

Economic Impact Analysis

1996 Atlanta Summer Games



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Introduction

The 1996 Atlanta Olympic Games had a very influential impact on, the City of Atlanta, state of Georgia, the United States of America, and even the entire globe. Atlanta, the capital city of the state of Georgia, had a population of 394,000 in 1996, but it is part of a larger metropolitan area that is home to nearly 3 million people. Although the city of Atlanta is in Fulton County, the entire metropolitan area is composed of 20 counties.

The Olympics in Atlanta just like any Olympics will undergo considerable expenses and investments that have a fairly long term economic impact. The Atlanta Olympic Games only lasted for seventeen days, but if you realize the bidding process, preparation for the games, and the after effects of the games, the process was over a decade. The purpose of the study was to measure the economic impact of the 1996 Olympic Games in Atlanta; however, the study was also used to determine the success of the event hosted in receiving positive outcomes for all involved. The 1996 Summer Olympic Games measured new spending in Atlanta's economy. Some of the terms measured in Atlanta were the total new spending, total new taxes collected, generated personal income, and the creation of new jobs. All of these impacts on the economy will increase government tax revenue, income for local businesses, and the need for more jobs in the city of Atlanta during that time period.



Economic Impact Analysis (Defined)

An economic impact analysis is defined as a study on a host city and the overall effect and benefits of an event or facility on the community of that host city. “Economic impact is also defined as the net economic change in the incomes of the host residents that results from spending attributed to a sports event or facility” (Crompton, Howard, 2004-2005). The most important idea of this definition is the return of investment that the local residents are receiving. According to Crompton and Howard, there is a cycle that is rationale for commissioning economic impact studies. The cycle begins with the residents, and they are required to pay taxes to their city. Once the government receives these taxes, they use a portion of the taxes and utilize them for the specific event or facility. Once the event is occurring or facility is being used, the non-residents that are visiting are spending their money throughout the community. The money that the community has generated from these non-residents has increased personal income and jobs for the local residents. The cycle is now completed, and the residents are receiving what they lost in the beginning with quite possibly a larger return on investment.



Breakdown

This paper identifies the economic effects of hosting the Games, reviews the experience of past host cities, and entails the numbers breakdown and multipliers for the local economy. The discussion is structured as follows:

Chapter 1. Identifying the economic impacts of the Olympic Games

Chapter 2. The Bidding Process: How Atlanta won the bid

Chapter 3. The 1996 Atlanta Summer Olympics and the numbers breakdown of the Olympics and other overall impacts on the local economy

Chapter 4. Results, summary and conclusions



Chapter 1. Identifying the economic impacts of the Olympic Game

It is crucial to identify a division between the financial impact of the host city and the wider economic impact of the Olympic Games. The financial aspect of the games consists of the budget balance of the host city's organizing committee, in this case the Atlanta Committee for the Olympic Games (ACOG). The other financial aspect is whether the costs of hosting the games can be met by the revenues generated from the events of the games. The economic impact relates to the broad effects of the games and how it affects the economy in that area associated with tourism and infrastructure. Because of the size of the United States and the size of the economy, the economic effects of the games will be seen on a regional/local level as oppose to the macroeconomic level. To measure the economic impact there are numerous factors that need to be taken into account and we have split them up into 3 separate phases including: the pre-Olympic impact, the Olympic Games impact, and the post-Olympic Games impact.

Pre-Olympic Impact

The pre-Olympic impacts are seen years before the games even happen. Various cities decide to bid on being the host city for future Olympics in accordance with the International Olympic Committee (IOC). Atlanta reportedly spent \$7.3 million in gifts and favors to IOC delegates. (Maloney, 2004). The main impacts seen in the pre-Olympic period are mainly the investment and preparatory activities needed to host and stage the games and an increase in the city's tourism because of the cities higher profile.

The Olympic Games Impact

The Olympic Games impacts is the impacts of the Olympics themselves and the events associated with them.



The Economic Impact on the state of Georgia for hosting the 1996 Olympic Games

The Centennial games were held in Atlanta Georgia from July 19-August 4, 1996. These were the last games to be held in the United States for a generation. Atlanta was the host for the most athletes participating in the most sports in the Olympic Games history. The Atlanta Committee for the Olympic Games (ACOG), a non-profit corporation began planning for the 17 day Olympic Games in 1991. The ACOG felt that it was important for the community to understand the overall benefit of hosting the games, the four reasons Glisson and Arbes stated were 1. To justify the human, financial, and physical resources required to stage the Olympic Games 2. To justify the disruption in the community in the summer of 1996 to the entire community 3. Demonstrate the governmental benefit of hosting the games, proving to the tax-payers of Georgia the value of hosting the Olympics as a quid pro quo for any potential state and local organizational support. 4. To understand the long term economic impact of the games by industry in order to capitalize on the associated economic growth.

Three economic impact studies were conducted to better understand the estimated economic impact Georgia would endure from 1991-1997. The studies were completed in 1990, 1992, and 1995. (Glisson & Arbes, 1996).

In 1990 the first economic impact study held in the state of Georgia was at the same time the bid was submitted for approval. In 1992 the next study was held and it projected ACOG's budget and visitation estimates based off of the preliminary schedule of events, along with this it also projected pre and post-game visitation spending, which accounted for over one third of total visitation spending. In 1995 the final study was conducted to incorporate the most current financial forecast and for the first time identified long term impact for hosting the games. Based on this study alone the hosting to the 1996 Olympic Games was said to have an estimated \$5.1 Billion impact on the state of Georgia. This economic impact is the result of spending done by



the ACOG and spending done by visitors. In 1997 it was understood that the ACOG's spending generated \$2.6 billion in economic activity and an additional \$2.5 was generated by out of state visitors

Primarily the injection of new money effected Atlanta, Athens, and Savannah. The economic impact that is felt is due to the multiplier effect. It recognizes that new money has come into the economy and will be spent within Georgia. The induced impact of the Games was derived from the initial impact of the Games multiplied by a factor developed by the U.S Department of Commerce's Regional Input-Output Modeling System.

Exhibit 1			
THE OLYMPICS' ECONOMIC IMPACT			
(in billions)			
	Initial Impact	Responding	Total Impact
ACOG expenditure	\$1.14	\$1.44	\$2.59
Visitation spending	1.15	1.36	2.51
Supplemental ACOG expenditure*	0.02	0.02	0.04
Total spending	2.31	2.82	5.14

*Supplemental ACOG expenditure refers to additional spending by ACOG (for which ACOG is reimbursed) to obtain equipment/space for international broadcasters.

