

CHAPTER 1

Introduction

1.1 Research Background

The Olympic Games have been a renowned and significant athletic event in the world. It symbolizes a brand for universal athletic culture and the highest level of competing stage for sportsmen. There existed a serious problem yet for the host cities to hold the Olympic Games. In the past, the host cities had to spend a large amount of money to support each Olympic Game. The enormous spending, however, always resulted in fiscal difficulty for the government. For instance, the loss of Montreal 1976 Olympic Games amounted to 1 billion in U.S. dollar. Besides, the government had deficits as much as 9 billion U.S. dollars for holding Moscow 1980 Olympic Games.

Olympic Economy arose from 1984 Olympic Games in Los Angeles, which was the most successful model of commercialize the Olympics ever since. Peter Ueberroth, a member of the Olympic committees, combined marketing with the Olympic Games to make a big fortune. The direct revenues and indirect revenues he made for the host city are, individually, up to 200 million and 3 billion US dollars. Later, holding the Olympic Games is no more the burden of the public and government. On the contrary, it turns into a big fortune for business firms and the host city.

With the development of the Olympic Games, numerous countries are keen to strive for host as a strategy of motivating economic growth. For example, Barcelona, the host city of the Olympic Games in 1992, earned more than 9.5 billion US dollars of direct revenues in and 16.4 billion US dollars of indirect revenues. The number of the revenues has been the most among all the Olympic Games so far. As a result, the Olympic Games not only make a stage for athletes to compete in, but also attract numerous business firms to strive for the sponsorship.

Beijing 2008 Olympic Games are going to be held in Beijing city. It is no doubt that such athletic event will bring in a considerable sum of revenues to Beijing city and stimulate a remarkable growth in China's economy. In addition, it is a great opportunity for Chinese to model the China Brand, so that its competitive ability, as well as its international eminence, will be raised. Therefore, how splendid the performance of 2008 Olympic Games in Beijing will be a glamorous focus for economic scholars and experts all over the world.

1.2 Research Motivation and Purpose

As a large amount of revenues from holding the Olympic Games is expected, more and more papers and reports involved studying and estimating the macroeconomic effects of Beijing 2008 Olympic Games on China have been published. The economic indicators analyzed from papers can explain influence of the Olympic Games on China's economy. Still, the analysis points as well how much fortune the Olympic Games can contribute to both the host city and business firms. However, such analysis of one-aspect concept is not complete enough to prove if holding Beijing 2008 Olympic Games significant to China's economy.

With the eye on it, this thesis will add the comparison of economic effects between Beijing 2008 Olympic Games and the Olympic Games from 1984 to 2004. By the comparison, more information will be shown to confirm how much the importance of Beijing 2008 Olympic Games to China's later economic development will be. 'Olympic Prosperity' is called by economists to define macroeconomic development of a country after holding the Olympic Games. By increasing the demand of investment and consumption, it would bring in a large number of revenues and stimulate the development of economy.

It was well-known that Tokyo Olympic Games in 1964 strongly stimulated the growth rate of Japanese GDP from 10.1% to 16.1%. Besides, Seoul Olympic Games in 1988 motivated a sharp increase of employment and national income for Korean as well. The economies of these two countries, hence, were fired up afterwards. The Olympic Prosperity not only pushed Japanese economy on the rise from the great depression, but

also performed a historical miracle for Korean economy. Therefore, the analysis of this thesis will determine if Beijing 2008 Olympic Games will be the milestone for the development of China's economy.

1.3 Framework

First of all, the introduction will talk about what subject this thesis is focused on, from which aspect to do the research, and the whole framework of this thesis in chapter 1.

Next, in chapter 2, the origin and process of applying for Beijing 2008 Olympic Games will be introduced in the first section. Besides, definition of Olympic Economy will be discussed in the second section. Then, three phases of economic effects will be introduced in the third section, in order to realize their movement and trend with time. Finally, direct and indirect revenues will be introduced in the fourth section, so that which one playing the most important role in affecting China's economy will be realized.

Subsequently, effects of economic statistics of previous Olympic host countries from 1984 to 2004 will be compared in chapter 3. Those indicators include GDP, investment, government expenditure, consumption, stock index, employment, real estates and industrial structure. By the comparison, it will be known how the previous Olympic Games affect the host countries.

The thesis will analyze the impacts of Beijing 2008 Olympic Games on China's economy in chapter 4. The impacts will include GDP, GDP per capita, investment, consumption, employment, tourism, industrial structure and capital market. The effects of Beijing 2008 Olympic Games will be compared with those of previous Olympic Games. By such a comparison, how much importance of 2008 Olympic Games on China's economy will be realized. Meanwhile, the thesis will discuss if it is a milestone for China to step into developed countries by the analysis.

Finally, the conclusions and suggestion will be given in chapter 5 in order to make a completed summary and some advanced suggestions for this thesis.