



The Prevention of “Valley Effect” in the Olympic Games of Beijing

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Abstract

The Olympic Games of Beijing will speed the steps of the economy construction of Beijing area even of the whole country; meanwhile, the valley effect will be unavoidable. The essay analyses the economic value of previous Olympic Games and makes suggestions for the prevention of possible valley effect and realize continual development from the point of financing, gymnasium construction, and industry continual development.

Keywords: the Olympic Games of Beijing, Valley Effect, Prevention

The success of Beijing bidding for Olympic Games will largely quicken the pace of Beijing's and even our country's economic construction. In the terms of the history of Olympic Games, from the 1984 Olympic Games of Los Angeles in the USA, each host of Olympic Games all gained benefits. Olympic Games promote the basic facilities construction of host and encourage the rapid development of the host. But when the investment cycle of Olympic Games comes to the end, different extent of “Economic Valley Effect” emerges in each host. Therefore, seriously analyze the economic values of all previous Olympic Games and prevent the economic development in Beijing area from being impacted after Olympic Games, makes a practical significance for Beijing on the success of holding the 2008 Olympic Games.

1. Analysis about the economic values of previous Olympic Games

Through holding Olympic Games, hosts can attract large sum of investment, go on constructing and reconstructing large scale of basic facilities. Meanwhile, it can also encourage the rapid development of related service trades and promote the host's economic growth. 1984 Olympic Games of Los Angeles brought 3.29 billion dollars worth of benefits for South California district, Olympic Games of Barcelona, Olympic Games of Atlanta and Olympic Games of Sydney brought 26.048 billion dollars worth, 5.1 billion dollars worth and 6.3 billion dollars worth of benefits respectively.

1.1 Holding Olympic Games' influence on the improvement of national economy

In the terms of each year, the income of host from Olympic Games presents the tendency of steady increasing — rapidly increasing — progressively falling. The benefits from Olympic Games focus on the 2 or 3 years before and after the beginning Olympic Games. The gained gross output value of Utah reached to 4.48 billion dollars on account of the Winter Olympic Games of Salt Lake City from 1996 to 2003. In the period of rapidly increasing (from 2001 to 2003), the gross output of Utah's related trades reached to 3.37 billion dollars which occupied 75.2 percentage of the total value. (As Graph 1)

1.2 The influence of holding Olympic Games on improving the standard of employment

Holding Olympic Games need to construct and reconstruct a large number of sports facilities and complete set of basic facilities. Therefore, a great deal of labor and material is needed to invest in. Considerable athletes and tourists will also promote the development of service trade and service trade's demand to labor will gigantically increase during Olympic Games. All previous Olympic Games made an important effect on improving the standard of employment in host. Each

year, there were nearly 60 thousand work posts increased in Barcelona during 7 years preparing Olympic Games, 1996 Olympic Games provided 84 thousand employment opportunities for Atlanta and Olympic Games provided 28 thousand new employment opportunities just in 2000.

Meanwhile, we should also notice that, the work opportunities related to Olympic Games are not annual, steady posts. Except that constructing basic facilities and sports facilities can provide a large number of steady work posts, most service posts related to Olympic Games is just short-terms. New South Wales provided approximately 70000 work opportunities during Olympic economic cycle from 1994 to 2002 and there were approximately 22000 increased labors just in the holding year which was the year when labors increased most. But after holding Olympic Games, there were 2000 unemployment because of the end of Olympic Games in 2002. (As Graph 2)

1.3 The influence of holding Olympic Games on industrial structure

The influence of holding Olympic Games on different industries is different. Construction, traffic transportation, trade, finance, and other non-goods trades industries are the main beneficiary. In the income from holding 1996 Olympic Games of Atlanta, benefits from lodging and amusement, commercial service, catering, retailing, transportation were 0.678 billion dollars, 0.596 billion dollars, 0.412 billion dollars, 0.321 billion dollars and 0.235 billion dollars respectively, which occupied 43.7 percentage of all income (as Graph 3). But the influence of Olympic Games on agriculture, mining, smelting, mechanical manufacture and other trades is almost small, and even minus.

