



CASCADE POLICY INSTITUTE

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## Summary

Recent Olympics have lost millions and more because they relied on government handouts. The 1984 Olympics illustrate that this need not be the case. Through market competition and incentives, the Olympics can be about the best athletes competing with each other, not about a struggle for taxpayer dollars.

**Word count: 594**

***“The private sector demonstrated it could organize and run the Olympics—and run it well.”***

## A Golden Goal for the Olympic Games

*by Tim Keller*

In August, thousands of athletes will converge upon Athens to mark the return of the modern Olympic Games to its birthplace. Though the athletic competition is well known, the business of the Olympics is not. The Olympic ideal has persisted through world wars, economic disasters and times of prosperity, but the Games have teetered on the precipice of financial extinction due to poor fiscal management.

To fully understand the situation, take a trip through time to the origin of the modern Olympics. In 1896, the competition began under the leadership of Frenchman Baron Pierre de Coubertin. Things, unfortunately, did not go smoothly. Two problems swiftly occurred as Greece prepared to host the Games.

First, the Greek government did not want to risk money to build all of the Olympic structures because there was no precedent for such an undertaking. Second, it could not even secure funding to build what it wanted. Fortunately, Greek philanthropist and architect Georgios Averoff stepped in to plan, fund and build the facilities.

The model for staging the Olympics quickly changed. As the Games became more popular, governments played a growing role in funding them. With expanded government financing came costly inefficiencies. The situation was particularly bad 80 years later.

To put on the 1976 Montreal Olympics, the organizing committee used only taxpayer financing. Because the Canadian government built and built, costs exceeded \$2 billion (Canadian) and the net loss totaled more than \$1 billion. More than 25 years passed before this debt was paid off.

In response, Los Angeles, the host of the 1984 Olympics, prohibited the use of government funds for the Games. Because all recent Olympics had relied heavily on taxes, there was no modern blueprint for staging a successful Olympics with only private funds.

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Despite this challenge, Peter Ueberroth assumed leadership and turned a profit. What caused the vast financial difference between the Games of Montreal and Los Angeles? The power of incentives and the private sector.

Ueberroth knew sponsorships would be a key source of funds. To achieve this, he drastically reduced the number of sponsorships while raising the minimum price of sponsorship to \$4 million. Due to the small number of sponsorships available, each became a highly prized commodity and companies were willing to pay more for them.

Another innovation introduced by Ueberroth was a blind auction for television rights. Advisors told him to expect \$150 million. Ueberroth, though, wanted more—and got it. During the auction, ABC bid an unprecedented \$225 million. Had he charged a flat fee for television rights, he would not have been able to get as much

Because they were on a tight budget, Ueberroth's group came up with innovative strategies to cut costs. First, they used pre-existing facilities and modified nontraditional buildings to fit their needs. Second, they used school buses instead of more luxurious transportation. Third, through contracting out various services, they were able to minimize expenses by using the most efficient resource for each job.

As a result, the Games made \$215 million. The traditional paradigm of putting on the Olympics had been shattered. The private sector demonstrated it could organize and run the Olympics—and run them well.

Unfortunately, recent Olympics have lost money. One probable reason for this is a reliance on government handouts. Organizing committees have acted as if taxpayers have a limitless pocketbook and have not concerned themselves with a bottom line. Unlike the Los Angeles organizers, modern organizers have raided taxpayers' pockets. They ought to return to strategies made successful in Los Angeles and give money back to citizens.

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