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## What would Olympics really bring Chicago?

By Gregory Meyer  
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## WHAT HAS BEEN



### LOS ANGELES 1984

Economists predicted a \$3.3-billion impact. A post-games review pegged it at \$2.4 billion.



### ATLANTA 1996

A \$5.1-billion impact was forecast for the state of Georgia, but no one funded a follow-up study.



### SYDNEY 2000

Economists projected a \$6.5-billion (\$5 billion in U.S. dollars) effect on Australia's economy over 12 years.

AP and Newcom photos

So what kind of economic lift would a 2016 Olympics give the Chicago area?

City Hall pegs the benefit at \$8 billion to \$10 billion. Patrick G. Ryan, who's leading the Olympic bid committee, puts it at \$6.5 billion.

But none of those numbers is based on any actual analysis. *Crain's* asked the Regional Economics Applications Laboratory (REAL) at the University of Illinois at Urbana-Champaign to run the numbers. REAL's estimate: The games could pump \$5 billion into the six-county regional economy and create 81,490 new jobs.

That's a preliminary projection. The city's Olympic proposal is still sketchy. It includes plans for a \$1-billion "village," a \$300-million stadium and other facilities and new infrastructure (ChicagoBusiness.com, Sept. 23).

The \$6.5-billion estimate floated by Mr. Ryan and others when Chicago's Olympic plans were unveiled last month, however, is plucked from an economic impact study of the 2000 Sydney Olympics.

What Mr. Ryan failed to say at the time was that the \$6.5 billion cited in that study was in Australian currency at 1996 prices. The study also measured the bump in economic activity to Australia as a whole, not to Sydney. And the seeming economic jolt was spread over a dozen years.

REAL's analysis, which is based on the impact of the 1984 Olympics on the Los Angeles economy, should include its own caveats: The games 22 years ago entailed minimal construction costs and hordes of volunteers. The final impact study on Los Angeles subtracted the effects of people who avoided the city during the games. REAL's analysis, calculated in 2006 dollars, does not.

"We're just providing a benchmark or a sense of what could happen — not for people to wrap their arms around this and have it as a forecast," says Geoffrey Hewings, REAL's director. Still, he says the effects of an Olympic Games — and the construction jobs, visitors and new investment that such an event would bring to Chicago — could be significant.

"We're about a billion-dollar-a-day economy. So (\$5 billion) is the equivalent of sustaining the economy for five days," Mr. Hewings says. If that \$5-billion impact was felt all in one year, it would comprise about 1.4% of the regional economy, he says. "That doesn't sound like a lot, but it's huge."

Nearly half that impact — \$2.4 billion — would be felt in the service sector, which would include everything from waiters to food vendors to hotel staffers. About 54%, or 44,000, of the new jobs would be created in the service sector; most of them would be short-term.

Lori Healey, commissioner of the city's Department of Planning and Development, says the city has not yet studied the economic impact: "It's a little bit premature to do that. We are 10 years away."

## WHAT COULD BE

*The estimate of \$5 billion represents a direct expenditure of \$2.2 billion and an indirect or trickle effect estimated at \$2.8 billion. Also, an estimated 81,490 jobs could be created in the process.*

BREAKDOWN OF ECONOMIC IMPACT		JOBS
Service industry	\$2.4 billion	43,650
Transportation, communications, utilities	\$675 million	20,570
Nondurable manufacturing	\$564 million	2,260
Wholesale and retail trade	\$473 million	8,400
Finance, insurance, real estate	\$394 million	2,670
Durable manufacturing	\$382 million	1,740
Construction	\$128 million	1,340
Government	\$26 million	460
Other	\$13 million	400

## CHICAGO 2016

### ESTIMATED ECONOMIC IMPACT: \$5 BILLION

Sources: University of Illinois at Urbana-Champaign, Economics Research Associates, Selig Center for Economic Growth, University of Georgia, John R. Madden, Monash University.

Australian economic activity of only 0.12% on average over the 12-year period from 1994 to 2005."