2. Prevention of “Valley effect” in 2008 Olympic Games

From the view of investment, the negative economy of Olympic Games at least resides in two aspects, first one is so called “Siphon Effect” which means the host cities will attract investment from other place and lead to “Outer Loss”. Moreover, the huge promotion function which the Olympic economy through direct investment exerts on economy, the larger impact it brings to the economy of host cities and host countries when the investment cycle of Olympic Games ends (usually after the close of Olympic Games). This feature of Olympic economy is called “Valley Effect” in the foreign countries.

Olympic Games of Beijing will have an encouraging effect on economy through huge direct investment. We learn from experience that Olympic economy have evident periodicity. According to the statement of cash flow listed by the Beijing 2008 Olympic Games Bid Committee, the period when Olympic economy promote employment mainly focuses on 6 years from 2004 to 2009, and the summit of Olympic economy approximately comes about from 2006 to 2008. Although this cycle may be postponed due to the 60th National Day in 2009, Olympic economy will still begin entering the Valley period after 2010. As the host city of Olympic Games, Beijing will undoubtedly experience “Economic Valley Effect” after the ending of Olympic Games. So we should make a long-term schedule and draw lesson from the successful experience of previous host, through which make sure the steady growth of Beijing, Tianjin and even the whole country, and prevent “Valley Effect” from arising.

2.1 Creating various source of assembling money and making effective use of money. Be vigilant for the blind investment in the name of Olympic Games, which lead to the sharply decreasing of investment and impact on the economic development after Olympic Games

As an unindustrialized country, Beijing needs to construct and reconstruct more basic facilities to hold 2008 Olympic Games than the USA, Australia, and other industrialized countries, and needs more construction money. The amount of investment related to 2008 Olympic Games will be almost 35 billion dollars.

According to the source of money in all previous Olympic Games, the input from government occupied 95 percentage in 1976 Olympic Games of Montreal, but in 1994 Olympic Games of Los Angeles and 1996 Olympic Games of Atlanta, it only occupied 2 percentage and 15 percentage respectively, compared to 46 percentage, 38 percentage and 30 percentage respectively in Olympic Games of Seoul, Olympic Games of Barcelona and Olympic Games of Sydney (as Graph 4). In reality, the model that the input is from both government and personality is more helpful to the economic development. 2008 Olympic Games should also acquire this model to gather money in various ways. Government mainly invests in construction of basic facilities and public facilities which have long-term influence; enterprise mainly invests in the development of items which can gain economic benefits in short time with the instruction of government. Thus, on the one hand, it can decrease the financial pressure of government, and on the other hand, it can promote the balance development of cities.

In the capital market, we should value the analysis to the traditional way of gathering money, and strive for combining it with financial creation, like issuing long-term construction debenture, forming project enterprise to list, gathering insurance fee and so on. Actively mobilize the activity of personal investment to participate in the construction of Olympic Games items on the purpose of reducing the pressure of government.

In the other way to gather money, sports lottery has already become the main source of money to develop our sports undertaking. There is a margin of 1 billion Yuan increased in sports lottery each year from 2002 when sports lottery

began to issue. Its public finance is specially used in the preparation of Olympic Games to make sure the successful fulfill of the construction items during Olympic Games.

2.2 Making long-term schedule and reasonable constructing stadium to make sure the reuse of the stadium after Olympic Games and avoid wasting.

Canada constructed a lot of stadium and facilities in order to hold 1976 Olympic Games together with the expensive maintenance fee and demolishment fee which made Canadian government in huge debt. Japanese government spent 19 billion dollars in constructing high speed train, skiing track and other facilities in 1998 Winter Olympic Games of Nagano. Expensive maintenance fee to stadium and the low utilization ratio after Olympic Games made Nagano the highest record of Japanese regional economic depression after World War Two.

