

THE PENNSYLVANIA STATE UNIVERSITY
SCHREYER HONORS COLLEGE

DEPARTMENT OF POLITICAL SCIENCE

THE OLYMPIC GAMES AND THEIR ECONOMIC IMPACT

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SPRING 2014

A thesis
submitted in partial fulfillment
of the requirements
for a baccalaureate degree
in International Politics
with honors in Political Science

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ABSTRACT

The Summer Olympic Games is a centuries-old international event that is growing in scale and evolving with diversified participants and worldwide attention. While it has retained its moniker, it has taken on a newfound importance as a political, economic, and cultural beacon joining countries and individuals from all corners of the Earth. This mega-event leaves lasting marks upon the countries that are chosen to host it but just how magnified are the effects which the countries feel? The following piece examines the economic impact of the Summer Olympic Games on Germany and China, these countries hosted the 1972 Munich Summer Olympics and 2008 Beijing Summer Olympics respectively.

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ACKNOWLEDGEMENTS

My thesis submission is the culmination of a long journey. Upon my entrance into the Schreyer Honors College I understood the importance of placing one's own piece of literature amongst the writings of other well established publications. I would like to thank Dr. Gretchen Casper and Dr. David Lowery, two well-established and extremely helpful professors in Political Science at Penn State. Without their thesis classes guiding my path and open-door policies this piece would not lay before you. Dr. Bumba Mukherjee is another key individual who provided guidance and aid as my honors advisor during this past year. My roommate, and fellow Penn State senior, Austin Hunt was a major help in working through final revisions and providing fresh insight. Lastly, I would like to acknowledge and thank my family for assessing my thesis, and all other academic works, for the past four years. Those surprise packages full of candy and games could not have come at better times. I could not have done this without all of you!

Chapter 1

Introduction

Few can deny the beauty and mystique characterized in the staging of a mega-event such as the Summer Olympic Games. The international spectacles appear to produce a spike in media attention, tourism, and wealth in addition to garnering other benefits for the hosting countries. Athletes and tourists from around the world venture to the Olympic site in preparation for a hallowed event occurring just once every four years. Olympic popularity has only grown with the increase in media and transport technologies that are allowing those around the globe to witness the action. The 2012 London Olympic Games garnered an audience of more than 219.4 million in the United States alone, making it the most watched non-US Olympics in 36 years.¹ Approximately 10,500 athletes from 204 nations competed in London during the 19 days of Olympic Games that August.² Noting that number, it comes as no surprise that these mega-event productions have been the source of study by political scientists and economists alike, especially in recent years. Academics seek to answer multiple questions with their analysis of past mega-events and predictions of future Olympics. Not all is rosy in the creation and maintenance of the Olympic Games. The events require billions of dollars in infrastructural preparation, marketing, security, transportation costs and other intangible

¹ "London Olympics 2012 Ratings: Most Watched Event In TV History." *Huffington Post*. N.p., 13 Aug. 2012. Web. 3 Nov. 2013. <http://www.huffingtonpost.com/2012/08/13/london-olympics-2012-ratings-most-watched-ever_n_1774032.html>.

² Shergold, Adam. "Almost as Many Toilets as Athletes... the London 2012 Olympics by Numbers." *Daily Mail*. N.p., 18 July 2012. Web. 3 Nov. 2013. <www.dailymail.co.uk/sport/olympics/article-2175370/London-2012-Olympics-Games-numbers.html>.

aspects linked to hosting such an event. Identifying these benefits and drawbacks, I want to unveil whether national governments truly benefit from hosting the Games. While updating infrastructure, gaining the world's attention, and garnering billions of dollars during the event seems favorable to the states, investing the necessary money and time makes it a far from simple concept. Does hosting the Summer Olympic Games have a positive and significant net effect on the host country's economy?

Motivation

A couple motivations exist behind this research design of The Summer Olympic Games. The mega-events present an international phenomenon that is temporally relevant, long reaching and multipronged in its effects. Individual participating countries and the world at large have the potential to benefit politically, economically, and culturally from success in The Games. I also believe that this topic allows me to analyze a reoccurring worldwide event from a political and economic standpoint that has not been overly analyzed by those preceding me.

This idea came to me as I watched the 2012 London Olympics during my time abroad in Argentina. I was struck by the unifying effects of the event, not only for those who share the same nationalities as the athletes, but for those from different groups as well. I saw how prominent figures such as Usain Bolt commanded worldwide attention and praise for their athletic prowess. I also noted how much coverage the hosting country, and city in particular, receives leading up to, during, and after The Games. An international event is a serious undertaking, requiring years of planning, stability, money,

and confidence to complete. The strain that such a large and well publicized event, such as the Olympic Games, can put on a nation is great, and success is difficult to achieve without preparation. I also wondered if the benefits, the updated infrastructure, international attention, increase in employment and possible boost to the economy were outweighed by the difficult task of creating and maintaining the infrastructure required to support the Olympics. Efficient transportation methods, grand stadiums, the Olympic Stadium and more must be created in less than a decade.

Chapter 2

Hypothesis and Theories

I conjecture that hosting the Olympic Games will have a marginal positive economic effect on the host country. Specifically, foreign direct investment (as a percentage of GDP) will increase during the five year span leading up to, during, and after the event. While foreign direct investment inflows are my chief quantitative measure I will assess construction and tourism in a qualitative fashion in reviewing The Games' impact.

Foreign Direct Investment (FDI) is defined as an international investment by a "resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy."³ FDI plays a crucial role in bolstering economies and increasing integration between nations' economies. A nation's hosting of the Olympic Games acts as a signaling mechanism to those on the world stage. This action indicates the host nation maintains a stable and strong economy capable of creating a production for one of the most costly mega-events in terms of time and money. The result is an increase in confidence in the nation's market and resulting increase in FDI expenditures by investors and companies preparing to capitalize on the event. As stated previously, the mega-event requires vast investment, and much of the expenditure

³ "OECD ILibrary: Statistics /OECD Factbook /2013 / Foreign Direct Investment." *OECD ILibrary: Statistics /OECD Factbook /2013 / Foreign Direct Investment*. OECD, 2013. Web. 04 Dec. 2013. <<http://www.oecd-ilibrary.org/sites/factbook-2013-en/04/02/01/index.html?itemId=/content/chapter/factbook-2013-34-en>>.

will be a sunk cost (money incurred at the beginning of the building phase that cannot be recovered). But resulting increases in fiscal inflows and trade should cover this investment.

