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Economic Impact of the 2002 Olympic Winter Games

by Levi N. Pace

The 2002 Winter Olympic Games clearly provided a significant, though largely transitory, stimulus to Utah economy. A series of four studies produced by the Governor's Office of Planning and Budget (GOPB) prior to the Winter Olympics estimate the extent of this mega-event's economic impact for the years 1996-2003 (See Figure 1). What difference did hosting the Olympics make for Utah's economy? Did the economic impact persist?



Figure 1

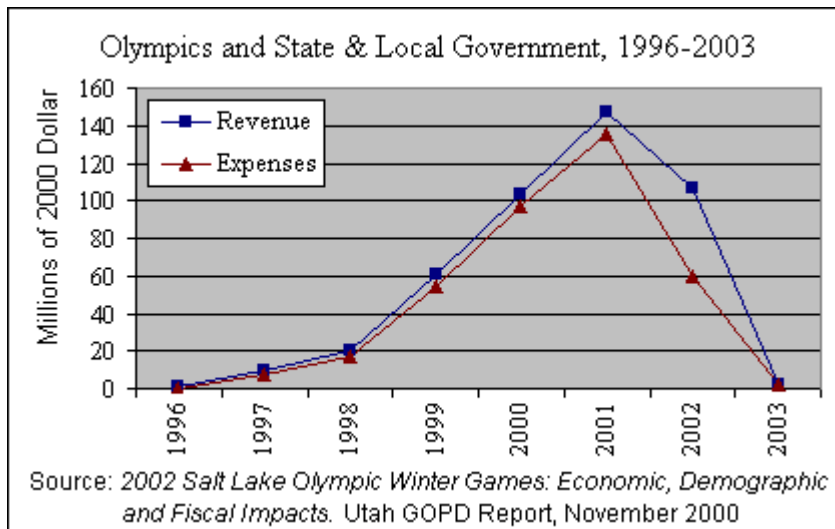
Summary of Economic Impact of the Olympics, 1996-2003*
Spending directly related to the Olympics: \$2.1 billion
Total Output or Sales: \$4.8 billion
Employment: 35,000 job years
Labor Income: \$1.5 billion
Net revenue to State and Local Government: \$76 million
*Dollar amounts are in 2000 dollars. Source: <i>Summary of 2002 Salt Lake Olympic Winter Games...</i> Utah GOPD Report, Jan 2002

The estimated economic impact of the Olympics results from an estimated \$2.1 billion in spending, mostly by the Salt Lake Olympic

Organizing Committee (SLOC). However, infrastructure investment, visitors, broadcasting, and federal funds also comprised significant sources of funding for the Olympics. Of \$2.1 billion in spending, only about \$1.3 billion had a direct economic impact for Utah since that portion of the total both originated from outside of the state and remained in Utah. The other \$800 million flowed out-of-state or represented merely a recirculation of money that was already in Utah. Overall, spending from the Olympics would indirectly prompt a total of \$4.8 billion in additional output as related government, business and individual spending materialized in the presence of the catalytic core of outwardly financed, in-state spending.

Thousands of Utahns were employed because of the Olympics, reaching a magnitude of some 12,600 jobs for the year 2001 and peaking at 25,000 jobs during the month of the Games, February 2002. Employment related to the games averaged one-half of one percent of Utah's total employment and one fifth of Utah's job growth during the five year period 1998-2002, but this substantial boost would likely be transitory. By 2003 Olympic-related employment was expected to fall to a negligible 250 jobs. In general, most economic activity—whether for building highways and venues or for providing media and security services—would wind up soon after the games themselves came to a close. Case in point, the higher levels of job growth were not expected to persist.

