

COMMONWEALTH GAMES AND THE ECONOMY

The Commonwealth Games (CWG) is an international multi-sport event involving athletes from the Commonwealth of Nations. The Commonwealth of Nations, referred to as the Commonwealth and previously known as the British Commonwealth, is an inter-governmental organization of fifty-four independent member states. All but two (Mozambique and Rwanda) of these countries were formerly part of the British Empire. The CWG was initiated with the objective of being a sporting event that would bring together the members of the British Empire. The event was first proposed by Reverend Astley Cooper in 1891 when he wrote an article in *The Times* suggesting a "Pan-Britannic-Pan-Anglican Contest and Festival every four years as a means of increasing the goodwill and good understanding of the British Empire".

The event was first held in the year 1930 under the title of the British Empire Games in Hamilton, Ontario, Canada. 'Bobby' Robinson, who was a major player within athletics in Canada at the time, was the driving force behind the event. The first Games included 400 athletes from 11 countries. To help cover the travelling costs for the visiting nations, the city of Hamilton provided \$30,000. The success of the first Games at Hamilton in 1930 provided enough incentive to make them regular. Since 1930, they have taken place every four years except for 1942 and 1946, when they were disrupted due to World War II.

The event was renamed British Empire and Commonwealth Games in 1954, the British Commonwealth Games in 1970, and gained its current title in 1978. Only six teams have attended every Commonwealth Games event: Australia, Canada, England, New Zealand, Scotland and Wales.

From the first host city of Hamilton in Canada, the Games have been held in many of the major Commonwealth Countries. Canada again held the Games in Vancouver in 1954, Edmonton in 1978 and Victoria in 1994. Australia has also held the games on four occasions, Sydney in 1938, Perth 1962, Brisbane 1982 and Melbourne in 2006. In 1998, Kuala Lumpur in Malaysia hosted the games for the first time in an Asian country. In 2010, the XIX CWG returned to Asia and was hosted by Delhi.

IMPACT OF MAJOR SPORTING EVENTS ON A COUNTRY'S ECONOMY

It is somewhat complicated to assess the net economic impact of major sporting events on a country's economy. The economic rationale of hosting major sporting events like the Olympic Games or the Football World Cup is often questionable. Financial costs are enormous which may be suggestive of the opinion that political vanity is generally the primary

motivating factor for host countries. Even though it is a known fact that mega-events can nonetheless leave substantial legacies in the form of infrastructure and urban renewal, much depends on the extent to which new facilities fit broader economic interests. In the current economic scenario where the countries are increasingly being plagued with fiscal constraints, skepticism regarding the events is likely to keep brewing in the coming years, especially since the governments' economic competence has been eroded by the global financial crisis.

Investment needed in developing a country's basic infrastructure may be crowded out due to the construction of stadiums and sports facilities. This is a prime cause of concern when developing countries host mega-events when their basic infrastructural facilities are in dire need of investment. For such an economy, it may be more appropriate to return the taxpayers' money to where it came from or spend it on the much needed basic amenities instead of using the fund for maintenance of the "white elephant" constructions that will never be of much use to serve an economic purpose.

COST/BENEFIT ANALYSIS OF GAMES ON THE ECONOMY

	Benefits	Costs
Pre-Games Phase	Tourism Construction Activity	Investment Expenditure Preparatory operational costs (including bid costs) Lost benefits from displaced projects
Games Phase	Tourism Stadium and Infrastructure Jobs Revenues from Games (tickets, TV rights, sponsorships, etc.)	Operational Expenditure associated with Games Congestion Lost benefits from displaced projects
Post-Games Phase	Tourism Stadiums and Infrastructure Human Capital Urban regeneration International Reputation	Maintenance of Stadiums and infrastructure Lost benefits from displaced projects

Source: PricewaterhouseCoopers European Economic Outlook June 2004

First, the expenditure required for infrastructure is likely to be much higher in developing nations. In order to host the 1994 World Cup, the United States spent less than \$30 million on infrastructure improvements (including a minor facelift for the Cotton Bowl in Dallas and the

installation of real grass inside the Pontiac Silverdome in Detroit). The U.S. could easily provide nine existing facilities that met FIFA standards for hosting the games and at least another twenty pre-existing stadiums would have also been adequate for the purpose. In 1998, the host country, France, simply refurbished existing stadiums and built the Stade de France to host the opening ceremonies and the final championship but still kept its infrastructure spending at under \$500 million.

