

Thesis Prospectus

The Impact of Hosting the Summer Olympic Games on Economic Growth in Developing Countries: A Case Study of the 2008 Beijing Games

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Research Question

In recent years, the global media and the governments of developing countries have begun to regard hosting the Olympic Games as a viable means by which to achieve strengthened international political influence. Often included in such rhetoric is the idea that hosting the games has a positive impact on economic growth in the host city, as well as the host country. I propose to test this claim with the following question: What effects, if any, has hosting the 2008 Beijing Olympic Games had on economic growth in China? This question will address a variety of growth effects including the impact on growth in the city of Beijing, the existence of distributional growth effects across China, and short term versus long term impact of hosting the games.

Background and Importance of Research Question

There exists a firm consensus among economists that hosting the Summer Olympic Games in a developed country has minimal to zero effects on long term economic growth. Because developed countries already possess centralized governments and efficient infrastructures, two variables that could be improved in preparation for the games, hosting the Olympics often results in shifting factors of production away from areas vital to economic growth (i.e. building stadiums and housing that will exceed local demand once the Olympics are over).

However, in developing countries, an opportunity for economic growth presents itself if the host country can use the games to improve its infrastructure and decrease government corruption (by increasing transparency), among other factors. Until recently, the lack of reliable city-level statistics and economic indicators in developing countries has made it impractical to pursue a study on the effects of hosting the games on such countries. Thus, this research should be the first to do so.

The results of this thesis can make a valuable contribution in two ways. The first is that they will illuminate the true value of hosting the games, allowing potential developing host countries to make a better judgment of the costs and benefits associated with hosting. The second is that if this study concludes that there is reason to believe hosting the games can induce sustainable economic growth, it will

provide development economists with insight as to how to cultivate and engineer economic growth in developing countries.

Mechanisms By Which Hosting the Olympic Games Could Affect Growth in China

According to the institutional determinist explanation of economic growth proposed by Daron Acemoglu and James Robinson, among others, economic growth is a direct result of the inclusivity of a nation's institutions. Inclusive political institutions are those that allow for broad distribution of political rights through pluralism and political centralization, which create a framework for inclusive economic institutions (Acemoglu, Robinson 42-43). The latter are characterized by a system that encourages citizens to make the best use of their talents by providing secure property rights, an unbiased legal process, and quality public services.

China, as with most developing countries, is not characterized by such inclusive institutions. Nevertheless, countries described by extractive institutions (essentially the opposite of inclusive institutions), can still achieve significant economic growth through efficiency gains. With a strong, efficient state government, a nation such as China (which is politically exclusive but possesses some degree of economic inclusivity) can theoretically achieve growth by improving infrastructure and decreasing corruption. Hosting the Olympics puts pressure on host countries to provide a smoothly run games while thrusting the country's politics into the forefront of global awareness. Hence, the host country has a strong incentive to improve infrastructure and cut down on government corruption, which both have positive effects on economic growth.

Hypothesis

My hypothesis is that while China as a country will not see significant economic growth as a result of hosting the Olympic games, there will be a statistically significant distributional effect of some variety within China. My meaning is that Beijing and the surrounding regions may experience a significant amount of economic growth induced by the Olympics. However, this growth will be shown to come at the expense of other cities and regions in China (the farther away from the Beijing, the more negatively affected the city will be). My hypothesis is that the Chinese government likely shifted resources towards Beijing during the build-up to the Olympics, resulting in this distributional effect.

Data Sources

The large majority of my data will come from the National Bureau of Statistics of China, which provides annual data at the national and city level. I will be almost exclusively using city-level data as my unit of analysis. I realize that there is a risk in using this data because the database is maintained and authorized by the Chinese

government. Therefore, economic statistics could be inflated to make the government's policies look better. However, this risk is minimized because I am analyzing economic growth across cities. If the CCP inflates economic stats, it would likely do so for each of its regions and therefore the distributional effects of hosting the Olympics would still be evident in my research.

Variables

I will be analyzing a number of growth variables (to represent my dependent variable), including typical growth indicators like "average wage of workers", "employment", "total investment in fixed assets", and "total floor space of buildings" as well as infrastructure growth indicators like the number of public restrooms, the length of paved roads, and the number of streetlights. For my control variables, I will include population, education level, financial market size, competition, and property protection statistics to ensure that any economic growth found in my study will reflect growth caused directly by the Olympics rather than through other means.

Methods

I will use regression techniques for each growth variable to search for possible growth effects.

Potential Bibliography

Acemoglu, Daron., and James A. Robinson. *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. New York: Crown Publishers, 2012.

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