ACOG = Atlanta Committee for the Olympic Games

In terms of jobs created the Olympics has impacted business involved in all of the following industries: hospitality, business services, retail trade, construction, health services, transportation, wholesale trade and personal services. From these categories approximately 7,000 full-time and part-time jobs were created with a significant 38% in the hospitality industry including, lodging, amusements, food and drink (Glisson and Arbes, 1996). The 1996 generated an estimated \$176 million in additional tax revenue for state government. Primarily revenue will come from sales and use taxes, personal income taxes, selective sales tax and corporate income



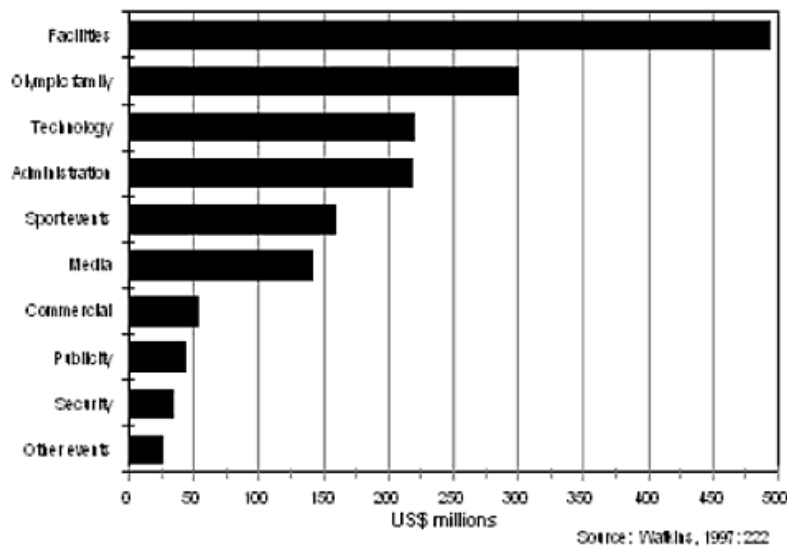
and licensing taxes.

**Exhibit 2
ECONOMIC AND JOB IMPACT OF OLYMPICS**

Economic Impact by Industry (In millions)		Jobs Created by Sector	
Lodging and amusements	\$677.7	Lodging and amusements	18,067
Business services	610.2	Eating and drinking	11,689
Eating and drinking	412.7	Business services	10,483
Real estate	383.5	Retail trade	8,871
Households	328.2	Other services	3,900
Retail trade	321.5	New construction	2,807
Transportation	234.5	Health services	2,687
Food products	215.1	Transportation	2,640
New construction	212.6	Wholesale trade	1,988
Other services	203.4	Personal services	1,431
Wholesale trade	183.0	Other sectors	12,463
Utilities	149.5		
Health services	146.9		
Communications	139.7		
Other industries*	923.0		
Total	\$5,141.5	Total	77,026

* Includes 25 other industries, the largest of which are finance, insurance, printing and publishing, maintenance and repair construction, and paper products.

ACOG Expenditure Chart

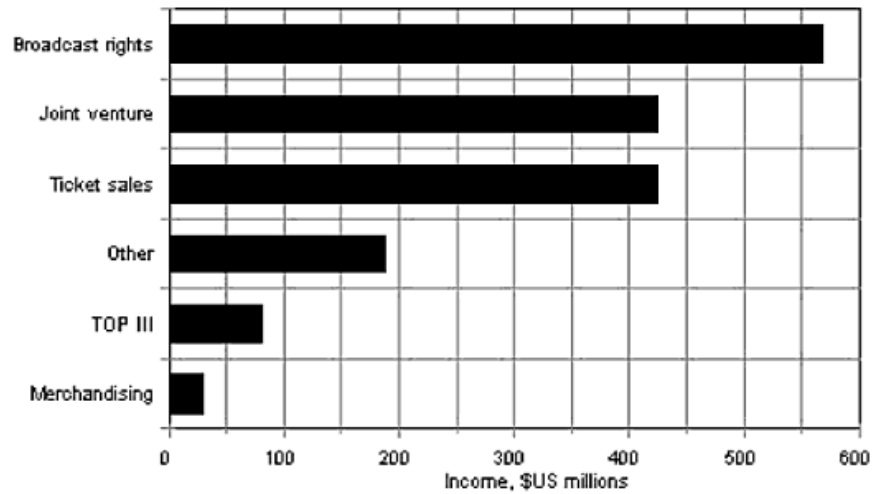


Baade and Matheson (2002) found “only 31 percent of the ACOG expenditures were in areas that could reasonably be expected to provide a measurable economic legacy” (p. 30).



Expenditures included an estimated \$650 million on Olympic venues, including the Olympic Stadium and the Olympic Village.

ACOG Income Chart



Source: Watkins, 1997:

The ACOG raised \$2.2 billion to operate the Games.

The Post- Olympic Games Impact

The post-games impacts are the long-term economic effects that the Olympics had on the host city and the areas surrounding the city. It is often referred to as the “Olympic legacy.” The post-Olympic impacts also relates to the maintaining of the facilities used for the Olympic Games and to post tourism effects on the city.



Key Economic Benefits and Costs of the Games

	<u>Benefits</u>	<u>Costs</u>
<u>Pre-Games Phase</u>	<ul style="list-style-type: none"> - Tourism - Construction activity 	<ul style="list-style-type: none"> - Investment expenditure - Preparatory operational costs (including bid costs) - Lost benefits from displaced projects
<u>Games Phase</u>	<ul style="list-style-type: none"> - Tourism - Stadium and infrastructure - Olympic jobs - Revenues from Games (tickets, TV rights, sponsorship etc.) 	<ul style="list-style-type: none"> - Operational expenditure associated with Games - Congestion - Lost benefits from displaced projects
<u>Post-Games Phase</u>	<ul style="list-style-type: none"> - Tourism - Stadium and infrastructure - Human capital - Urban regeneration - International Reputation 	<ul style="list-style-type: none"> - Maintenance of stadiums and infrastructure - Lost benefits from displaced projects

Tourism- visitors coming into the state and city.

Infrastructure- structures needed for the operation of the Summer Olympics. (Construction of facilities)

Investment- money to bid on the hosting the games and to build the proper facilities to stage the events.

Employment- jobs associated with the Olympic Games and the overall effect of employment to the local area.



Goals: Promote image of world class tourists and conference city; reinvigorate its Central business district and inaugurating and revival of downtown residential construction; provide benefits to city residents.

Outcome: Mixed success. While the Olympics cost the tax payers virtually nothing, providing Atlanta with a new \$122 million downtown stadium, new roads, and new housing for students, the much-promised goal of revitalizing urban neighborhoods fell short.



Chapter 2. The Bidding Process: How Atlanta won the bid.

