You may have heard: without bothering to secure an endorsement from either the Massachusetts legislature or the city council, some well-connected local executives formed a committee and applied to the United States Olympic Committee (USOC) to secure the right for Boston to represent the nation in the international competition to host the 2024 summer Olympic Games.

And they won! Among other factors, the USOC said that what distinguished Boston from the other contestants (Washington, D.C., San Francisco, and Los Angeles) was its “walkability”: all the venues would be relatively close to each other and within roughly a mile from a public transportation stop. No sooner had Boston been anointed than politicians from central and western Massachusetts declared that it was only fair to spread the action across the whole state: after all, basketball and volleyball were invented in Springfield and Holyoke, respectively; and the Deerfield and Westfield rivers were ideal for whitewater events.

That embarrassment aside, what really distinguished the Boston bid is that its organizers claim hosting the Olympics won’t cost the public a single penny, beyond some infrastructure spending that, they say, is going to be funded anyway. According to the bid, it will cost $4.7 billion for operations during the Games, $3.4 billion for building permanent venues, $5.2 billion for infrastructure improvements, and $1 billion for security (the last sum assumed to be entirely paid by the federal government). In return, Boston and its citizens would get the reputational, infrastructural, and entertainment benefits of being an Olympic host, showcased worldwide.

If those estimates are wrong, of course, more is at stake than potential hurt feelings in Springfield and Holyoke. And sober
analysis of past experience with the Games shows that every Olympic host has suffered cost overruns—and the average cost overrun for the summer Games since 1976 is 25.2 percent (adjusted for inflation). The initial bid for London 2012, for example, was around $6 billion in then-current prices, but according to the official government audit, the final bill came to more than $18 billion—almost 90 percent of which came from the public coffers.

These overruns consistently occur because prospective hosts worldwide underestimate costs to gain initial public approval. Then, when the International Olympic Committee (IOC) considers rival sites, each competitor tries to outdo all the others to secure the prize. Once awarded, the sheer volume of Olympic construction (there are 32 venues, plus parks, landscaping, special roads, parking lots, hotels, and restaurants) inevitably leads to a mad rush during the last years before the deadline—prompting shortcuts in the bidding process and higher prices during construction.

A "Spartan" Stadium?
Let’s apply these considerations to the Boston 2024 bid. At its center is an Olympic stadium with 60,000 seats (and no premium seating) in Widett Circle, about a mile south of South Station. It is supposed to be a steel structure; after land purchase, site preparation, environmental remediation, and installation of an elevated concrete platform, it is budgeted at around $550 million. Following the Games, Boston 2024 says the stadium will be taken down (thereby avoiding the white-elephant syndrome) and parts of it made available to universities in Greater Boston. (Exactly what use is to be made of the stadium modules is left to the imagination.)

One problem with this and the other “spartan” venue designs Boston 2024 has outlined is the competition. Other bidders—Hamburg, Rome, Paris, and possibly Istanbul, Baku, and Doha—will, between now and September 2017, attempt to convince the IOC of their superior worthiness by proposing more grandiose and elaborate venues.

Boston 2024’s bid depends further on private developers paying for construction of all the venues. But why would a private company build a $550-million stadium that will be dismantled after a month or two? Or an aquatic center, a velodrome, a media center, or a pentathlon stadium? And why has no company stepped forward to declare even so much as an interest in exploring this opportunity?

Even if a private company does come forward, there can still be challenges, as London discovered with its Olympic Village. In that case, a private developer signed on to build the $1.7-billion Village, but pulled out after the financial crisis of 2008-09, leaving the British government with the tab (a share of which was later recovered). Vancouver encountered the same problem with its Olympic Village.

Suspect Revenues
Boston 2024 also projects that the $4.7 billion in operating costs will be fully defrayed by revenue generated directly from the Games: television and international corporate sponsorships, $1.1 billion; domestic corporate sponsorships, $1.25 billion; licensing, commemorative coins and stamps, $175 million; ticket sales, $1.1 billion; and $925 million in “additional” and “other” revenues.

Much here is suspect. For instance, Boston 2024 assumes it will take in $1.15 billion in ticket sales. Yet London—with an 80,000-seat Olympic stadium replete with luxury boxes and other revenue-generating accoutrements—generated only $90 million in ticket sales. How will Boston top that by more than 16 percent? Moreover, the London operating committee had to share only $50 million of domestic sponsorship revenue with the...
U.K. Olympic Committee; the Boston committee has agreed to share $600 million with the USOC. The bid documents, meanwhile, reveal no sources for the budgeted $925 million in “additional” and “other” revenues.

**A Shaky Income Statement—and Looming Risks**

The bid’s projected costs and revenues are so shaky that Boston 2024 seems to change its plans almost weekly. Based on the plans as of April 1, 2015, it is reasonable to expect new costs to be in excess of $15 billion and new revenues to reach perhaps $4 billion: not a very attractive balance, and that’s before considering the opportunity cost not only of the human time invested in preparing the bid, but also of the land that could be put to other uses; the dislocation to families and businesses; the environmental degradation; the lost revenue from making all advertising space in the city available to the IOc for nearly two months (yes, that is a requirement); the lost property taxes on the private land that is taken over for the Games, and a variety of other expenses.

Moreover, the IOC requires the host government to provide a financial backstop in the case of cost overruns, unfulfilled investments from the private sector, or other losses. Such budgetary shortfalls could easily surpass $5 billion. Boston 2024 points to the contingency insurance of $1.1 billion that Chicago reportedly purchased for $68 million in support of its failed bid for the 2016 Olympics. But that $1.1 billion of insurance covered only any deficit in the operating budget in the event that Chicago won the right to host; there was no insurance for deficits in the venue or infrastructure budgets. (In the end, Chicago spent $100 million on its losing bid; Rio de Janeiro won the right to host the 2016 Games.)