2008 Olympic Games of Beijing is one of the most investments in all previous Olympic Games. It's very important to make a long-term schedule to the construction of these stadiums. We can draw lesson from Olympic Games of Sydney to make a reasonable arrangement to the facilities of Olympic Games. The utilization of holding Olympic Games and pro- Olympic Games should be combined.

Construction of stadium should be considered combining with the construction of dwelling, which makes it is the citizen's gymnasium thus, being utilized further. Meanwhile, the newly developed housing district can also rise in value. Lodging facilities can be built according to newly constructed stadium, constructing shopping catering, amusement and other facilities in order to make stadium socialized and convert it into "commercial stadium".

Stadium should be converted into the arena which can hold other activities, and utilized in sports, leisure, culture, exhibition, commerce and other aspect. In the recently constructed stadium, The Beijing Sports University Stadium and so on all can be used as school's sports facilities to utilize after Olympic Games and the exhibition hall of China International Exhibition Center which was reconstructed by investment can still be used as large-scale exhibition arena after Olympic Games.

2.3 Speeding up the adjustment of industrial structure, instructing the healthily development of related industries, avoiding leading to the economic depression after Olympic Games on account of blind competition and achieving sustainable development

The adjustment of industrial structure in Beijing should be sped up. The enterprise which is highly costly and seriously polluted should be moved away from the secondary industry, and replaced by new and high-tech enterprises, urban type industrial enterprises which make people convenient and the head quarters and research or sales center of large enterprise. Meanwhile, the non-goods commercial trades which can embody the advantages and features of Beijing area, like touring, finance, information, exhibition, culture, sports, catering, commerce, hotel, real estate, transportation and so on, to optimize the industrial structure of city.

What needs to point out is that Olympic economy can bring in the high speed growth of service trades' demand in a certain terms, but not long term. So, as to the government, it should prevent ahead of time, strictly control and acquire various way to prevent enterprises from entering into blindness, and avoid the disordering entering of the enterprises which is poor in competence.; as to the enterprise, it should make schedule to the development strategy and goal of enterprise through risk estimation, develop in the fair marketing economic order from the improvement of own capacity,. At the same time, enterprises should strengthen self discipline and avoid behave which do harm to the development of trades, like blindly extending scale, vicious competition and so on.

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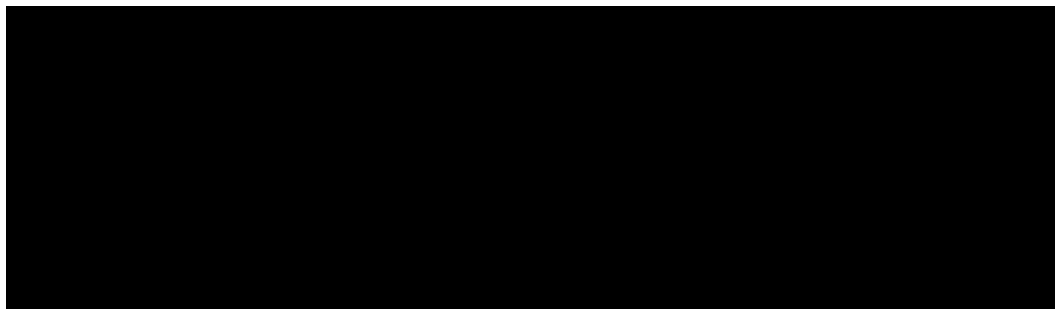


Figure 1. the influence of Winter Olympic Games of Salt Lake City on the economic gross value of Utah