The Bidding Process

There were six cities that proposed bids to host the 1996 Summer Olympic Games. They included: Athens, Greece, Toronto, Canada, Melbourne, Australia, Manchester, United Kingdom, and Belgrade, Yugoslavia. These Olympic Games had significance to them because it was the "Centennial Olympics", or the Games of the XXVI Olympiad. Atlanta's bid for the games began in 1987 when an Atlanta attorney, Billy Payne, wanted Atlanta to be the host site of the 1996 Summer Olympic Games. The mayor of Atlanta at the time, Andrew Young teamed up with Payne to develop a bid and sell the proposal to local business executives, then to the U.S. Olympic Committee, and then to the International Olympic Committee (IOC). Payne and Young ended up traveling around the world to promote Atlanta's bid to IOC delegates. Members that headed the proposed bids for all six cities gave gifts and provided favors for IOC delegates totaling over \$100 million. Atlanta supposedly only spent \$7.3 million in gifts and favors to IOC delegates and was at first considered a long-shot to host the games because the United States had previously hosted the Summer Olympics 12 years earlier in Los Angeles, California in 1984.

Toronto's bid for the games began in 1986 and after a successful Winter Olympics hosted by Calgary in 1988 they seemed ideal for a possible host for the Summer Olympics. The folks from down under in Melbourne, Australia felt they should host the games because the last time Australia hosted the summer games was in 1956, and they felt they should return to Australia. Athens, Greece had a legitimate reason to host the games because their bid was based on sentiment, in that the games in 1996 would mark the 100th Anniversary of the first Summer Games in Athens, Greece that took place in 1896. All of the cities finally met up in Tokyo, Japan at the 96th International Olympic Committee (IOC) Session to determine who would get the most bids to host the 1996 Summer Olympic Games. On September 18, 1990 Atlanta,



Georgia, United States of America won the bid ballot beating out Athens, Greece 51 votes to 35. This decision of Atlanta brought up a lot of drama, criticism, and controversy in the media because of alleged accusations against a long time Olympic sponsor and supporter Coca-Cola. Allegations about Coke spread throughout the Greek and Australian media and they had said that Atlanta had won the Games because of a conspiracy with Coca-Cola which is based in Atlanta. Executives from Coca-Cola feared that having the games in Atlanta could actually hurt their business. Having said this, they went on and produced commemorative pins for each of the six candidate cities. Their intent was to hand out the winning city's pins to the IOC delegates, but their idea backfired on them because the representatives of the other cities believed that Coca-Cola had already known the winner of the bidding. In fact the sales of Coke dropped in Greece for the next few years following this incident. About a year later a German periodical, *Der Spiegel* accused the Atlanta Committee for the Olympic Games (ACOG) of bribing IOC members with up to \$120,000 in gifts such as cash, gold credit cards, and college scholarships for their children. But the IOC gave many reasons as to why Atlanta was a good choice for the 1996 Summer Olympics. Atlanta brought a delegation of 300 people with computerized graphics and videos to show its part of their \$7 million drive, which at the time was one of the most structured and expensive bids in history. They had also offered a proposal to spend nearly \$1.2 billion in private funds to hold the Games, and they had hoped to generate about \$1.4 billion in revenues from various promotions and sponsorships. The ACOG also offered a revenue-sharing with the IOC, USOC (United States Olympic Committee), and other NOCs (National Olympic Committees). They wanted to display their city of Atlanta as a symbol of racial tolerance and show its economic progress in the South. The IOC said that Atlanta won the bid



for the 1996 Summer Olympics because it already had facilities offered in a secure environment and could guarantee large television revenues.

1996 Summer Olympics Bidding Results

City	NOC Name	Round 1	Round 2	Round 3	Round 4	Round 5
<u>Atlanta</u>	<u>United States</u>	19	20	26	34	51
<u>Athens</u>	<u>Greece</u>	23	23	26	30	35
<u>Toronto</u>	<u>Canada</u>	14	17	18	22	-
<u>Melbourne</u>	<u>Australia</u>	12	21	16	-	-
<u>Manchester</u>	<u>United Kingdom</u>	11	5	-	-	-
<u>Belgrade</u>	<u>Serbia and Montenegro</u>	7	-	-	-	-



Media Exposure

The media exposure that Atlanta gained from the Olympics has affected their city in both a positive and negative way. “The long-term impact of media coverage will positively influence tourism, convention activity, business location and expansion decisions, and foreign investment” (Arbes, 1996). Also, people will think of the Atlanta as a sports town and will attract many people that come to see sporting events. From 1994-2002 Atlanta hosted the Mobil Indoor Track and Field National Championships. In addition, Atlanta also has major league teams such as the Atlanta Braves (MLB), Hawks (NBA), Falcons (NFL), and Thrashers (NHL). The Georgia Dome which is located in Atlanta is where the Falcons play, but they also host other events there such as SEC football, Super cross, Monster Jam, Chick-Fil A Bowl, and NCAA basketball. The negative exposure Atlanta endured from the Olympics was a lot of traffic problems were oft-cited during the first week, but then overshadowed by the Centennial Park bombing. The bombing killed two people and injured 111 others. “As a result of the traffic congestion, administrative problems, security breaches and over-commercialization, Atlanta did not receive the kind of media attention it would ideally have liked” (Essex and Chalkey 1998).

Other Benefits

There are also other benefits besides the affect on employment and the media exposure. These benefits are ones you wouldn't typically think of right away when thinking about the positive aspects of hosting the Olympic Games.

One of those benefits is community benefits. “An example of such a legacy is the mobilization of the Olympic Force, a group of 700,000 volunteers who have been affiliated with more than 1,700 community and civic groups throughout the state. During the last several years,



this nucleus of volunteers has carried out various community improvement projects. Moreover, the 1996 Olympic Games will be the catalyst for job training programs; youth and education programs, including the Olympic Day in the Schools program; cultural programs; and community projects” (Arbes, 1996).

Another benefit of the Olympic Games is the Atlanta transportation. “The Metropolitan Atlanta Rapid Transit Authority (MARTA), Atlanta's public transportation system, will benefit from its association with the Olympics. MARTA was awarded a \$14 million federal grant to purchase natural gas buses which will be showcased during the summer of 1996. Prior to the Games a state-of-the-art system for transit customer information and automatic vehicle location, funded primarily from federal sources, will be implemented to improve MARTA service” (Arbes, 1996).

Sports, Venues, and Participating Nations

The 1996 Summer Olympics had a turnout of 10,329 Athletes including 6,817 men and 3,512 women from 197 different nations. There were a total of 271 athletic events in 26 sports. The events of the games were held in numerous areas throughout the city of Atlanta and various metropolitan areas. The majority of the events were held within the Olympic Ring, which is a three mile circle around the city of Atlanta. Other events took place at Stone Mountain, Atlanta Beach, Wolf Creek Shooting Complex, Georgia International Horse Park, and Lake Lanier. This helped broaden ticket sales for other events.