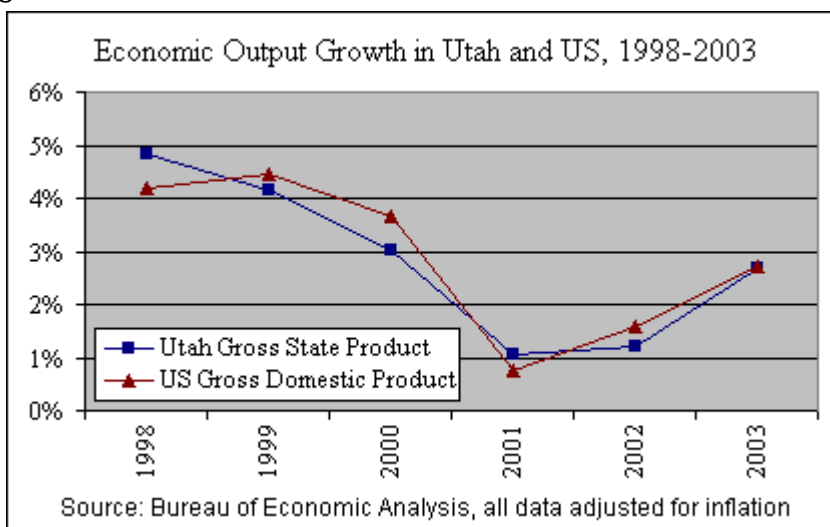
Figure 2



As with job growth, so with the fiscal health of state and local government. As illustrated in Figure 2, additional revenue from the Olympics compensated for extra expenses incurred because of this event, consistently allowing for a small surplus. This net revenue amounts to \$76 million for the entire period studied (1996-2003), with the lion's share of net revenue (73 percent) going to the state. The surge in revenue is attributable primarily to funding for the Olympics (40 percent) and increases in sales, income, and property tax collections (45 percent).

A lesson regarding the macroeconomic impact of hosting the Olympic can be drawn from the experiences of Calgary (1988 Winter Olympic Games) and Atlanta (1996 Summer Olympic Games). In both cities, hosting the game did not dramatically alter macroeconomic indicators, such as unemployment, income, and inflation. The progress of the economy proceeded inexorably along a course determined predominantly by other events, hardly pausing to notice the world-captivating event. As Figure 3 indicates, during the years leading up to the 2002 Winter Olympics, Utah's economic output grew comparably to that of the entire country. The substantial inflow of outside money into Utah (\$1.3 billion) amounts to no more than two-thirds of one percent of total Utah spending (Gross State Product) for any year leading up to the Olympics. And even the \$4.8 billion in total output related directly or indirectly to the Olympics, consists of only 2.3 percent of the Gross State Product for 2001, which was the peak year for Olympic-induced output.

Figure 3



What is the legacy of the 2002 Winter Olympics four years later? Certainly Utah has enjoyed publicity, prestige, and many other intangible benefits, such as rewarding community involvement in hosting the games. Unknown—be they large or small—are the number and magnitude of individual and business decisions to visit, relocate to, or invest in Utah that are attributable to Utah's Olympic recognition. More concretely, durable infrastructure intended for the 2002 Games reminds us of the enduring character of Olympic expenditures.

How much of the infrastructure investments would have happened anyway, perhaps at a later date, if we could re-play history without the decision to host the Olympics in Utah? Public investments for roads, mass transit, and airport projects would likely have been pursued eventually—with or without the Olympics—due to the continued growth of the Utah population. Likewise, private investments in expanding hotels and ski resorts probably would have proceeded regardless. And yet both types of investments were made sooner and more lavishly because of the general enthusiasm and availability of capital associated with the upcoming Olympics. The long term economic impact of these investments is difficult to isolate. Among the well-known facilities attributable to the 2002 Games are the construction of the Winter Sports Park (for ski jumping and bobsled runs), Olympic Village, West Valley Hockey Arena/E Center, and Kearns speed skating oval, as well as the expansion of Rice-Eccles Stadium and the Salt Palace convention center. These may not all be profitable to maintain; for example, it was anticipated that a \$40 million trust fund would be required to fund the post-Olympic operation of the Winter Sports Park.

Having reviewed some key findings of the GOPB studies, we can plainly decipher at least the outlines of the substantial economic impact of what is collectively the largest sports-related investment Utah has ever made. Increases in spending, employment, and government revenue were very large, though they did not produce a perceptible macroeconomic stimulus. With some clarity and detail, these studies have uncovered the temporary—and not sustained—economic stimulus. There remains what is perhaps a more important question: what is the enduring legacy of Utah's investment for the Olympic Games with regard to its economic impact? In response, we have only managed to identify some of the sports facilities, transportation infrastructure, and tourist accommodations that continue to serve the community, to an extent not yet quantified.

Sources

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