

Is hosting the Olympics worth it?

Quantifying the 'feelgood' factor of hosting the Olympic Games

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Around the world, cities such as Paris, Tokyo, Rio and London spend billions to host the Olympic Games, despite evidence that the tangible economic benefits are small. In this research, we quantified the intangible benefits of hosting the Games for residents in a host city – the 'feelgood' factor. We found that hosting the Olympics does boost residents' happiness, but the effect is short-lived.

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The impact of hosting the Paris Olympics

Parisians may feel a sense of pride and happiness as their city hosts this year's Olympic Games, one of the great sporting and cultural spectacles. But how long will these feelings of wellbeing last? How can policymakers value it in economic terms? And given the public costs of hosting, is it worth it?

Research overview

We used the London 2012 Olympics as a real-world setting to carry out an experiment to quantify the intangible impacts of hosting the Games. We compared levels of subjective wellbeing (happiness) among Londoners, with people living in Paris and Berlin, before, during and after the Games.

What we did:

- Surveyed more than **26,000 people** in London, Paris and Berlin
- Asked them about their subjective wellbeing in the summers of 2011, 2012 and 2013
- Used these data to compare levels of happiness in the three capitals

Key insights for policymakers

1

Hosting the London 2012 Olympics did make Londoners happier: we found a large increase in subjective wellbeing for Londoners during the Games, compared to people living in Paris and Berlin.

2

However, this feelgood effect was short-lived. One year after the event, Londoners were back to their old selves: we found no 'legacy effect' on their subjective wellbeing.

3

We estimate this temporary boost in happiness to be equivalent to a £650 increase in annual household income for Londoners during the 2012 Olympics.

4

Across the city, the estimated total value of increased happiness for Londoners ranges from £2.2 to £7.4 billion – substantial, but not enough to cover the £9.3 billion cost of hosting the 2012 Olympics.

5

We show that subjective wellbeing measures are valid to assess the intangible costs and benefits of public projects involving taxpayer money, as recommended by the UK Treasury Green Book.

6

Future bids to host mega-events such as the Olympics should routinely measure and report the potential intangible economic effects by collecting subjective wellbeing data.

Hosting major sports events, such as the Olympics, costs billions in public money. Evidence shows that their tangible economic impacts – on economic growth, employment and wages – is small.

Advocates for these mega events, including policymakers and governments, argue that they offer a range of intangible benefits, including a ‘feelgood factor’, which are hard to measure.



Quantifying the intangible benefits of hosting

Our findings show that the 2012 Olympics increased the life satisfaction of Londoners during the Games, particularly around the opening and closing ceremonies. However, the effects were short-lived (Figure 1).

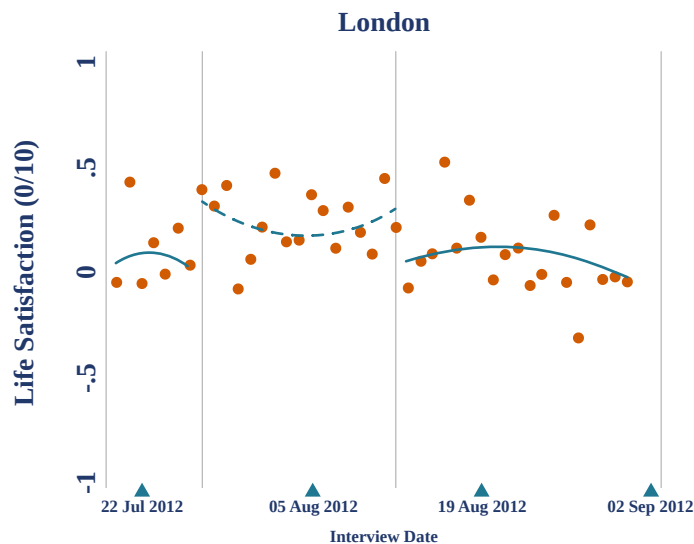


Figure 1: Subjective well-being in London.

Valuing the ‘happiness dividend’

- We can put a value on this ‘happiness effect’ by considering the increase in income that would result in an equivalent increase in happiness
- We estimate this temporary boost in happiness to be equivalent to an increase of £650 in annual household income (or about £270 per individual) for Londoners during the 2012 Olympics
- Extrapolated across London’s 8.3 million residents, this is a substantial ‘happiness dividend’, but still not enough to cover the £9.3 billion costs of hosting the 2012 Games
- However, if we assume residents outside the host city also had a (smaller) boost in happiness and include their willingness to pay to host the Games, then a case can be made that the Olympics was worth the costs

Hosting matters, not sporting success

British athletes performed above expectations in 2012. However, we found the boost to people’s happiness in London was linked to hosting the Games itself, not the sporting success of athletes.

Ongoing assessment needed to value the Games

Our research shows that it is possible – and important – to quantify the intangible benefits of hosting mega events such as the Olympics by collecting and evaluating subjective wellbeing data. But different places and events may produce different results. We recommend a process of ongoing assessment using robust measures of subjective wellbeing to get a clearer picture of what mega events are worth.



Our research shows that comprehensive cost-benefit analyses of hosting major sports events should account for both tangible and intangible effects. Given the temporary nature of the boost to subjective wellbeing we found in London 2012, it raises the question: is hosting major sports events such as the Olympics the best use of public money?

Perhaps these scarce resources would be better spent on interventions with a more lasting effect on other sources of wellbeing, for example, in the areas of health, education or improved transport to reduce commuting times.”

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Underpinning research

Dolan, P., Kavetsos, G., Krekel, C., Mavridis, D., Metcalfe, R., Senik, C., Szymanski, S. and Ziebarth, N.R. (2019). Quantifying the intangible impact of the Olympics using subjective well-being data. *Journal of Public Economics*, 177, 104043.



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Georgios Kavetsos has a PhD in Economics from Imperial College Business School, specialising in behavioural science. With a keen focus on subjective wellbeing, his research delves into the impact preferences and policy interventions have on welfare.

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