In the following study I have utilized the mixed quantitative and qualitative comparative case study to assess economic impacts of the Games. Even though I expect a “mega-event” to improve investment, tourism, and the general fiscal well-being of a country, the need to invest billions of dollars in infrastructural upgrades and opportunity for dissenting political activists to be on the world stage may create hardships. My theory operates closely with the research question at hand: whether the act of hosting the Summer Olympic Games has a positive economic effect on the host country?

Upon reviewing literatures the basic trend has been academics following either a small-N qualitative study involving one to three Games or a large-N quantitative study covering Games spanning over three decades or more. The differing approaches infuse variation and different points of view to the subject as readers come to their conclusions. But, a hole exists in the literature. I have found authors’ findings relate largely to their methodologies used to study the topic. Those involving integrated, holistic qualitative measurements tend to accentuate the positive impacts that the Games have on a country’s immediate economic scene with qualitative reasoning. Quantitative researchers operating with large-N models explain their findings with only the concrete quantitative data, which typifies the Games as having a very marginal impact on short term economics and producing instances of politically fueled riots, attacks, and other demonstrations. Reading the literature engenders questions such as how important is consideration of qualitative measurements and benefits; for example, should government approval and other country-

relevant polls be factored into the benefits and costs incurred by governments? This comparative case study attempts to marry the quantitative and qualitative branches of political science to assess two unique cases.

Chapter 3

Literature Review

The literature I uncovered encompassed all forms of qualitative and quantitative work spanning from small-N design to large-N designs. Edds, Allmers & Maennig and Burbank, Andranovich & Heying all utilize the case study approach to measure Olympic effects. Samantha Edds' piece, *Economic Impacts of the Olympic Games through State Comparison*, measured the economic impact of the Olympic Games on regional economies by comparing city-level data for those hosting the Games with data for an in-country sister-city which was not involved in the hosting of the mega-event.⁴ She analyzed Rose & Spiegel's piece while drafting her own case project. While Edds included the heavily quantitative efforts of Rose & Spiegel, her project was a small-N design unlike their large comparative study. In addition, her use of city-level data taken at the regional level corresponds with Burbank, Andranovich & Heying who analyzed economic impacts at the regional level. Burbank, Andranovich & Heying utilize the small-N case study design as well in *Olympic Dreams: The Impact of Mega-Events on Local Politics*. The troupe looks at the 1984, 1996 and 2002 Olympic Games and measures economic input and output at the regional level.⁵ The motivating goal behind their book was to examine the relationship between cities and the Olympic Games. Burbank, Andranovich & Heying explore revenue sources, venues, population, and

⁴ Edds, Samantha. *Economic Impacts of the Olympic Games through State Comparison*. *Freakonomics*. N.p., Apr. 2012. Web. 20 Oct. 2013. <http://www.freakonomics.com/media/Economic_Impacts_of_the_Olympic_Games.pdf>.

⁵ Burbank, Matthew, Gregory Andranovich, and Charles H. Heying. *Olympic Dreams: The Impact of Mega-events on Local Politics*. Boulder, CO: Lynne Rienner, 2001. Print.

public opinion throughout the book. The data take a regional approach similar to Edds but carries a larger degree of qualitative work. Allmers and Maennig's piece, *Economic Impacts of the FIFA Soccer World Cups in France 1998, Germany 2006, and Outlook for South Africa 2010*, measures the economic impact of the Olympic Games in a small-N research design.⁶ Their work is largely qualitative although it does include data. The variables they measure are tourism purchases, services, hotel stays and public opinion polls. Allmers and Maennig expressly wanted to deviate from the norm by selecting other variables besides employment, GDP and the like as indicated in their opening introduction. "This study adds to the literature by deviating from the research agenda of the above-mentioned WC studies, which analyze highly aggregated data such as employment and GDP (growth)."⁶ Their aim is to examine mega-event impacts from another vantage point that other scholars have not explored while assessing the economic impact of the 1998 and 2010 World Cups.

In essence, Edds argues current predictive models of Olympic gains and losses are inaccurate. Her intent is to produce work that makes future predictive and reactionary models and studies regarding economic gains more accurate by focusing on a comparative model at the regional level, something few, if any, have done before. Edds found little to support high volumes of economic growth at the regional level for those hosting the Games in 1992, 1996, and 2000. With that said, several limitations affect the quality of her results. She studied only three industries to analyze change, construction,

⁶ Allmers, Swantje, and Wolfgang Maennig. "Economic Impacts of the FIFA Soccer World Cups in France 1998. Germany 2006, and Outlook for South Africa 2010." *Eastern Economic Journal* (n.d.): 500-19. ProQuest. Web. 20 Oct. 2013. <<http://search.proquest.com.ezaccess.libraries.psu.edu/docview/198003528>>.

tourism and financial services. As for policy based upon her findings, Edds suggests investing in other works and projects to benefit the cities and increase the flow of tourism and incoming money. Her regional approach and limitations are shared by Burbank, Andranovich & Heying but the major difference is her reliance on quantitative evidence as opposed to the qualitative evidence the trio uses.