Venues and Sports in the 1996 Atlanta Summer Olympics

Event	Location
Opening Ceremony	Olympic Stadium
Closing Ceremony	Olympic Stadium
Archery	Stone Mountain Park
Badminton	Georgia State University
Baseball	Atlanta-Fulton County Stadium
Basketball	Georgia Dome (<i>finals</i>); Morehouse College (<i>preliminaries</i>)
Beach Volleyball	Jonesboro, Ga.
Boxing	Alexander Memorial Coliseum (Ga. Tech)
Canoeing (slalom)	Ocoee River
Canoeing (sprint)	Lake Lanier
Cycling (mountain)	Georgia International Horse Park
Cycling (road)	Buckhead area
Cycling (track)	Stone Mountain Park
Diving	Georgia Tech's Aquatic Center
Equestrian	Georgia International Horse Park
Fencing	World Congress Center
Field Hockey	Atlanta University Center
Gymnastics;	Georgia Dome (<i>Artistic</i>) Georgia State University Coliseum (<i>Rhythmic</i>)
Judo	World Congress Center
Modern Pentathlon	World Congress Center; Georgia Tech's Aquatic Center (<i>Swimming</i>); Georgia International Horse Park
Rowing	Lake Lanier
Shooting	Wolf Creek Shooting Complex
Soccer	Birmingham, AL; Miami, FL; Orlando, FL; Washington, DC; Athens, GA (finals)
Softball	Columbus, Ga.
Swimming	Georgia Tech's Aquatic Center
Synchronized Swimming	Georgia Tech's Aquatic Center
Table Tennis	World Congress Center
Tennis	Stone Mountain Park
Team Handball	World Congress Center
Track and Field	Olympic Stadium
Volleyball	University of Georgia Coliseum



	<i>(preliminaries); The Omni (finals)</i>
Water Polo	Georgia Tech's Aquatic Center
Weightlifting	World Congress Center
Wrestling	World Congress Center
Yachting	Savannah, Ga.

Participating Nations

COUNTRY	NUMBER OF ATHLETES
Afghanistan	1
Albania	7
Algeria	45
American Samoa	7
Andorra	8
Angola	28
Antigua and Barbuda	13
Argentina	178
Armenia	32
Aruba	3
Australia	424
Austria	72
Azerbaijan	23
Bahamas	26
Bahrain	5
Bangladesh	4
Barbados	13
Belarus	157
Belgium	61
Belize	5
Benin	5
Bermuda	9
Bhutan	2
Bolivia	8
Bosnia and Herzegovina	9
Botswana	7
Brazil	225
British Virgin Islands	7
Brunei	1
Bulgaria	110
Burkina Faso	5
Burundi	7
Cambodia	5
Cameroon	15
Canada	303



Cape Verde	4
Cayman Islands	9
Central African Republic	5
Chad	4
Chile	21
China	294
Colombia	48
Comoros	4
Congo	5
Cook Islands	3
Costa Rica	49
Côte d'Ivoire	11
Croatia	84
Cuba	164
Cyprus	17
Czech Republic	115
Denmark	119
Djibouti	5
Dominica	6
Dominican Republic	16
Ecuador	19
Egypt	29
El Salvador	7
Equatorial Guinea	5
Estonia	43
Ethiopia	18
Fiji	17
Finland	76
France	299
Gabon	7
Gambia	9
Georgia	34
Germany	465
Ghana	35
Great Britain	300
Greece	121
Grenada	5
Guam	8
Guatemala	26
Guinea	5
Guinea-Bissau	3
Guyana	7
Haiti	7
Honduras	7
Hong Kong	23



Hungary	214
Iceland	9
India	49
Indonesia	40
Iran	18
Iraq	3
Ireland	78
Israel	25
Italy	346
Jamaica	45
Japan	306
Jordan	5
Kazakhstan	96
Kenya	52
North Korea	24
South Korea	300
Kuwait	25
Kyrgyzstan	33
Laos	5
Latvia	48
Lebanon	1
Lesotho	9
Liberia	5
Libya	5
Liechtenstein	2
Lithuania	61
Luxembourg	6
Macedonia	11
Madagascar	11
Malawi	2
Malaysia	35
Maldives	6
Mali	3
Malta	7
Mauritania	4
Mauritius	26
Mexico	97
Monaco	3
Mongolia	16
Morocco	34
Mozambique	3
Myanmar	3
Namibia	8
Nauru	3
Nepal	6



Netherlands	235
Netherlands Antilles	6
New Zealand	97
Nicaragua	26
Niger	3
Nigeria	65
Norway	98
Oman	4
Pakistan	24
Palestine	2
Panama	7
Papua New Guinea	11
Paraguay	7
Peru	29
Philippines	12
Poland	165
Portugal	106
Puerto Rico	69
Qatar	12
Romania	165
Russia	390
Rwanda	4
Saint Kitts and Nevis	10
Saint Lucia	6
Saint Vincent and the Grenadines	8
Samoa	5
San Marino	1
São Tomé and Príncipe	2
Saudi Arabia	29
Senegal	11
Seychelles	9
Sierra Leone	14
Singapore	14
Slovakia	71
Slovenia	37
Solomon Islands	1
Somalia	4
South Africa	84
Sri Lanka	9
Sudan	4
Suriname	7
Swaziland	6
Sweden	177
Switzerland	114
Syria	7



Chinese Taipei	74
Tajikistan	8
Tanzania	7
Thailand	37
Togo	5
Tonga	5
Trinidad and Tobago	12
Tunisia	51
Turkey	53
Turkmenistan	7
Uganda	10
Ukraine	231
United Arab Emirates	4
United States	646
Uruguay	14
Uzbekistan	71
Vanuatu	4
Venezuela	39
Vietnam	6
Virgin Islands	12
Yemen	4
Yugoslavia	68
Zaire	14
Zambia	8
Zimbabwe	13

Metal Count				
Country	Gold	Silver	Bronze	Total
USA	44	32	25	101
Russia	26	21	16	63
Germany	20	18	27	65
China	16	22	12	50
France	15	7	15	37
Italy	13	10	12	35
Australia	9	9	23	41
South Korea	7	15	5	27
Cuba	9	8	8	25
Ukraine	9	2	12	23

This chart shows the medal count for the 1996 Summer Olympics in Atlanta. The United States dominated the competition with 101 medals overall and also had the most gold medals with 44. This helped the U.S. by showing the world that we are still a global powerhouse.



Chapter 3. The 1996 Atlanta Summer Olympics: the numbers breakdown

There were many studies that were conducted about the potential economic impacts of the 1996 Olympics. There were also studies done after the Olympics to see the real economic effects the city of Atlanta incurred during and the time after hosting the Olympic Games. We reviewed numerous studies that predicted the impact of the Atlanta Games to be \$5.1 billion. We also found that the Olympics in Atlanta had a major impact on net exports in the state of Georgia. However, there little evidence of a major economic effect on the city of Atlanta because of the games. This brings up thoughts of who actually benefits from the increase in exports and how those exports influence the local economy.

A post study by Baade and Matheson (2002) found a boost in employment and Atlanta and the state of Georgia spent \$1.58 billion to produce 24,742 full- or part-time jobs compared to another study by Arbes in the Government finance review that projected 77,000 full- and part-time jobs totaling \$5.14 billion in various job sectors. In the Baade and Matheson (2002) study that created 24,742 jobs they estimated out an average of \$63,860 per job and another study conducted by the Upjohn Institute for Employment Research found estimated that a new job adds about \$0.50 in economic benefit to a local economy for every dollar of wages.