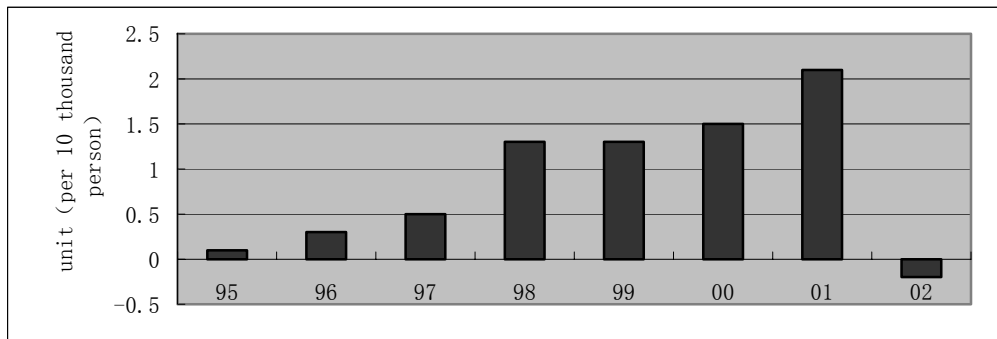


Figure 2. the newly increasing number of employment related to Olympic Games of Sydney

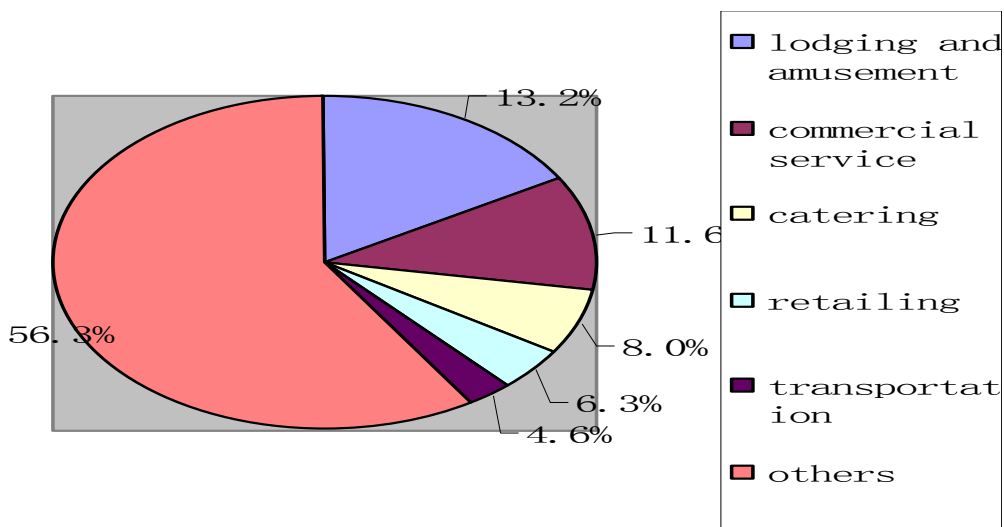


Figure 3. the influence of 1996 Olympic Games on each industry in Georgia

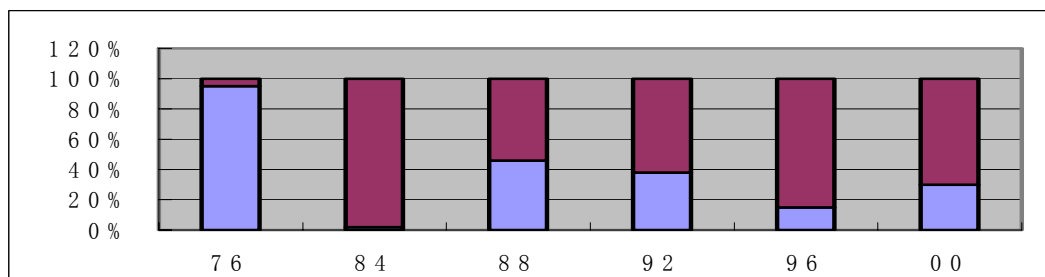


Figure 4. the financial resource of the all previous Olympic Games