi, which led to the construction of enormous facilities that have not been utilized since the games yet require costly maintenance. The Times of India reported that the 2010 New Delhi Commonwealth Games was “one of the major Indian scams, involving a pilferage of around Rs 70,000 crore”. Such scams cannot be ignored when going for the bid to host such a big event.

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6. Conclusion

The huge cost involved in hosting the Olympics is often paid by the government at the expense of using that money in other alternative and priority sectors like health and education.

Our analysis indicates that India hosting the Olympics in 2036 carries a significant risk because, in most cases, the advantages to the host city or nation outweigh the costs, but in a few exceptional cases, such as the LA Games, they have been proven to be extremely beneficial for the host. In order for India to truly benefit from this, rigorous planning, coordination, and collaboration between government agencies, sports organizations, and stakeholders would be necessary, as well as appropriate checks and balances, openness, and accountability.

The idea of India hosting the Olympic Games is hampered by a number of problems, including infrastructure, scams, corruption, and economic position. However, India shouldn't give up on its goal of hosting the Olympics simply because there are issues. The aim should be to strike a balance between the costs of hosting with the advantages so as to include regular people who pay for the event with their tax money. The problems will always persist but this should not be a hindrance in organizing international events. Hosting the Olympics would be a moment of pride for all Indians and a great platform to showcase its cultural diversity, sporting abilities, and economic strength.

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