The chart below summarizes the economic impact projections of the Atlanta study. The impact of the Atlanta Games was projected to be \$5.1 billion. The source of the impact was nearly equally divided between direct spending by the Atlanta Committee for the Olympic Games (ACOG) for staging the games and spending by out-of-state visitors. From the numbers below is what we based our multipliers from. We did four separate multipliers, one for the Atlanta Committee for the Olympic Games, and one for the grand total of numbers that the Selig Center for Economic Growth came up with, one to account for possible leakages, and another from



other books and studies that we comprised together ourselves based on numerous numbers we found.

To come up with the multiplier coefficients we had to base our jurisdiction of the five inviolable principles stated in *Financing Sport 2nd Edition*. The first inviolable principle is the exclusion of local residents. This means that we cannot take into account the money that is already being spent and calculated by the local residents of the Atlanta metropolitan area. Economic impact studies on an event such as the Olympics should only calculate the new money being injected into the economy by visitors, media, vendors, sponsors, economic government entities, and banks and investors in the outside community. The visitors that live and reside outside the Atlanta area and whose primary motivation to attend an event at the Olympics or who stay a longer period of time because of the Olympics should be included in the overall economic impact study. Expenditures by people who live in the Atlanta area do not contribute to the economic impact of the Olympics, because those expenditures they induce is only recycled through the local economy and there is no new economic growth.

The second inviolable principle is the exclusion on “time-switchers” and “casuals”. A “time-switcher” is an individual or couple that lives in an area for a temporary period of time and change locations of where they live because of certain personal reasons. Casuals are visitors who were already in the Atlanta area, attracted by other features, and who decided to attend an Olympic event(s) instead of doing something else. Expenditures from out-of-town visitors can be considered part of both; time-switcher or a casual. Some non-local spectators at the Olympics may have been planning a visit to the area for some time but changed the timing of their visit because of attending the Olympics. The spending in the Atlanta area by the time switchers should not be attributed to the Olympics, because of spending by these people would have



happened without the change, even if it was at a different time of year. For an event of high profile like the Olympics, it is possible that prices in the area could be raised for duration of time, because of the event. Therefore, the expenditures of the time-switchers may be higher at the time than if they visited at a different time of year. Time-switchers and casuals can be used or disregarded in an economic impact study of the Atlanta Olympics depending on certain situations.

The third inviolable principle is the use of income rather than sales output measures. The main problem with this principle is part of the Olympic revenue was already in the community system. The multiplier concept is calculated when visitors to a sports event, such as the Olympics, spend money in the area and their initial direct expenditures stimulates the economy creating more business turnover, personal income, employment, and government revenue in this case, in the city of Atlanta. This concept recognizes that industries that constitute the economy are interdependent. This means that the businesses will purchase goods and services produced by other establishments in the area affecting the local economy. Multipliers are created from input-output tables that disaggregate an economy into 528 different industrial sectors. They examine the flow of goods and services among them. The problem is keeping track of the new flow of money in a local economy and deciding which money is actually new money and can be accounted for in the economic impact study.

The fourth inviolable principle is the use of multiplier coefficients rather than multipliers. A multiplier coefficient is found by following the formula of:

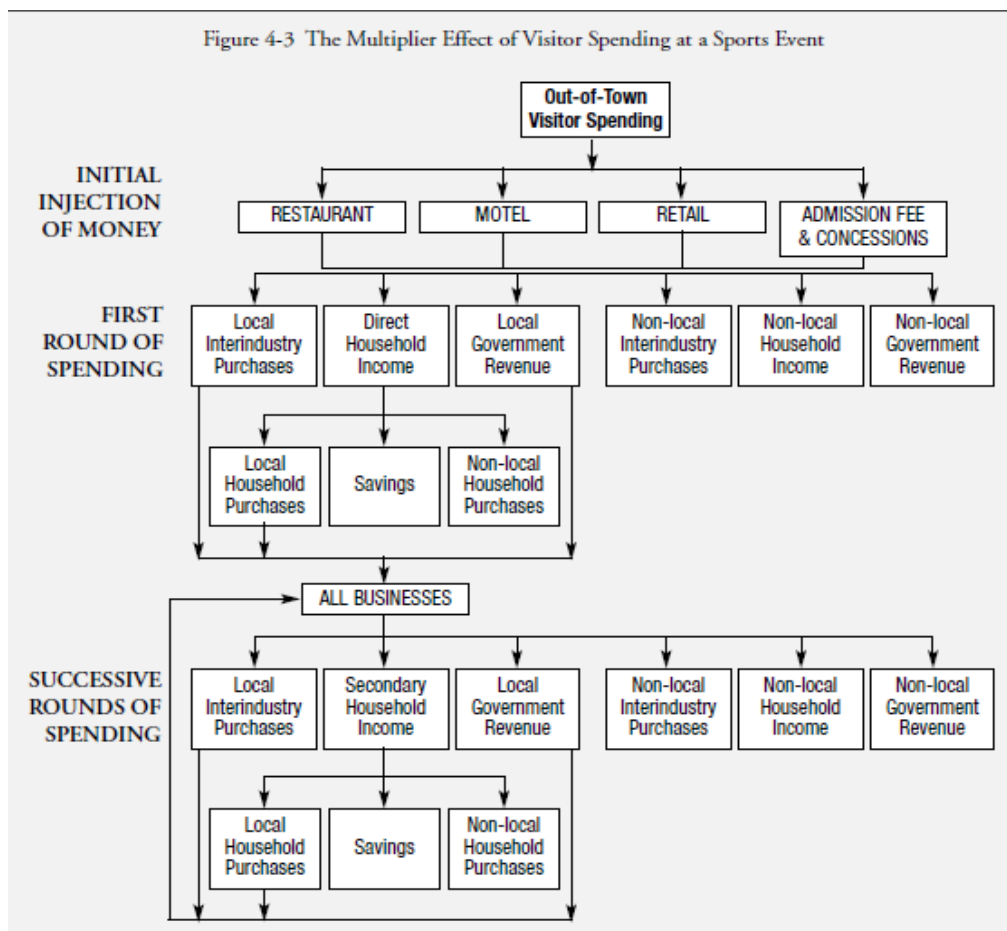
$$\frac{\text{Direct} + \text{Indirect} + \text{Induced effects}}{\text{Injected Visitor Expenditures}}$$



Direct effects are the first round effects of visitor spending; that is, how much the restaurateurs, hoteliers, and others who received the initial dollars spent on goods and services with other industries in the local economy and pay employees, self-employed individuals and shareholders who live within the jurisdiction (Howard and Crompton, 2004).

Indirect effects are the ripple effects of additional rounds of recirculating the initial visitors' dollars by local businesses and local government (Howard and Crompton, 2004).

