The Olympics and public choice theory [1]

Written by **Whig** [2] | Monday 6 August 2012

I view the Olympic Games as a prime example of a Public Choice [3] dilemma. It has grown from being a relatively small-scale, privately-funded and organised event into a behemoth supported by a large bureaucracy, state-enforced monopolies (so-called ?exclusive sponsorship rights?) and vast amounts of state subsidies. Public choice theory coherently explains why countries are so keen to host the Olympics and why such rent-seeking behaviour occurs at the expense of the public good.

Concentrated special-interest groups benefit from the Games both directly and indirectly: the IOC bureaucrats with their junkets, Olympic organisers in the host nation such as LOCOG and the London Legacy Development Corporation, athletes who raise their profiles and win sponsorship deals, corporations and construction firms who benefit from contracts and via advertising opportunities and so on (one might also say that the Olympics represents a classic example of Corporatism, an unholy alliance between Big Government and Big Business).

Politicians also gain from being an Olympic host nation from a Public Choice perspective. On the one hand, they may benefit directly from the lobbying that inevitably takes place from the special interest groups. On the other hand, there is clearly an expressive interest at stake ? one might rather aptly call this the ?bread and circuses? approach, developed particularly by Geoffrey Brennan and Loren Lomansky. Much of the public support [4] for the Olympics is given on the basis of an expressive interest rather than an instrumental one and politicians of all stripes seek to benefit from the public mood of good cheer and enthusiasm that do ? genuinely ? seem to surround the Games.

The instrumental arguments for the Olympics are much less convincing. Much emphasis has been placed on the legacy, particularly in terms of the sporting infrastructure and the ?regeneration? of run-down parts of northeast London. It is highly doubtful, given the level of success of previous Olympic legacies and the general record of government spending and top-down regeneration how successful this will be. Moreover, there can be no doubt that the transfer of resources via taxation of £9billion (or more?) represents a similar problem to all other government spending in that we cannot know what use the resources would have been put to, had they been left in private hands [5]. What we can tell is there will be a significant deadweight cost, not only because of the usual deadweight costs of collection and reallocation but also because the Games themselves represent a one-off, deadweight cost with no tangible benefits.

From a Public Choice perspective, however, it is clear that the concentrated interests of particular groups who might benefit from the spending - certain people in Newham, sportsmen and women, the bureaucrats responsible for administering the legacy and so forth ? have benefitted instrumentally from the Games at the expense of the broader public (especially Londoners) who have suffered a loss. That this loss is small per capita is precisely the reason why opposition to the games has not proven more substantial. Moreover, as opponents to the bid and then the spending had no real means of expressing their opposition, even in the unlikely event that they were willing to do so, given the small per capita cost involved. This is, however, exactly how the Public Choice process works and we must not construe such tacit consent as legitimising such spending relative to the Olympics or any other areas of public policy.

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