The opportunity cost of capital may also be particularly high in developing nations. From an economic point of view, the cost of building a new stadium is not best described by the amount of money needed to build the facility but rather the value to society from the same amount of capital spent on the next best public project. Nigeria's government recently spent \$330 million on a new national soccer stadium, more than the annual national government expenditures on health or education. During the same time period Detroit built Primerica Park to replace aging Tiger Stadium for roughly the same cost. While many would argue that Detroit has also misplaced its spending priorities, condemnation of the Nigerian soccer stadium has been nearly universal. The criticism is not directly due to the cost of the stadium, but rather the cost of the stadium in the face of other pressing needs for a low development country like Nigeria. On the other hand, Japan's \$6 billion spending spree for the 2002 World Cup has come under little fire. Since the Japanese government has committed itself to massive public works projects in a Keynesian effort to spend its way out of its decade-long economic slump, the construction of new soccer stadia is as good as spending on other spending projects. The opportunity cost of capital for stadium construction in Japan is essentially zero since the other possible spending projects are also widely considered to be white elephants.

Sporting events always lead to major economic ups and downs in the city where they are hosted. Considerable planning needs to be invested in such a city. Accommodations and Communications are some of the main things that need to be looked into.

Pre-events assessments about the economic benefits of sporting events can be misleading as they are essentially sales pitches decorated by the wishful desire of prospective host countries or cities to present their bids in the most positive light. The temptation to exaggerate expected economic benefits is strong and positive results such as job creation, infrastructure, and tourism, capture the limelight of the presentations. Bidders generally underestimate the costs involved and the logistical complexities of preparing for a mega-event, leading to cost overruns and delays.

Hosting a mega event is as much about national prestige as it is about economics. Some skeptics even argue that “economic benefits” is only a façade created by the political system of the country in order to legitimize their enormous spending activities on these events. Some choose to believe that hosting these events is an enormously cost intensive public-relations exercise. The reputational boost from holding such mega events is not easy to quantify but that should not negate the fact that economic benefits do form a substantial proportion of all observed benefits from hosting such mega-events.

Mega-events are by themselves unpredictable and risky and offer tremendous scope for negative publicity at the slightest instigation. The preparations of the Delhi CWG largely served to remind the world about rampant corruption, bureaucratic inefficiency and infrastructural shortcomings. Such issues still remain of prime concern and also leave space for the opinion that developing countries should concentrate more on poverty alleviation and infrastructural development instead of routing their funds to a glitzy sporting event. Similar issues raised include the availability of limited amount of resources in the developing countries.

The global financial crisis has already strained the economic competitiveness of most governments across the globe, particularly in the developed world. In such a scenario, the developed countries will now have to prioritize their use of funds. Taxpayers are already feeling aggrieved of the costs of the crisis they had to bear for the staggering resurrection of the economy. Therefore, it would be a tough task to sell the idea of spending money on projects which some would consider a vanity affair. Given the weak global economy, securing investment in the private sector would also be difficult and this would in turn raise the anticipated costs which the governments will have to bear.

Even though apparently it seems that the developed world should be the one hosting such mega-events and that developing countries should be more focused on alleviating their infrastructural wounds, the catch is that the BRIC countries are already doing just that. China just hosted the Olympics, and Russia and Brazil are scheduled to hold the winter games in a few years. India, as we know, is not in a mood to relent.



Health and well-being

Infrastructure

Tourism

Jobs/Employment

International Positioning

Inward Investment



IMPACT OF COMMONWEALTH GAMES ON THE INDIAN ECONOMY

Commonwealth Games 2010 has been expected to result in an overall economic impact of USD 4.9 billion on India's GDP during a period of four years starting from 2008 and ending 2012, and create an employment opportunity for approximately 2.5 million people. This figure is almost three times the economic impact the 2006 Melbourne Games had on the Australia's GDP.

The Commonwealth Games will also help attract foreign direct investment in India. Economists and business executives around the world have kept a vigil on the developments in the country due to the sporting event. The CWG reflected a management competency test for the Indian economy and the business world was hooked for the results. India has become the latest popular destination for global companies and low-growth western governments with its nearly 9% economic growth and rapidly increasing middle class. For this reason, many of the western nations which were publicly disappointed and upset by India's lack of preparedness for the Commonwealth Games have recently stepped up trade efforts with the country.