Induced effects are the even further ripple effects generated by the direct and indirect effects, caused by employees of affected businesses spending some of their salaries and wages in other businesses in the city (Howard and Crompton, 2004).



(Howard and Crompton 2004)



Multiplier Coefficients

Table 1: Projected Output Impact of 1996 Olympics on Georgia's Economy (\$1994)

Expenditure Category	Total Spending	Direct and Indirect Expenditures	Induced Output Impact	Total Output Impact
Direct Spending by ACOG	1,529,758,000	1,141,903,000	1,444,322,740	2,586,225,740
Other Spending	20,000,000	20,000,000	23,944,000	43,944,000
Spending by Out-of-State Visitors	1,265,363,037	1,145,994,764	1,364,364,452	2,511,359,220
Grand Total	2,815,121,037	2,307,897,764	2,832,631,192	5,141,528,960

Source: Atlanta Committee for the Olympic Games and The Selig Center for Economic Growth, (1995).

Direct + Indirect + Induced effects

Injected Visitor Expenditures

ACOG-

$$1,141,903,000 (D+I) + 1,444,322,740 (IDU) / 1,265,363,037$$

$$= \mathbf{2.04389}$$

All Categories

$$2,307,897,764 (D+I) + 2,832,631,192 (IDU) / 1,265,363,037$$

$$= \mathbf{4.0625}$$

Account for leakage in out-of-state visitors

$$2,307,897,764 (D+I) + 2,832,631,192 (IDU) / 1,145,994,764 (\text{Leakage number})$$

$$= \mathbf{4.4857}$$

Numbers from a Book: Atlanta: race, class, and urban expansion by Larry Keating and a

Study Conducted by Humphreys and Plummer

$$1,160,000,000 (D) + 1,037,030,000 (ID) + 2,830,000,000 (IDU) = 4,027,030,000 / 1,140,000,000$$

$$= \mathbf{3.5325}$$



Direct impact was mostly through spending by ACOG, whose budget was comprised of private funds. The expenditures were adjusted downward because of the money that flowed directly out of Georgia, and we did not find one study that determined what percentage of the funding came from sources in Georgia. This could have possibly led to overestimation of economic impact. Ticket sales comprised almost 25% of ACOG revenues and are the largest single source of measurement error because residents of Georgia should not be included in the study for calculation purposes.

Fiscal impacts in the study were not reported. We assumed this because the state and local tax revenue projections of \$200 million by the ACOG did not cover the \$353.9 million in government spending for the games. We also found that \$92.2 million was federal expenditure. Spending by out-of-state visitors before, during, and after the Olympics was estimated at \$1.265 billion and only slightly adjusted downward for leakages to \$1.146 billion.

The data collected suggests that the Olympics had a type of crowding out effect on the tourism industry. In Table 3 from a study we found it shows the convention attendance in Atlanta, which had been increasing steadily over the previous ten years and then fell from 1995 to 1996. Hotel occupancy rates fell from 72.9% in 1995 to 68% in 1996 despite the Olympics. Macroeconomic indicators in Georgia and Fulton County show no discernible break in the pattern of per capita income growth or unemployment rates (State of Utah 2000). From the disruption caused by the Olympics, hotels and restaurants that would be expected to benefit from increased tourism were actually hurt. "In other parts of town, many hotels and restaurants reported significantly lower than normal sales volume during the Games. Even shops and resorts in areas up to 150 miles away reported slower than normal business during the summer of 1996" (French and Disher 1997).



Table 2: Sources of Budget for Atlanta Olympics

Source	Percent of Budget
Broadcast Rights Fees	33.0
Cash Paid by Sponsors	29.5
Ticket Sales	24.7
Licensed Merchandise	1.9
Other Revenues	11.0

Source: Atlanta Committee for the Olympic Games (1996)

Table 3: Atlanta Tourism Indicators

Year	Number of Conventions	Convention Attendance	Number of Visitors	Hotel Occupancy
1988	1,623	1,737,800	N/A	N/A
1989	1,662	1,800,792	N/A	61.80%
1990	1,721	1,883,546	N/A	62.20%
1991	1,854	2,152,386	N/A	60.40%
1992	2,105	2,503,522	N/A	63.10%
1993	2,321	2,753,412	6,058,000	67.40%
1994	2,410	2,985,641	7,009,900	71.90%
1995	2,560	3,102,455	7,342,000	72.90%
1996	2,280	2,780,000	6,695,000	68.00%

Source: State of Utah, Governor's Office of Planning and Budget

The number for the induced effects in the fourth multiplier was estimated by our group from a book by Larry Keating titled *Atlanta: race, class, and urban expansion*. In his book he explained that the cost of indirect cost effects to local governments of paying employees for working on the various Olympic projects was the largest single operational and administrative expense for the Olympics, paid for with no government money. How much was actually spent is not known, because no effective accounting method was put in place to derive a number of this stature. The expenses for capital projects include only the “hard” costs of construction and do not include the needed “soft” costs of planning, writing proposals, political lobbying, intergovernmental negotiations, design, bidding, construction oversight, accounting, and



reporting. There were countless hours that were spent by government employees in planning, organizing, and following through until completion of more than \$900 million in construction projects. If the other administrative costs were estimated to account for leakage it would have possibly amounted to \$137.03 million. I myself added these two figures up and came up with the estimated induced effects of \$2.83 billion.

The fifth and final inviolable principle is to have careful interpretation of employment measures. An employment multiplier coefficient measures the direct, indirect, and induced affect of visitor spending on employment in the host city, of Atlanta. This multiplier of employment coefficients are expressed in number of jobs per million dollars in direct sales. There were two numbers that we found for jobs created during years before, during, and after the Olympics. One was from a post study by Baade and Matheson (2002) that found a boost in employment and Atlanta and the state of Georgia spent \$1.58 billion to produce 24,742 full- or part-time jobs compared to another study by Arbes in the Government finance review that projected 77,000 full- and part-time jobs totaling \$5.14 billion in various job sectors. These numbers found vary so much because of the inclusion of locals, casual, and time-switchers in the calculation of monetary impact. There are three important warnings that you must take into account for estimates of employment that are ignored in some studies. The first estimates include both full-time and part-time jobs and do not distinguish between them (Howard and Crompton 2004). The second estimate assumes that all existing employees are fully occupied, so an increase in visitor spending will increase the level of employment within the area (Howard and Crompton 2004). The third estimate is that all the new jobs created are assumed to be filled by members of the local community (Howard and Crompton 2004).