Olympic Dreams focuses on U.S. Olympic Games which has positives and drawbacks. The positives include ease of access to data; the games are all relatively contemporary and took place in a country and cities known for good bookkeeping. In addition, analyzing statistics for cities which all exist within the same nation, one that has changed relatively little in regards to economic welfare and political stability can eliminate some unwanted variables. At the same time, the lack of national and geographic diversity relative to the rest of the world limits the findings. The conclusion for Allmers and Maennig stays very close to their qualitative roots. The pair acknowledges no significant changes in tourism, employment or income take place. However, they suggest the rise in international attention and national love of football, in the case of South Africa, will increase the potential benefits. More tourists may acknowledge South Africa as a destination, and renovated and newly built stadiums are more likely to be used with purpose. Their piece ties into Edds' work and the work of Burbank, Androvich & Heying due to their case study design. However, unlike Edds and Burbank, Androvich & Heying their data is taken at the national level in the case studies. In their intent and findings Allmers and Maennig agree with Edds, they wished to make the research field regarding mega-events more robust and also found little change in economic well-beings. They find hosting a mega-event benefitted the cities economically, in part because they took full

advantage of existing structures to minimize the financial input required and received the expected tourism flows. From a qualitative lens, they argue the cities benefitted from the spotlight and improved their national and international bargaining power for future events. Their inclusion of qualitative factors and benefits puts them in line with Allmers and Maennig to an extent.

In *The Olympic Effect*, Rose and Spiegel engage in a quantitative study and incorporate a gravity model focused upon bilateral trade flows.⁷ The variables are carried out at the national level and focus upon imports and exports to assess the state of the economy in reference to the Olympic Games. The quantitative nature of this study places it in the company of Samantha Edds' piece, but hers is a case study measured at the regional level.

Significance

From my literature review I found a wide range of theoretical and design approaches, from small-N cases studies to large-N comparative analysis. Differences extended to qualitative studies and quantitative studies as well. From these reviews I have learned more about the mitigating factors, difficulties in isolating variables, and other limitations that other researches have faced. Armed with the knowledge of these complications, I can add my own research design to the mix, examining two distinct Olympic Games. This piece adds a comparative case study assessing tourism,

⁷ Rose, Andrew, and Mark Spiegel. *The Olympic Effect*. Cambridge, MA: National Bureau of Economic Research, 2009. Print.

construction, and investment in Olympic host countries. In many cases, economic issues affect political events and vice versa.

Chapter 4

1972 Munich Games

The first Olympic case study examines one of the most politically charged sporting events in the modern era: the 1972 Munich Olympics. The Munich Olympics were hosted by West Germany, a state counterbalancing East Germany. West Germany was democratic in nature with strong ties to the United States and Western Europe. The 1972 Olympic Games present a unique case involving strong political tensions and terroristic conflict which pulls the focus away from the economics surrounding it. To understand the politics and economics surrounding the Games a brief introduction to West Germany's political system is in order.

After its defeat in WWII, Germany was divided into East and West Germany in 1949. The West territory later gave rise to the Federal Republic of Germany (which is visible today). The state levels of government were given great power after WWII to ensure none would regain power over the entire region as Prussia had previously done. After the president and chancellor, one of the two major components of the upper echelons of German government is the Bundestag; the lower house whose 598 members are elected to four year terms by mixed member proportional representation.⁸ The upper house is the Bundesrat whose members are not elected but appointed and is variable in size.⁹

⁸ "German Political System." *German Political System*. N.p., 1515 Dec. 2013. Web. 13 Mar. 2014. <<http://www.rogerdarlington.me.uk/Germanpoliticalsystem.html>>.

⁹ "German Political System." *German Political System*. N.p., 1515 Dec. 2013. Web. 13 Mar. 2014. <<http://www.rogerdarlington.me.uk/Germanpoliticalsystem.html>>.

The German Games

In a 2007 piece by Stephanie Jasmand and Wolfgang Maennig entitled “Regional Income and Employment Effects of the 1972 Munich Olympic Summer Games” the duo assesses the long term income and employment level effects of the mega-event. They find the region in which Munich is located and the regions surrounding it were greatly impacted for a long term of years leading up to and extending well past 1972. Income growth in the regions surpassed those increases of other German regions. However, Jasmand and Maennig did not find any large and significant difference in employment numbers and acknowledged that their research only covers regional effects and not the German nation in its entirety. The academics concede income and employment effects could have been felt nationally and beyond, citing “firms capable of providing the construction services required that accounted for some 73% of the Olympic Organisation Committee’s budget were more likely to be based throughout Germany than in the actual venue regions.”¹⁰ According to Jasmand and Maennig there are discrepancies between their findings and those of Hotchkiss, Moore, and Zobey (2003) who report no significant wage effects for the 1996 Atlanta Games. Jasmand and Maennig explain this by directing attention to the differences in the working population, chiefly a higher degree of mobility by the U.S. counterparts. These conclusions provide an opening to examine the national

¹⁰ Jasmand, Stephanie, and Wolfgang Maennig. "Regional Income and Employment Effects of the 1972 Munich Olympic Summer Games." *Holy Cross University*. North American Association of Sports Economists, June 2007. Web. 16 Mar. 2014.
<http://college.holycross.edu/RePEc/spe/JasmandMaennig_Munich.pdf>.

welfare of Germany during the 1972 Munich Games and search for a link between the trends of the case studies.