Australia is pushing hard for a free trade agreement with India and New Zealand has already secured one. Britain sent a large delegation to India in July, which included Prime Minister David Cameron. Canada recently announced its plans of having a chief executive forum with India and hoped to triple bilateral trade to \$15 billion by 2015. Commonwealth Games are the first mega global athletic sporting competition hosted by India and also the first time in decades – since the Asian Games in the early 1980s – that India has held any major multinational sports event.

According to figures published by the International Monetary Fund, arising markets are expected to make up just over 30% of the world's GDP this year, double their contribution in 1985. Countries like India and China are slated to be major contributors to the global economic output and growth this year because of the global recession which has slowed down the developed world to a record extent. Emerging market countries have been increasingly hosting international sporting events and are doing things their own way.

After China showcased its economic clout during an impressive Beijing Olympics, India's Commonwealth Games organizers were under tremendous pressure to deliver a comparable spectacle to promote "India Rising".

ECONOMIC IMPACT OF GAMES

Olympics	Reference	Total Economic Impact	Impact as a % of GDP	Tourists	New Jobs	Period
Sydney 2000	Anderson, 1999	US\$ 5.1 billion (1996 prices)	2.78 (region)	n/a	90,000 (Australia)	1994-2006
Atlanta 1996	Humphreys and Plummer, 1995	US\$ 5.1 billion (1994 prices)	2.41 (region)	1.1m	77,026 (Georgia)	1991-1997
Barcelona 1992	Brunet, 1995	US\$ 0.03 billion	0.03 (region)	0.4m	296,640 (Spain)	1987-1992
Seoul 1988	Kim et al., 1989	WON 1846 billion	1.40 (country)	n/a	336,000 (S. Korea)	1982-1988
Los Angeles 1984	Economics Research Associates, 1984	US\$ 2.3 billion (1984 prices)	0.47 (region)	0.6m	73,375 (South California)	1984

Source: PricewaterhouseCoopers European Economic Outlook June 2004

New Delhi has undertaken and achieved a major overhaul of its urban infrastructure and sporting facilities. The world over, cities vie with each other to “hallmark” events such as the Olympics, World Cup, and other major sporting events. The events almost always give the host city an opportunity to improve domestic facilities and infrastructure, resulting in an “economic windfall”. The impact of being the host country/city, range from the physical (infrastructure construction) to the intangible (self-esteem and international exposure). An event of this kind is hugely valued by the host for the amount of legacy it creates. Hosting these events has historically been linked with economic profit, urban regeneration and global media exposure. Many economists and academicians believe that the success of these events cannot merely be measured by profit and loss as there are innumerable intangible and unaccounted for benefits.

Urban regeneration and repositioning the perception of cities is a central aspect of game bids. Barcelona and Manchester can be viewed as partly successful in that they were able to realign

the popular image of the city, both of which were manufacturing centers to that of tourist destinations as trendy European cities. In Delhi too, the emphasis is greatly on portraying Delhi as a “world class city”, one of “international standards”.

In Barcelona, the largest component of investment was directed towards the development of roads and transport facilities, while the construction offices, commercial property, hotels, and sports facilities also made up a large proportion.

The 2002 Commonwealth Games in Manchester were aimed primarily to “regenerate” the area which had, in recent years, been undergoing a depression due to the relocation of the many heavy engineering and chemical industries which had been the mainstay of the region’s economy. The image of the region seems to have been improved to a great extent due to the Games, with 18 million people visiting the region in 2002 putting £6 billion into the economy. Qatar, host of the 2006 Asian Games, has spent an estimated \$17 billion on the development of new sports, tourism, and cultural facilities. The Games were seen as an opportunity to launch Qatar as a major tourist and financial hub.

Demand Side Benefits:

Tourism – The Games provide a unique event which attracts visitors both from within the host country and around the globe.

Visitors linked directly to the event include participants (athletes, coaches, and team officials), spectators, sponsors and the media. In addition to this, the promotion of the city creates an induced tourism effect as further visitors are attracted by the city’s additional media exposure and enhanced international reputation. The increased tourism effect is sustainable over a number of years even after the event, though the peak levels are observed during the event. Additional tourists bring additional demand to the regional as well as national economy as visitors spend money on purchasing food, accommodation, transport, and tickets for the Games themselves. Income in the form of broadcast revenue and corporate sponsorships also accrue in the host city. An additional secondary effect is created in that the new money is re-spent within the borders of the host economy. This “multiplier effect” includes additional Games-related employment, as well as the impact of everyday household spending by employees of the companies benefitting from increased sales.

