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Should the Olympics be shrunk?

An interview with Wolfgang Maennig

Olympian Wolfgang Maennig argues that it's time to reconsider ambitions for infrastructure when it comes to mega-events.

Rik Kirkland,
McKinsey & Company

Wolfgang Maennig, an economics professor at the University of Hamburg, focuses his research on real estate, transport, and sports economics. In this interview, he sat down with McKinsey's Rik Kirkland to discuss the nature of mega-events and to suggest a new approach to Olympic bids.

McKinsey: *One of the things you study is the economics of "mega-events." What is a mega-event?*

Wolfgang Maennig: There are several ways to define it. One is by the number of participants. A second is by the number of spectators worldwide. Another is by impact. There's no consensus. But certainly things such as the Olympics, the World Cup, and maybe the Henley Regatta and Wimbledon are mega-events.

McKinsey: *What is the relationship between infrastructure and mega-events such as the Olympics?*

Wolfgang Maennig: It's time to greatly rethink the ambitions toward infrastructure connected with the Olympic Games. If you look back to the classical Greek Olympics, there was no idea of urban revitalization associated with the Olympic Games.

I think the mess started in 1992 when Barcelona, in a clever way, was able to attract a lot of money from the Spanish government and from the European Union to stage the Summer Olympics. The Barcelona authorities used the money to refurbish the city, and they did it very well.

But the problem is that, since then, cities are not applying for the Olympics because they want to have the best athletes in their city or because they want to be part of an Olympic experience but because they think they can press the national authorities to get money for infrastructure projects they otherwise would not have. In addition to that, the Olympic Games bidding process nowadays is like an auction, so that each city is overbidding the next—more and larger stadiums, a bigger airport, bigger staging, bigger streets, bigger railroad stations, and so on.

In the beginning, the International Olympic Committee (IOC) and the World Cup leaders liked it because if you spend a lot of money on the Olympics or the World Cup, it means that you have a decent impact, a legacy. Now, however, the IOC is noticing more public resistance in the host and potential bidding cities.

For example, for the Winter Olympics of 2022, right now, there are only bids from China and Kazakhstan. Poland and Sweden actually withdrew their bids because of lack of public support, and Austria, Germany, and Switzerland all considered bidding but pulled out for the same reason. After being encouraged to bid by Thomas Bach, president of the IOC, Norway also withdrew, citing the lack of public support for the expense. The Olympics and the World Cup are among the most attractive brands in the world, and their leaders are worried their reputation is getting damaged because of the criticism.

McKinsey: *Does hosting mega-events help the economy?*

Wolfgang Maennig: There have been a number of studies using statistical data from the host cities and host countries. As always in academics,

you find a range of opinions. But the overwhelming majority of these studies say that there are no significant effects from mega-events on income, employment, tax income, tourism, and so on. There might be other benefits, such as more medals for the host nation, a feel-good factor for the population, and a better reputation for the host city. But the positive “core” economic effects cannot be proved.

McKinsey: *Should the process of bidding and choosing such events be different?*

Wolfgang Maennig: Oh, definitely. It’s not only that we have to reduce the demand for infrastructure. It’s more fundamental. In my home city of Berlin, there was a public poll recently. Residents were complaining about increasing rents. So the public administration proposed building some 4,700 flats of affordable housing on a disused airfield in the middle of the city. In the poll, most Berliners rejected the plan.

There might have been several reasons, but I am sure one of them is that it might have been the wrong persons who proposed it. We have to accept that the credibility of the elites—and I am part of one elite group—has suffered in the past decade, and especially in the past five years. That’s true for athletes. It’s true for politicians. It’s true for economic and financial leaders. It’s true for all kinds of elites. So, we have to admit that although we think we know better, we cannot just propose a project and expect people to accept it. They don’t believe anymore that we know better. People think that they are at least as well educated as, let’s say, their political leaders. In fact, I would say that a large percentage of Berliners think they are more clever than the politicians. That might be true for other parts of the world as well.

Wolfgang Maennig



Vital statistics

Born in Berlin,
February 12, 1960

Married, with 2 children

Education

Habilitation, Technical
University of Berlin, 1991

PhD, economics, Technical
University of Berlin, 1985

Career highlights

University of Hamburg
(1992–present)

Professor of economics

ESCP Europe

(1991–95)

Professor of economics

Fast facts

Served as a visiting professor at the University of California, Berkeley (2014), Massachusetts Institute of Technology (2014), Federal University of Rio de Janeiro (2007),

and University of Stellenbosch (2006).

Received the Olympic Order in 2000 for his contributions to the Olympics

Was a member of the eight-man crew that won a gold medal in rowing at the Seoul Olympics in 1988; also competed in the 1984 Olympics and has advised German authorities on several bids for large sporting events

So if I urge Berlin to go for an Olympic bid, I think we should start with a web-based participation process where the people could write down what a Berlin Olympic concept could look like. Then there will be a Delphi process—some ordering of what would be thousands of suggestions. It would all be transparent. And then you have a second round of involvement. We'll come up with a concept with many new ideas.

I think that would be an innovative and different kind of Olympic bid. For example, I'm sure there would be a proposal not to build anything new. We might propose instead to use the Olympic swimming pool Berlin constructed for the 2000 Olympic bid. According to the capacity requirements of the International Swimming

Federation (ISF), this arena is too small, so the ISF might resist.

But I'm quite convinced that many other competitors would follow the proposal not to build a new swimming arena, too. This would really make sense for the Olympics, because it has become a rat race for bigger and bigger infrastructure. The federations would have to adjust to the needs of the Olympic cities and not the other way around. Historically, remember, some of the early Olympics in the modern era were just part of, or parallel to, big international exhibitions. That was the case for Paris in 1900, St. Louis in 1904, and London in 1908. There was little or no new construction for those Olympic Games. ○