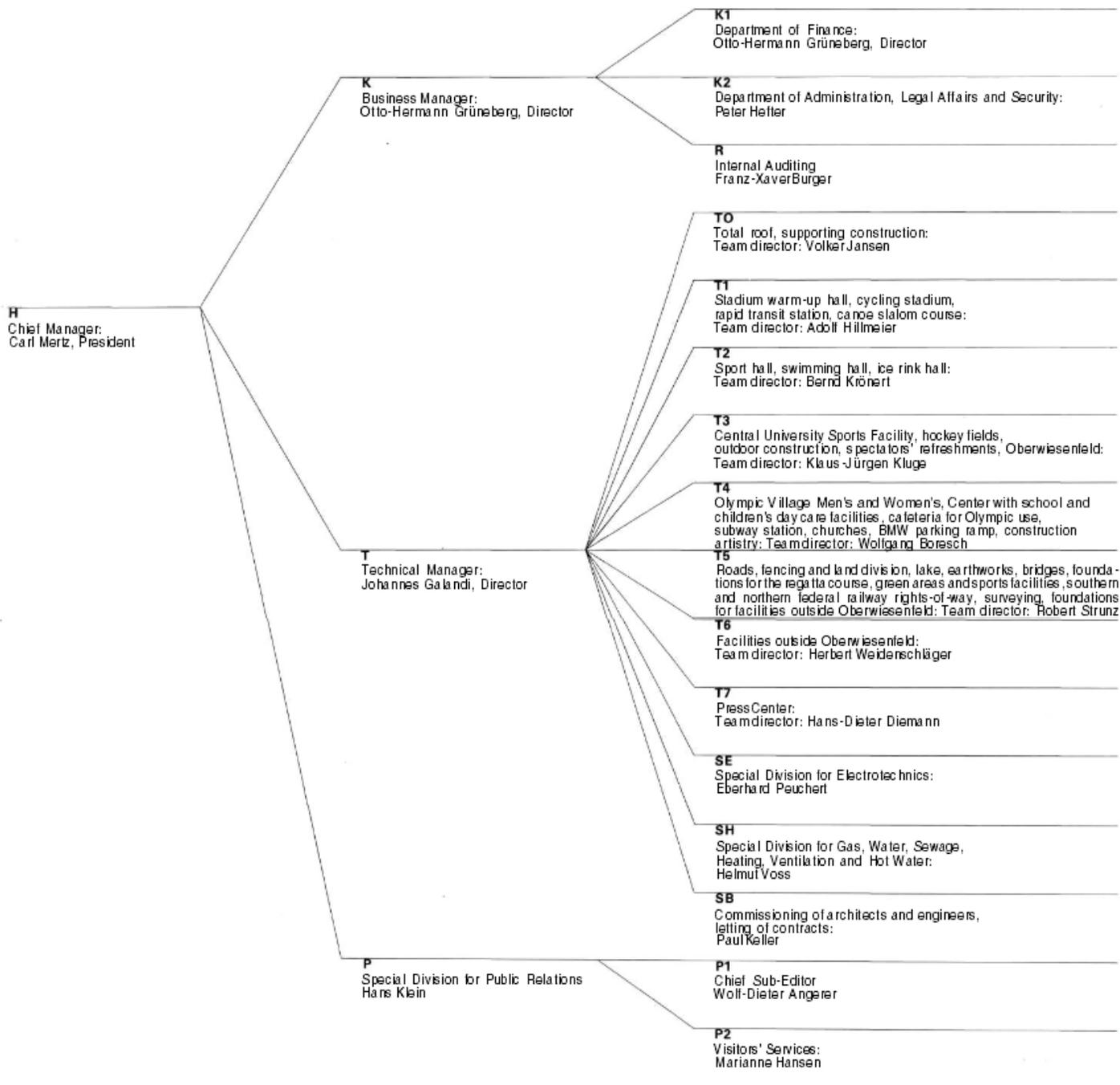
Construction

The Munich infrastructural buildup was completed by The Organization of the Olympic Company, Ltd. The following chart displays just how much went into the creation of an event which would last little more than 14 days. The company had 16 different sections assigned to various tasks from auditing to creating the Olympic village.¹¹ The approximate price for the entire venture was \$5.88 billion by today's standards with 25% of the funds supplied by the city of Munich, 25% by the region of Bavaria, and 50% supplied by the Federal Republic of Germany.¹²

¹¹ "Die Spiele." *LA84 Foundation*. N.p., 1972. Web. 16 Mar. 2014. <<http://library.la84.org/6oic/OfficialReports/1972/1972s2pt2.pdf>>.

¹² Zarnowski, C. F. "A Look at Olympic Costs." *ECSGrid*. International Journal of Olympic History, Spring 1993. Web. 16 Mar. 2014. <<http://www.ecsgrid.com/JOHV1n1f.pdf>>.

**The Organization
of the Olympic Construction Company, Ltd.,
as of May 1, 1971**



Foreign Direct Investment

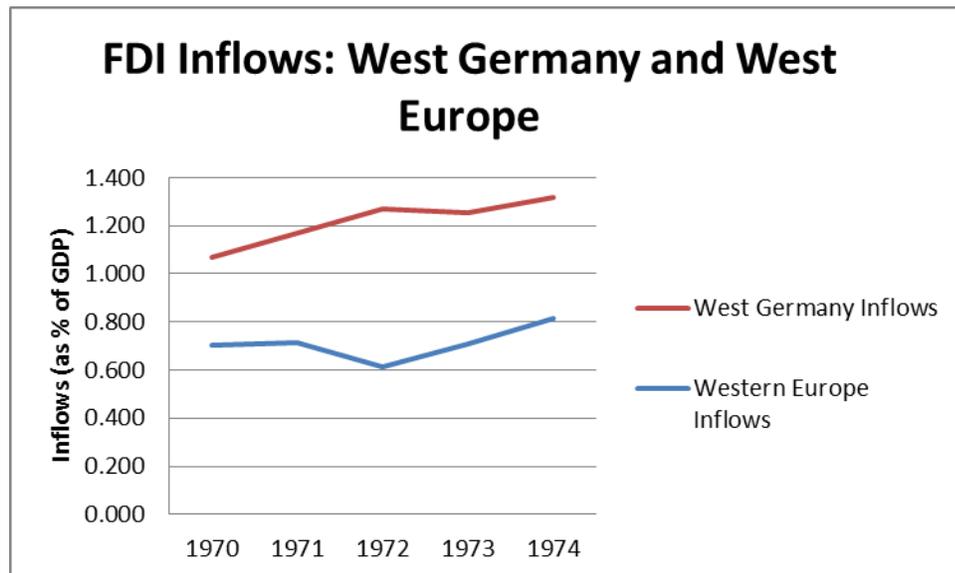
To create a baseline from which to gauge the FDI inflow trends in West Germany I created an average of Western European FDI inflows, incorporating all accessible country information on West European countries. The countries included in the Western Europe FDI Inflows chart are Austria, Denmark, Finland, France, Italy, Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. Switzerland and Belgium were excluded due to the unavailability of accurate data while West Germany's information was kept separate. For a deeper look into the individual FDI inflow properties of various Western European countries please refer to the Western Europe Aggregate Inflows chart in the Appendix A.