IMPACT ON A CITY'S URBAN INFRASTRUCTURE

SECTOR	ANTICIPATED POSITIVE CHANGES
Transportation	The transportation system is greatly enhanced due to an improved infrastructure and new concepts of improvisation in the city's connectivity. In the 1972 Olympics in Munich, the subway was expanded. In 1988 Olympics in Seoul, major roads were improved, and rings road were built in the 1992 Barcelona Olympics.
Telecommunication System	A high standard of telecommunication is a significant factor in maintaining and attracting existing and new business enterprises. Games events help to bring in the latest technologies into the host country to satisfy the demand in telecommunications services. The systems continue to exist even after the events and therefore have long term benefits for the host country.
Sports Facility Structure	Mega sporting events have the strongest influence on the sports facilities structure in the host city. Adequate and quality sports facilities demand a large investment; the same facilities also provide leisure facilities and amount to the legacy development after the event.
Housing	In host cities, accommodation facilities are constructed. In the Munich Olympics in 1972, the Olympic Village was constructed for the socially deprived groups of society. The villages were sold to the middle and lower-upper classes. In Los Angeles '84 and Atlanta '96, the villages continued to be students' homes.
Urban Culture	The general embellishment of a city, improved transportation system, additional leisure time facilities and numerous ecological projects frequently lead to the revival of the city by improving the living standards and "atmosphere".

Supply Side Benefits:

The host city benefits in the long term due to increased infrastructural facilities constructed to support the sporting mega-event. The creation an enhancement of the city's transportation system and sports facilities also enables the city to host other major national and/or

international sporting events, provides opportunities for residents to participate and can generally make a city a more attractive place to live. It may also help to regenerate rundown areas. These positive effects form the important legacy effect of the Games.

The costs of these events are huge and often run into several billions of dollars. Japan spent over \$4 billion and South Korea \$2 billion, on new stadiums and infrastructure for the 2002 World Cup. China spent a reported \$20 billion on infrastructure improvements ahead for 2008 Olympics. Athens spent over \$1 billion only on security expenses during the 2004 Olympics.

Substantial economic impact of the events provides a significant reason for demanding public subsidies for the mega-event's infrastructure. It is argued that this expenditure is equivalent to an investment which is bound to give returns.



KNOWLEDGE AND TECHNOLOGY TRANSFER:

Technology Transfer is an important means by which developing countries gain access to new technologies in the form of blueprints, designs, technical documents and engineering knowledge required to replicate and modify technologies.

Hosting international events, such as Commonwealth Games (CWG), requires a lot of technical competitiveness conforming with international standards. In due process, the private sector of the host country attracts foreign direct investment, foreign aid, joint ventures and technology license agreements, turnkey projects, technical consultancy, capital goods acquisition and international subcontracting. All these are various channels for flow of technology.

Technology is the primary differentiator between developed and developing country. Developed countries are generally more technologically advanced. By hosting CWG, India got the opportunity to access a vast pool of new technologies, out of which the country may reap the social and economic benefits. Knowledge and Technology Transfer form an important aspect of sporting events and help in rapid information exchange and enhancement of the knowledge based growth of the economy.

CONCLUSION

It can be safely concluded that economic development can be caused by mega sporting events primarily by the realization of necessary infrastructure investments. Increased investment in infrastructure would not only have a direct capital accumulation effect but would also lead to improvements in the overall production conditions for domestic and foreign enterprises, so that investment becomes all the more attractive for private domestic as well as foreign investors. Transfer of state-of-the-art technology to the host country helps in pulling FDI, which in turn adds to the GDP of the nation. The existing infrastructure conditions of Delhi are far better compared to the pre-Asian Games period and the Commonwealth Games have augmented the city's capacity to attract both infrastructural investments and tourism related business for years to come. Hosting mega-events propels the host towards international standards of production and living and spurs economic activity and growth in the region. Not only does the city hosting the event get benefitted from the economic outburst, tourist and potential industrialized sites in the vicinity of the host city also reap the benefits. The development activities in Delhi and the tourist upsurge resulted in a spill-over of tourism related business in the neighboring states of Rajasthan, Uttar Pradesh, and Uttaranchal. The tourist activities at Agra were renewed with an increased vigor. Historical evidence suggests that investment in infrastructure for sporting events have always multiplied into economic benefits for the host country. The effects are not only tangible but intangible as well. The net economic benefits of the events are manifold, if only one chooses to not outweigh the negative publicity and effects due to unforeseen disasters against future years of well-being and economic harvest.