The risks are formidable, and London’s experience in 2012 is instructive. London earned £35.5 billion directly from the Games, yet spent more than £18 billion before factoring in infrastructure investments. Further, tourists stayed away to avoid crowds, high prices, and the possibility of security incidents: tourism in London during the summer of 2012 was 8 percent below its level of the year before, even though 2012 was one year further removed from the 2008-09 financial crisis. By any standards, such an unfavorable financial balance can only be justified by long-term gains.

**Long-Term Gains?**

Olympic boosters make several extravagant claims about how hosting benefits a city: it puts the city on the map; it cuts through political gridlock and facilitates planning; it promotes a culture of physical exercise and good health; it stimulates tourism, output, employment, trade and foreign investment, inter alia.

But none of these benefits have been borne out by scholarly studies on the Olympics or other mega sporting events; I elaborate on these findings at length in my recent book, *Circus Maximus*.

Cities like Boston are already on the map, both literally and figuratively. As for lesser-known hosts such as Calgary, evidence shows they gain only fleeting recognition from coverage of the Games. People around the globe with the income and the interest to travel to a city like Boston already know about it; watching competition inside an Olympic Stadium, a gymnasium, or aquatic center won’t create a new interest. It is even possible that the impression given by the Olympics could be negative if the weather is hot and humid, the traffic is notably congested, or there are security incidents.

Although the last two summer host cities (Beijing in 2008, London in 2012) each experienced significant drops in tourism during the Olympics, suppose (optimistically) that the increase in participants and fans offsets the decrease in normal tourism, yielding no net change in the total number of tourists. Regular tourists might return home from a week in Boston and rave about the Gardner Museum, Boston Common, the restaurants in the North End, Faneuil Hall, Fanway Park, and so on to their friends, neighbors, and relatives. Olympic tourists return home and talk about a competition on the uneven bars or a 1,500-meter track race. According to the European Tour Operators Association, word of mouth is the most effective way to promote tourism. The tales of the typical tourist yield more tourism; the tales of the Olympic tourist have no bearing on Boston.

Businesses choose their trading partners based on the price and quality of the traded goods as well as the location of their suppliers. They choose their investments based on their expected rate of return, itself a function of input costs, market size, and local incentives or taxes. The notion that businesses would change these decisions because a city hosted a sports extravaganza for 17 days is far-fetched. Indeed, the empirical evidence does not reveal any such pattern. Though the propaganda out of London 2012 boasts of large increases in foreign investment pursuant to its Olympics hosting, the government’s own data show otherwise. London’s boosters point to a meeting with foreign companies held a few weeks before the Games in which 16 companies made commitments for new investments in the U.K. This suggests that foreign investment should have risen in 2013. In fact, it fell by £900 million. More significantly, during the three pre-financial crisis years (2005-07), there was a yearly average of £91.6 billion of direct foreign investment (DFI) in the United Kingdom. During 2012-13, the annual average was £44.15 billion of DFI: less than half the previous level.

London 2012 executives also claim that its Games inspired residents to engage in more physical exercise. This claim, too, runs counter to the facts. The number of United Kingdom residents exercising for 30 minutes once a week fell by 100,000 from April 2012 to April 2013, a period that encompasses the Games. Countrywide, the UK’s participation numbers rose slightly from 2013 to 2014, but they fell in London, where one might have expected the greatest increase. A 2007 study by the House of Commons found that “no host country has demonstrated a lasting increase in [athletic] participation” — and London’s experience appears to be consistent with that of other Olympic hosts.

The remaining purported benefit—hosting the Olympics breaks through the political logjam and facilitates a public discussion

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about planning, community development, and infrastructure—is more complex to assess. While it is true that being on an international stage, representing your country, and having a firm deadline can often free up the public purse strings, it does not necessarily follow that the freed funds are being used in the best possible way. It is also true that cities can benefit from a more public and active planning discussion—but cities need to learn how to plan and act absent the pressure of the Olympics, and the planning will be more effective without the constraints imposed by the IOC. The expectation of long-term benefits is misplaced. Unfortunately, today’s politicians rarely are held responsible for claims made a decade earlier. And if today’s political leaders are still in office when the Games end, they can always claim that it is too early to see the real benefits. Hosting the 2024 Olympics without the massive use of public funds is a pipe dream. Boston and the Commonwealth will have to issue billions of dollars of debt that will necessitate either higher taxes or lower services for years to come. The hard reality is that there will be little to show for the effort.

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**Why Can’t We Move?**

Suffering was acute in Greater Boston this past winter. Harvard closed twice, once for two days, canceling classes and offering Cambridge hotel rooms to essential workers who couldn’t get home. Car owners were unable to move as snow piles mounted to record levels, eventually totaling more than nine feet. But the worst blow was the shutdown of the region’s famed public transit system, the Massachusetts Bay Transportation Authority (MBTA). Loudspeaker announcements at T stops blared, “Seek alternative means of transportation.” A Harvard employee moaned, “This is my alternative transportation,” and walked back home for another disrupted day out of the office.

Infrastructure failures can always be blamed on poor management. A panel convened by newly elected Massachusetts governor Charlie Baker ’79 pointed to financial mismanagement and governance weaknesses behind the T shutdown. But chronic underinvestment is clearly a major culprit. The MBTA, America’s first and oldest subway, has long operated with aging systems solving America’s infrastructure problems.

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