Germany did significantly better than the Western Europe average in the year leading to the 1972 Olympics. The European average actually decreased in 1972 while German FDI inflows flourished.

Germany FDI Inflows		
Year	FDI Inflows (% of GDP)	% Increase over Previous Year
1970	0.370	
1971	0.456	0.233
1972	0.654	0.434
1973	0.545	-0.166
1974	0.505	-0.074

Western Europe FDI Inflows		
Year	FDI Inflows (% of GDP)	% Increase over Previous Year
1970	0.701	
1971	0.712	0.016
1972	0.615	-0.136
1973	0.711	0.156
1974	0.814	0.145

The following graph provides a visual comparison of the FDI inflows. Note West Germany did suffer from the marginal decline in investment suffered by its fellow Eastern European countries. With that said, the intangible effects of the Munich hostage massacre and political tensions with neighboring East Germany create unknown mitigating effects within the data.



Chapter 5

2008 Beijing Games

China, the world's second largest economic power is also its most unique. The nation is one of the five permanent members of the United Nations Security Council and the only Communist Party-controlled actor in the G-20 group.¹³ The Chinese Communist Party (CCP) is the face of the government which has been in power for 64 years, citing its adaptive nature for its prolonged lifespan. With that takeover in the late 1940s China adopted the new name of the People's Republic of China (PRC). A deeper look into the government's structure reveals two major decision-making bodies at the head of the government; the seven man Politburo Standing Committee and the 25 person Politburo of the Communist Party. The Chinese government rests upon four main pillars which serve to support its legitimacy; the People's Liberation Army, the State Council, National People's Council and the Chinese People's Consultative Conference. The People's Liberation Army (PLA) contains the military arm of the country with 2.25 million personnel represented. The State Council controls government administration below the national level in the various regions of the country. The National People's Congress holds its power in creating and altering legislation. Lastly, the Chinese People's Political Consultative Conference plays a role in national governmental affairs. According to the Chinese government "the primary functions of the CPPCC are to conduct political consultations and democratic supervision, and organize its member parties, organizations

¹³ USA. Congressional Research Service. Asian Affairs. *Understanding China's Political System*. By Susan V. Lawrence and Michael F. Martin. Congressional Research Service, 20 Mar. 2013. Web. 15 Mar. 2014. <<https://www.fas.org/sgp/crs/row/R41007.pdf>>.

and personages from various ethnic groups and walks of life to discuss and manage state affairs.”¹⁴

Chinese Games

Literature regarding the nature of the 2008 Beijing Olympics’ economic impacts on China has been mixed. Articles such as Lee M. Sands’ piece in *China Business Review* predicted the Olympics would have a “lasting effect on China” while Chi Lo writes of a “negligible economic impact” in a 2008 *BusinessWeek* article. So with a few years of reference what was the true impact of the Games?

The 2008 Beijing Olympic Games encompassed 16 days of competition featuring 28 sports and more than six hosting cities other than Beijing; Hong Kong, Qingdao, Qinhuangdao, Shanghai, Liaoning, and Tianjin.¹⁵ According to *China Business Review*, after winning the Olympic bid in 2001 the country appropriated approximately \$40 billion solely in infrastructure from 2002 to 2006 to accommodate the world spectacle. China created the Beijing Organizing Committee for the Games of the XXIX Olympiad (BOCOG) to embark upon the process of vitalizing and preparing the nation for the Olympics with the BOCOG becoming quite closely integrated within the national and regional Chinese government operations.¹²

¹⁴ "Chinese People's Political Consultative Conference." *Chinese People's Political Consultative Conference*. N.p., n.d. Web. 15 Mar. 2014. <<http://www.china.org.cn/english/archiveen/27750.htm>>.

¹⁵ Sands, Lee M. "The 2008 Olympics’ Impact on China." *China Business Review*. China Business Review, 1 July 2008. Web. 14 Mar. 2014. <<http://www.chinabusinessreview.com/the-2008-olympics-impact-on-china/>>.

The BOCOG created the Olympic Park, a staple of all Olympic Games, and the 37 stadiums and other athletic venues required to host the Olympics. Of the 37 venues, 32 were located in Beijing; 19 of the Beijing venues having been newly constructed for the purpose of serving the Olympics. In addition to these infrastructural upgrades China constructed 29 training centers and projects for the Paralympic Games as well. Lee M. Sands characterizes the stadiums, particularly the iconic National Stadium (known as the “Bird’s Nest”) as “state of the art and well designed,” noting that they will be “available for use long after the games are over.”¹² Sands continues to assess the appropriations towards transportation infrastructure, urban renewal and digital advances. The projected costs and budgets of these projects in the 2008 article stood at \$1.1 billion for transportation improvements such as a light rail system in Beijing, \$200 million to demolish downtrodden urban housing and refurbish historical sites, and a \$3.6 billion budget to increase Beijing’s network capacity and telecommunications.¹² It comes as no surprise that hosting such a world spectacle comes with a great financial burden but what precisely were some of the benefits for the Chinese government and its people?