Effect on Employment

Studies that are called differences-in-differences statistics show, “that overall employment in venue and near-venue areas increased 17% more during and after the Olympic games than in non-venue areas. We also show that this increase was not merely a metropolitan phenomenon; employment in the northern venue areas (the most heavily populated areas) increased 11% more during and after the Olympic games than did employment in other similar metropolitan areas in the south” (Entrepreneur). “The 17% increase in employment translates into approximately 293,000 more jobs in the VNV county areas after the Olympics on the basis of the average employment level across all of Georgia prior to the Olympics” (Entrepreneur). The Olympic Games in Atlanta has greatly helped the growth of employment which will keep the city running well. “The governor and several public and private entities have been participating in a project called Operation Legacy. Lead by Georgia Power, this project has been designed to familiarize the world’s leading investors and corporations visiting for the Games with the economic opportunities available in Georgia through tours and other marketing activities. According to Operation Legacy, ten companies have committed projects that will provide 1,515 new jobs for the city of Atlanta” (allbusiness).



ECONOMIC AND JOB IMPACT OF OLYMPICS

(The numbers below shows the economic impact of the Olympics in Atlanta by industry.)

Economic Impact by Industry (in millions)

Lodging and amusements \$677.7

Business services 610.2

Eating and drinking 412.7

Real estate 383.5

Households 328.2

Retail trade 321.5

Transportation 234.5

Food products 215.1

New construction 212.6

Other services 203.4

Wholesale trade 183.0

Utilities 149.5

Health services 146.9

Communications 139.7

Other industries(*) 923.0

Total \$5,141.5

\$5,141,500,000



Jobs Created by Sector

Lodging and amusements	18,067
Eating and drinking	11,689
Business services	10,483
Retail trade	8,871
Other services	3,900
New construction	2,807
Health services	2,687
Transportation	2,640
Wholesale trade	1,988
Personal services	1,431
Other sectors	12,463
Total	77,026

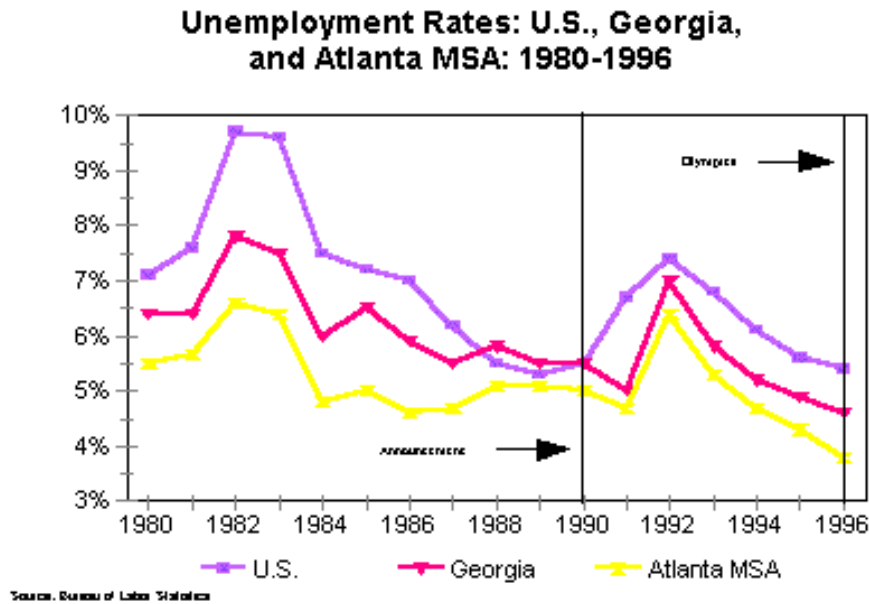
* Includes 25 other industries, the largest of which are finance, insurance, printing and publishing, maintenance and repair construction, and paper products. (allbusiness)

Based on the number of jobs created the Atlanta Olympic Games has had influence on the following industries:

Hospitality
 Business services
 Retail trade
 Construction
 Health services
 Transportation
 Wholesale trade
 Personal services



Approximately 77,000 full- and part-time jobs were created with the hospitality industry, which includes lodging, amusements, and food and beverage. It was projected that the Atlanta Games would generate an estimated \$176 million in additional tax revenue for state government. This is mostly from the general sales and use taxes (\$91 million), personal income taxes (\$65.4 million), selective sales taxes (\$10.7 million), and corporate income and license taxes (\$9 million).



This graph shows the unemployment rates of the United States, the state of Georgia, and the Atlanta area. We felt that this is important to show how the unemployment rate decreased in the years leading up to the 1996 Summer Olympics.



Lodging Industry

From the studies that we viewed we found some interesting facts about the lodging industry. Most hotels and lodging establishments fixed costs high enough to discourage entry for a temporary event like the Olympics. They are able to capture short-term growth through higher prices. Industries with lower entry costs, such as restaurants or merchandise sales, have monopoly profits competed away. Even when there is a net increase in visitors, impacts are focused on the lodging industry while other sectors have any impact from visitors countered by reductions in regular business. These charts show other information found in numerous studies conducted on the effects the Olympics had on the lodging industry.

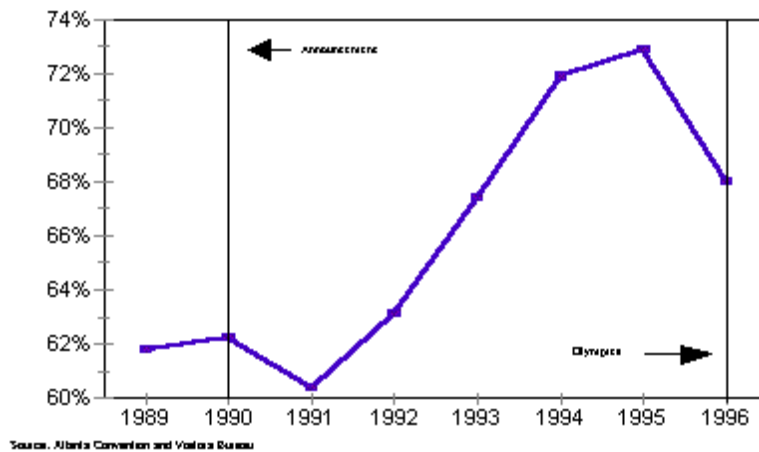


State of Utah, Governor's Office of Planning and Budget

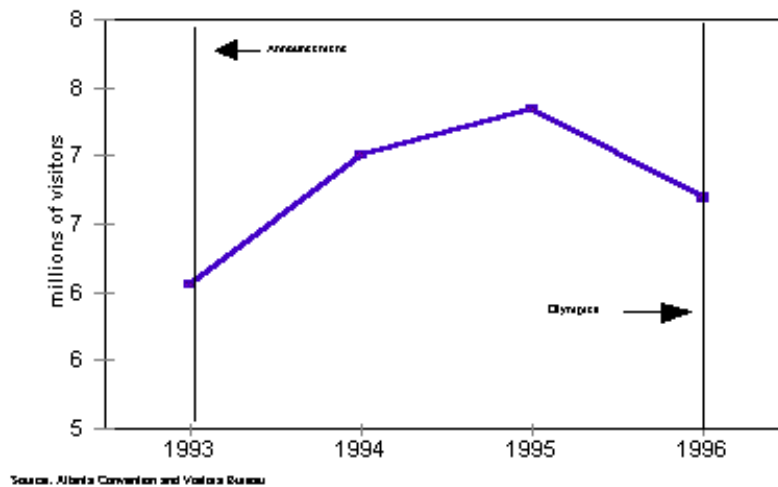


Hotel occupancy rates showed significant increases following the announcement year. In the Olympic year, however occupancy rates declined from 73% to 68% in 1996. The number of conventions and convention attendance both show significant increases since 1991 then decline in the year of the Games. Overnight visitors to Atlanta increased from 1993 and declined in the year of the Games. These data show increases prior to the Games, but a displacement effect in the year of the Games.