The Chicago bid committee, following precedents set in L.A. and Atlanta, promises to fund the games itself. The committee hasn't put a total price tag on the project, but says it will be at least \$1.3 billion. "There won't be any federal or state money put towards these games," says a committee spokesman. A share of TV rights, corporate sponsorships and ticket sales are among the revenue sources.

That spending, along with spending by spectators, out-of-town tourists, local advertisers and others, makes up the primary economic impact on a community. Economists typically multiply that impact by a factor of 1.5 to three to estimate how deeply those dollars stimulate the greater economy.

In L.A., the total impact was \$2.4 billion at 1984 prices, according to a 1986 report by economists hired by the local Olympic organizing committee. Atlanta's games were projected to pump \$5.1 billion into Georgia's economy between 1991 and 1997, according to that city's Olympic consultants.

But the stories behind the numbers demonstrate how hard it is to get a firm read on the ripple effects.

The effect on Los Angeles was 28% lower than economists' original estimate of \$3.3 billion, made in 1982. The reason: Consultants adjusted their "multiplier" and decided to deduct \$331 million not spent at local businesses.

"There was a slight drop at Disneyland and a slight drop at Knott's Berry Farm and at Magic Mountain. There was also some drop-off in hotel clusters associated with the Orange County theme parks," says David Wilcox, a senior vice-president at Economics Research Associates in Los Angeles who authored the 1986 report.

A co-author of the Atlanta study, Jeffrey Humphreys, director of economic forecasting at the University of Georgia's Terry College of Business, says the \$5.1-billion estimate prepared before the games there was probably low. But the Atlanta organizing committee disbanded before it could fund an empirical study after the games.

Besides new college dorms and a new Atlanta Braves baseball stadium, the \$650 million invested in Olympic structures has another legacy: It drove up construction costs across the region, says Harvey Newman, professor of urban policy at Georgia State University in Atlanta. One suburban school district found its new \$58-million bond issue suddenly insufficient to fund construction of new classrooms, he says.

"I don't know that it's easy to measure the economic impact of an event like this," he says. "I tend to look at them with some cynicism."

The largest "mega-event" to come to Chicago in recent years, the 1996 Democratic National Convention, spurred \$360.3 million in economic impact, REAL estimates.

But by another measure — hotel occupancy — the results were not so definitive. In August 1996, hotels enjoyed an 80.8% occupancy rate, a 0.4% increase over the previous year, though at the time, room supply slightly declined, according to Tennessee-based Smith Travel Research. Room revenue increased 9.3%. By the following August, occupancy was down 2.2% from the year-earlier month.

Last month, Chicago submitted a completed questionnaire to the U.S. Olympic Committee, as did other U.S. contender cities Los Angeles and San Francisco. If the U.S. committee decides to make a bid to the International Olympic Committee in Switzerland — a decision expected by yearend — cities getting the nod would submit formal "bid books," which typically contain an economic impact analysis.

While the federal government refuses to financially guarantee the games, it has spent money on their behalf. The L.A. games benefited from \$75 million in federal help, while Atlanta collected \$609 million in support, according to a 2000 report by the U.S. General Accounting Office.

Ms. Healey, the city's planning chief, says she doesn't yet know whether the city would spend public dollars to support the games.

"However, public infrastructure, things like that tend to be government responsibilities," she says, mentioning road, transit and sewer improvements. Mayor Richard M. Daley has mentioned the proposed \$1-billion-plus CTA Circle Line in reference to the games.

That kind of spending worries University of Chicago sports economist Allen Sanderson, who believes most cities see a net loss after luring the Olympics. "If Chicago . . . were lucky, the economic impact would be zero," he says.

To be sure, some observers see intangible benefits to hosting the games, from the opportunity to burnish a city's image on the world stage to providing new sports facilities and infrastructure.

REAL's Mr. Hewings says he sees value in the opportunity for Chicago to showcase itself. But Robert Baade, a sports economist at Lake Forest College, argues that Chicago is already high-profile and doesn't have as much to gain from the Olympic spotlight.

"While we see a spike in economic activity at the time the event is held . . . things return pretty much to normal once the circus leaves town," he says.

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