Tourism

The Chinese government stated the benefits would lie within the tourism increases and positive influence of the Games on foreign investment in the city of Beijing and the nation in general. Even in the lead up to the Olympic Games the country had been enjoying an extreme upswing in tourism and economic growth with its industrialization

and entrance into the World Trading Organization (WTO) on December 11th of 2001.¹⁶

While the city of Beijing had 3.8 million foreign visitors in 2007, an increase of 11.8% from 2006 in the lead up to the Games, tourism growth was not the entire story for the nation as a whole.¹⁷ While the Chinese National Tourism Administration reports a perpetual increase in inbound international tourism and revenues, the 2008 August report indicated China received 6.97% less inbound travelers than the previous year; the number included a decrease of 20.33% in foreign entrants. And while in the period from January 2008 to September 2008 the inbound traveler rate was up 0.35%, the foreigner inbound rate had decreased 2.00% as well.¹⁸

Beijing Visitors			
Year	Arrivals	% Increase	Foreigners
2006	3,902,826		
2007	4,354,774	11.58	3,826,081
2008	3,790,378	-12.96	3,357,173
2009	3,816,462	0.688	
2010	4,575,938	19.9	3,943,290

¹⁶ "WORLD TRADE ORGANIZATION." *WTO*. World Trade Organization, n.d. Web. 15 Mar. 2014. <http://www.wto.org/english/thewto_e/countries_e/china_e.htm>.

¹⁷ Sands, Lee M. "The 2008 Olympics' Impact on China." *China Business Review*. China Business Review, 1 July 2008. Web. 14 Mar. 2014. <<http://www.chinabusinessreview.com/the-2008-olympics-impact-on-china/>>.

¹⁸ *Chinese National Tourism Administration*. N.p., 9 Nov. 2008. Web. 15 Mar. 2014. <<http://www.cnta.gov.cn/html/2008-11/2008-11-9-21-36-88077.html>>.

China Visitors			
Year	Arrivals	% Increase	Foreigners
2006	39,781,543		
2007	45,084,423	13.33	25,733,149
2008	44,940,975	-0.32	24,929,725
2009	41,816,797	-6.95	
2010	50,230,337	20.12	28,447,486

(Source: China National Tourism Administration)

For whatever reason, the 2008 Beijing Olympic Games did not seem to have the positive impact on tourism that Chinese officials anticipated. While domestic visitations and movement has increased within the country of China the entrance of visitors has not been on a consistent upward trend. In fact, in 2008 the country and the city of Beijing suffered from a downturn in tourism as seen in the above figure. In 2010 the amount of individuals who visited the city from a foreign origination increased by a mere 3.06% over the year 2007 from 3,826,081 people to 3,943,290 individuals. The observation of such a minimal increase in tourism from 2007 to 2010 was unexpected and the outright decrease in tourism during the year of the Olympics even more staggering.

Foreign Direct Investment

In addition to a surge in tourism, I hypothesized that foreign direct investment (FDI) would increase in China as a result of the increase in attention to Beijing and China's other cities. The 2008 Beijing Olympic Games should have acted as a lightning rod for FDI inflows in the short term lead up to and aftermath of the Olympic Games. Looking back upon the data is that what occurred in reality? For the duration of the period between 2006 and 2010 there was very little positive activity in Chinese FDI

inflows. In fact, the only positive year occurred in 2010, two years after the Summer Olympic Games. In addition, the two years during and after the Olympic Games harbored the worst decreases in FDI inflows of that 5 year observation period with a decrease of 15.2% in 2008 and 30.8% in 2009.

China FDI Inflows		
Year	FDI Inflows (% of GDP)	% Increase over Previous Year
2006	0.045	-0.008
2007	0.044	-0.022
2008	0.037	-0.152
2009	0.026	-0.308
2010	0.041	0.565

(Data Compiled from Angus Maddison)

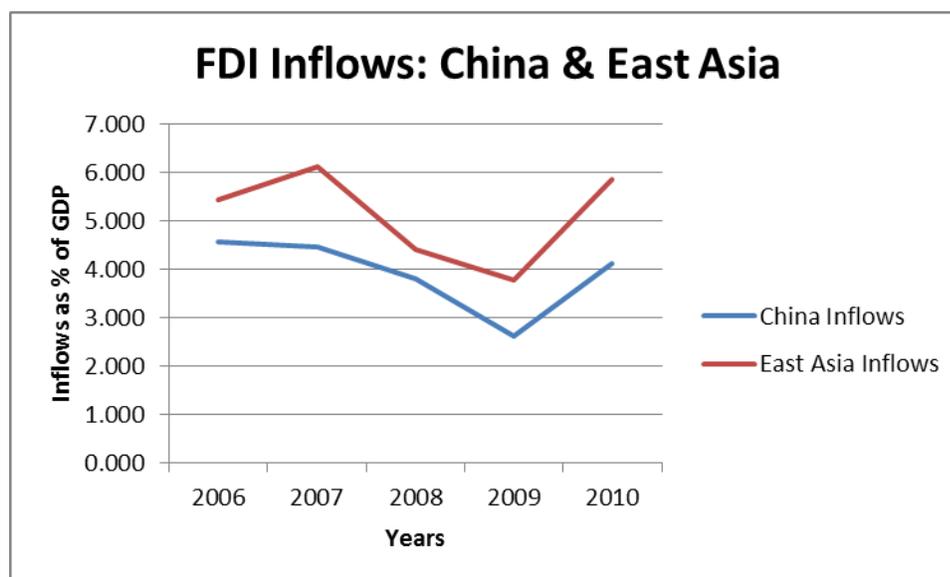
To provide a baseline for assessing the FDI inflow data I created an aggregate FDI inflow chart for all of the East Asian countries with attainable information and created an average FDI measure incorporating all of the nations. The nations included in the East India FDI Inflows chart include India, Indonesia, Japan, the Philippines, South Korea, Thailand, Bangladesh, Hong Kong, Malaysia, Nepal, Pakistan, Singapore, and Sri Lanka. China was not included in order to gain knowledge about the remaining East Asia countries while Burma and Taiwan were not included due to lack of reliable information. To gain a better look at the individual country inputs for the East Asia FDI Inflows chart please refer to the East Asia Aggregate Inflows chart in the Appendix B.