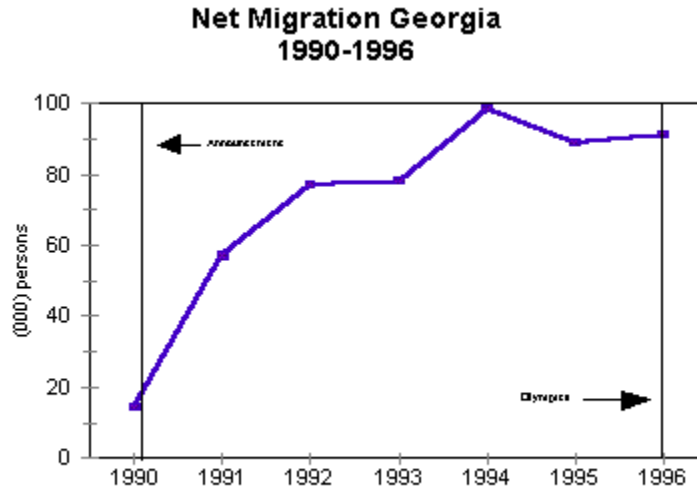
**Hotel Occupancy Rate, Atlanta:
1989-1996**



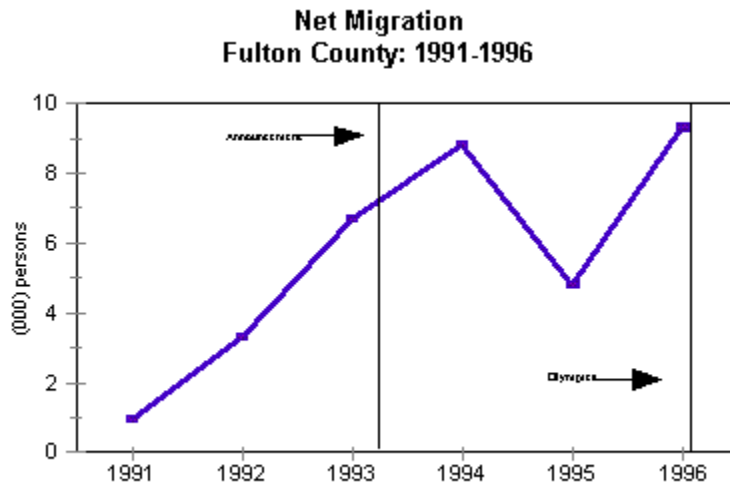
**Overnight Visitors, Atlanta:
1993-1996**



Net in-migration to Georgia and Fulton County increases steadily from 1990 to 1994. In both areas net in-migration dropped in the year prior to hosting the Games, but rebounded in the year of the Games. How much of the migration is due to the Olympics is not known because it is very difficult to find those figures.



Source: U.S. Bureau of the Census



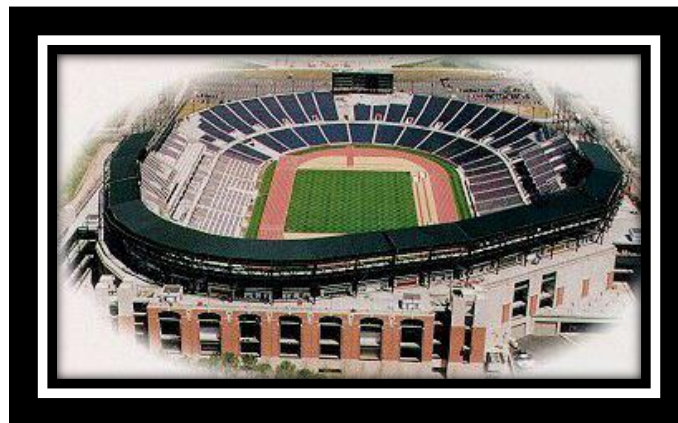
Source: Bureau of Labor Statistics



Olympic Stadium

The main venue surrounding these games was Centennial Olympic Park in downtown Atlanta. This venue was the focal point for the major corporations that sponsored the Olympics. The corporations technically had their own self-sustaining economy in itself because a majority of the money generated went back to the firms and workers who are not permanent residents of the local economy. The major project that the city of Atlanta faced was the construction of Olympic stadium which was pre planned to become the future home to the Atlanta Braves.

Centennial Olympic Stadium sat 85,000 and took approximately 3 years to construct. It hosted the opening and closing ceremonies along with track and field events. The ACOG used \$207 million from the \$1.7 budget to build the Olympic Stadium (Sandomir, 2005). The money used to build the stadium was from revenue from ticket sales, television rights, licensed merchandise and sponsorships. After the Olympics ended, the stadium was reconstructed into a baseball only facility for the Major League team the Atlanta Braves. Olympic stadium was given to the Braves franchise as a gift from the ACOG. It was named Turner Field after the owner of the Atlanta Braves, Ted Turner.



Chapter 4. Conclusions

To conclude what we now know about the different facets of an economic impact analysis, there is a lot of research involved in finding the numbers and looking at numerous studies to compare numbers because different studies use different sectors for the numbers they collect and add together. The accounting behind these studies is very complex and it is extremely difficult to do studies of such magnitude on such a monumental event such as the Olympics which incurs expenses lasting over a decade. The Atlanta Organizing Committee in 1996 broke even (Burton and O'Reilly 2009). We found that there were some general improvements in economic activity in the years leading up to and following the Games. However, this impact occurs at the same time with many other larger and overwhelming activities in the economy. Consequently, it is difficult to isolate an Olympic effect in macroeconomic data. The tourism industry is an exception and does show significant Olympic-related gains in activity (State of Utah 2000). Even though the Olympics are a very large economic event, the impacts are not large enough to be able to dramatically alter macroeconomic indicators (State of Utah 2000).

The 1996 Summer Olympic Games were overall a very large scale string of events that did have some impact on the local economy and the people themselves that live in the metropolitan Atlanta area. Many the venues and projects constructed for the Olympics are still put to use today and are kept up and maintained well. Since the 1996 Olympics, the number of international companies with branches in Greater Atlanta doubled to surpass 2,200, according to *Global Atlanta*, the region's international business news journal (State of Utah 2000). These Olympics were considered to be one of the most popular Olympics ever and had an effect on the



entire globe.



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