

» Economic Impact of the Games

» **John Glen**
Senior Lecturer
in Economics

When Sebastian Coe's team won the Olympic bid in 2005, the cost to the UK taxpayer of staging the 2012 Olympics was estimated at £2.37 billion. In January 2012, Olympics minister Hugh Robertson, when faced with the suggestion that the cost to the taxpayer had escalated to £12 billion, stated that the public spending package is "absolutely" still £9.3 billion. While the costs of the Olympic bid escalate and may appear to be subject to a degree of uncertainty, that uncertainty pales into insignificance when considering the likely benefits associated with those costs are taken into account. That said, one of the major reasons why any city bids for an Olympic Games is because of the 'expected' economic benefits.

When it comes to naked economic ambition for the hosting of the London 2012 Olympics, few quotes sum up this intent better than former mayor Ken Livingston, who stated that he

"didn't bid for the Olympics because he wanted three weeks of sport", he bid for the Olympics because "it's the only way to get billions of pounds out of the government to develop the East End – to clean up the soil, put in the infrastructure and build the

housing". London 2012 may reverse the historical trend of Olympics not creating an economic legacy. The infrastructure spending which includes improved transport links and housing, will create a long term, Olympic legacy for the East End.

Figure 1 – High level cost benefit analysis for London 2012

Costs	£ (billion)	Revenues	£ (billion)
Taxpayers contribution	9.3	Additional spending 7 weeks of Olympics and Paralympics	.75
		Stimulus of output associated with 7 weeks of Olympics and Paralympics	1.14
		Increased tourism spend 2013-15	2.61
		Stimulus of output associated with increased tourism spend	3.97
		Sale of Olympic village (to date)	.85
		Tax revenues	.85
Total	9.3	Total	10.17

If the cost of the Olympics to the taxpayer remains at £9.3 billion, this represents the bulk of any direct cost to the UK population (see Figure 1).

“London is bucking the trend and the impact of the London Olympics will be significant.”

On the revenue side, a report commissioned by Visa indicated that £750 million of additional expenditure would occur during the seven weeks of the Olympics and Paralympics. Furthermore, £709 million of this additional expenditure would come from overseas. Only £41 million of additional UK spending will occur because much of UK spending will be a transfer of monies that would have been spent elsewhere in the UK. Associated with this will be a further £1.14 billion of increased UK output being produced due to the multiplier effect of the £750 million of additional consumption expenditure. Assuming a (very modest) 1.5% increase in tourism, stimulated by the global exposure that an Olympic Games brings, this creates an increase in tourist spend of £2.16 billion and an associated £3.97 billion of multiplier effects.

If you then add the £850 million that has been agreed for sales of the Olympic village properties to date, and a similar amount of tax revenue paid by employees and suppliers working on the Olympic site, it would appear that London is bucking the trend and that the economic impact of the London Olympics will be significant. [\[MF\]](#)

For further information please contact the author at john.glen@cranfield.ac.uk