East Asia FDI Inflows		
Year	FDI Inflows (% of GDP)	% Increase over Previous Year
2006	0.054	
2007	0.061	0.125
2008	0.044	-0.280
2009	0.037	-0.140
2010	0.058	0.546

(Data Compiled from Angus Maddison)

A comparison between the China and general East Asia FDI Inflows data

indicates a global trend, if not at least a regional one, is impacting the FDI inflows. One may not need to look much farther than the 2007-2008 financial crisis for being the cause of such a downturn which affected China's economy and potential to benefit economically from a worldwide mega-event it spent years and billions of dollars upon in preparation.



Perhaps the Olympic Games were not as helpful for the nation of China as first thought. This opinion was voiced by Chi Lo in a 2008 *Businessweek* article long before the resulting statistics were known. According to Mr. Lo while the \$40 billion appropriated to Olympic spending in the lead up to the 2008 Beijing Olympics is a hefty sum it only accounts for less than 0.3% of China's total GDP per year.¹⁹ In 2008 Beijing represented only 1.1% of China's total population and less than 3% of its national GDP. The tourism and FDI data only reconciles Lo's statements six years ago that an event such as the Summer Olympic Games would not cause a sustainable and nationally felt economic impact.

¹⁹ Lo, Chi. "Beijing Olympics: 'Negligible' Economic Impact." *Bloomberg Business Week*. Bloomberg, 13 Aug. 2008. Web. 15 Mar. 2014. <<http://www.businessweek.com/stories/2008-08-13/beijing-olympics-negligible-economic-impactbusinessweek-business-news-stock-market-and-financial-advice>>.

Chapter 6

Conclusion

The Progression from Large N to Case Study

My original research design incorporated a large scale quantitative study of all Summer Olympic Games from the culmination of World War II to the 2012 London Olympics. During the literature review I was surprised to see the focus intently upon the case study model as opposed to a more widely ranging large-N study. I quickly realized this is due to the lack of data for many of the countries which have hosted the Games in the past 70 years. Just as a chain is only as strong as its weakest link, a researcher is only as strong as his or her weakest piece of evidence. GDP data was attainable for most of the countries spanning all the way back to the 1944 London Summer Olympics but accurate FDI data can only be found dating back to 1970. Due to this fact I moved to shorten the paper from the 1970 to present. In addition to this hurdle I found I did not have accurate data to assess the 2012 London Summer Olympic Games as I am monitoring the variables for three years after each Olympic event and not enough time has passed.

Much of the other data remained consistent with the exception of a few data points for specific countries. In particular, the USSR hosted a Summer Olympic Games in 1980. While most variable information can be found for the nation FDI data is non-existent for the USSR before its dissolution in the early 1990s and transition to the Russian Federation and newly freed countries. With no FDI data available for the crucial years surrounding the 1980 Olympics the country had to be dropped from analysis. For the missing Chinese FDI data from 1970-1981 data from the United Nations Conference

on Trade and Development (UNCTAD) was used. Greece FDI data for the year 1998 was missing and is extrapolated, averaging the difference between the 1997 and 1999 statistics. UNCTAD FDI data cover 1970 Germany.

When I began running regressions to examine the economic impact of the Olympic Games from 1970 -2008 I recognized I was performing the large N study at the detriment of a more personalized study. The study has now been altered to a comparative case study similar to Burbank, Andranovich, and Heying's mixed comparative analysis of the Los Angeles and Atlanta Summer Games. This method has proved a more fruitful and informative endeavor.

Conclusion

Both Summer Olympic Games brought grandeur, pride, and attention to their hosting governments, but at what cost and with what benefit? The 1972 Munich Games cost its government over \$5 billion but the 44 year old Olympic Park stills stands today as a testament of German strength. Whether closely related or not, The Federal Republic of Germany benefitted from an increase in FDI inflows during a time in which the upward trend was not as strong for many of the Western Europe countries. The 2008 Beijing Games did not inspire the predicted influx of foreign tourists and China's FDI inflows suffered from a downturn in FDI in the years leading up to and year of the Olympics. In short, while academics have cited some significant economic implications of the Games at the regional level, the Games were simply too small to significantly affect these two economic paths. However, what these Games do inspire is a signaling mechanism

showcasing the desire of emerging host countries to be taken seriously and already embedded countries to show a revitalization of existent dominance.

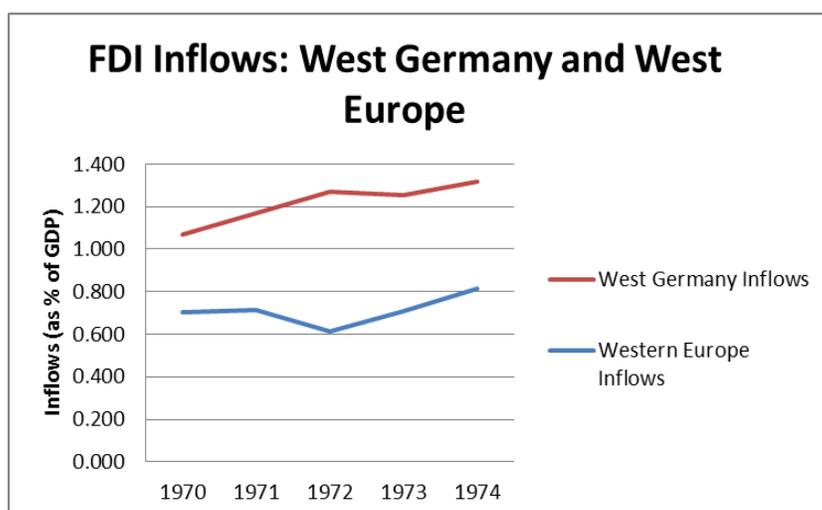
Thesis Supplements

Appendix A

1972 Munich Tables and Charts

Germany FDI Inflows		
Year	FDI Inflows (% of GDP)	% Increase over Previous Year
1970	0.370	
1971	0.456	0.233
1972	0.654	0.434
1973	0.545	-0.166
1974	0.505	-0.074
1975	0.145	-0.712

Western Europe FDI Inflows		
Year	FDI Inflows (% of GDP)	% Increase over Previous Year
1970	0.701	
1971	0.712	0.016
1972	0.615	-0.136
1973	0.711	0.156
1974	0.814	0.145
1975	0.145	-0.821



Western Europe Aggregate FDI Inflows (% of GDP)					
Country	Year				
	1970	1971	1972	1973	1974
Austria	0.74041	0.807527	0.665979	0.55031	0.508344
Belgium					
Denmark	0.626864	0.675108	0.725951	0.707567	0.719714
Finland	0.160392	0.201963	0.253982	0.067564	0.142546
France	0.424207	0.321118	0.326773	0.430433	0.654453
Germany					
Italy	0.571289	0.457889	0.481484	0.392675	0.310224
Netherlands	1.789414	1.823268	1.489007	1.681522	1.365004
Norway	0.502761	0.649339	0.702682	0.935462	1.287402
Sweden	0.29953	0.213259	0.14061	0.148977	0.122285
Switzerland					
United Kingdom	1.192351	1.254647	0.744738	1.487484	2.211998
AVERAGE	0.700802	.711569	.614578	.711333	.813552

Appendix B

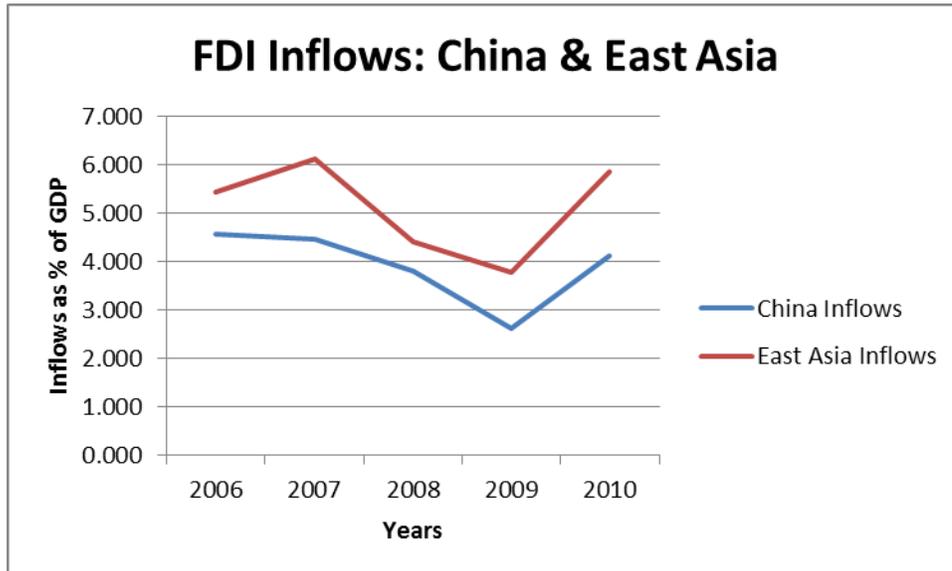
2008 Beijing Tables and Charts

Beijing Visitors			
Year	Arrivals	% Increase	Foreigners
2006	3,902,826		
2007	4,354,774	11.58	3,826,081
2008	3,790,378	-12.96	3,357,173
2009	3,816,462	0.688	
2010	4,575,938	19.9	3,943,290

China Visitors			
Year	Arrivals	% Increase	Foreigners
2006	39,781,543		
2007	45,084,423	13.33	25,733,149
2008	44,940,975	-0.32	24,929,725
2009	41,816,797	-6.95	
2010	50,230,337	20.12	28,447,486

China FDI Inflows		
Year	FDI Inflows (% of GDP)	% Increase over Previous Year
2006	4.574	-0.008
2007	4.472	-0.022
2008	3.793	-0.152
2009	2.626	-0.308
2010	4.109	0.565

East Asia FDI Inflows		
Year	FDI Inflows (% of GDP)	% Increase over Previous Year
2006	5.438	
2007	6.117	0.125
2008	4.406	-0.280
2009	3.790	-0.140
2010	5.858	0.546



East Asia Aggregate FDI Inflows (% of GDP)					
Country	Year				
	2006	2007	2008	2009	2010
China					
India	2.110290315	2.0366301	3.545988392	2.605982958	1.601306015
Indonesia	1.347942602	1.6030106	1.826272063	0.903919632	1.941731383
Japan	-0.106116237	0.5259688	0.605474136	0.307468298	0.019696351
Phillipines	2.21502665	2.1726043	0.827176869	1.611087127	0.819181586
South Korea	0.376812349	0.1700666	0.355453314	0.269644727	0.107804772
Thailand	4.565640269	4.5862292	3.132442358	1.840634863	2.854740523
Taiwan					
Bangladesh	1.126322627	0.9541982	1.269098617	0.820066632	0.914906217
Burma					
Hong Kong	23.20071329	29.358116	30.57063384	25.3569802	36.16557979
Malaysia	4.727158768	4.6867675	3.278319621	0.056694017	4.397632106
Nepal	-0.073509433	0.0556064	0.007932157	0.296979161	0.548391675
Pakistan	3.112977982	3.6683228	3.197360002	1.390402267	1.137498326
Singapore	26.39902449	27.842725	6.818530339	12.84658886	24.68818786
Sri Lanka	1.697007228	1.8639194	1.847465449	0.96035049	0.963451437
AVERAGE	5.438406992	6.1172434	4.406319012	3.789753787	5.85846985

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♦ Researching and writing book project regarding emerging business trends
♦ Teaching Assistant in MBA Strategic Management course

Innovative Federal Strategies; Intern Summer 2012
♦ Washington D.C. Lobbying and Consulting Firm
♦ Prepared presentations and research for client meetings with Battelle

International Center for the Study of Terrorism; Intern Spring 2012
♦ Qualitative research project to obtain motives for terrorist radicalization
♦ Read primary source documents and coded findings
♦ The final project was presented to national security agencies

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US Army War International Strategic Crisis Negotiation Exercise Fall 2013
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