

The background of the slide is a light gray gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance. The text is centered on the slide.

# SOCIETY & ECONOMY

TU124 OVERVIEW

MOODLE KEY

4318



# WALKTHROUGH

- **Concept:** What is capitalism? And what is not? How does it work?
- **History:** How has capitalism be evolved through time?
- **Today:** Are we now living in a capitalist world? How does it look like?

Where are we in this mechanism? What is good and bad about it? To whom?

How about us? Can we explain how the current phenomena be engaged with the economic system?

- **Future:** How would economy look like in the future?

# NOTE

- This is not an **economics** or **history** class.
- But a brief introduction for you in understanding the economic system.

# EXPECTATIONS

- Be familiar with some key concepts of thought.
- Be familiar with the major readings and their arguments
- Have an intuition in explaining logically how the current phenomena be engaged with the economic system
- Practice constructing good academic arguments in writing and debating



# LEARNING METHODS

- Lectures & Class discussion
- Reading
- Movies
- Field observation



The image features a light gray background with a subtle gradient. In the top-left and bottom-right corners, there are several realistic water droplets of various sizes, rendered with soft shadows and highlights to give them a three-dimensional appearance. The text is centered in the middle of the page.

How the current phenomena be engaged  
with the economic aspect?

# CASE 1: OLYMPICS GAME



# CASE 1: OLYMPICS GAME



## The Economics of Hosting the Olympic Games

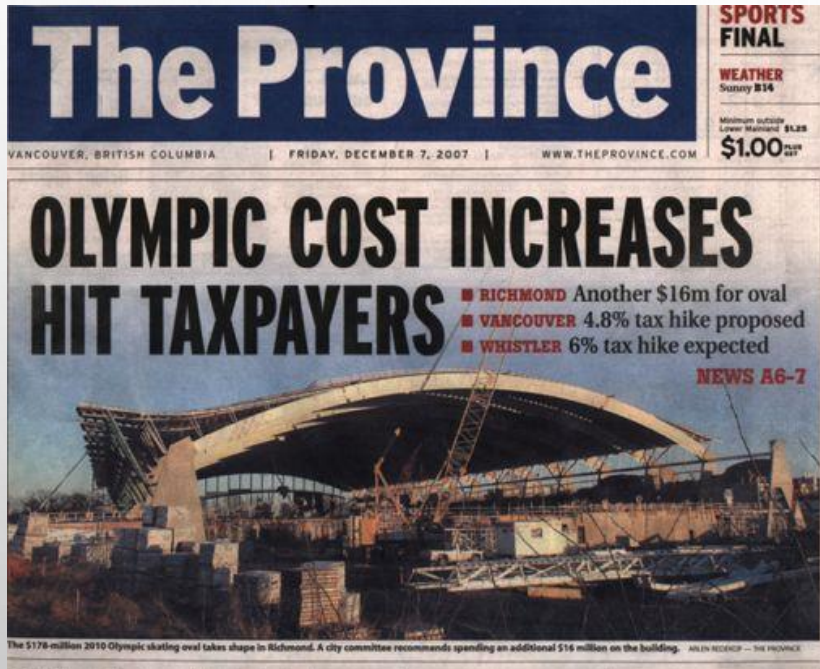
- In the second half of the twentieth century, both the costs of hosting as well as the revenue produced by the spectacle grew rapidly.
- As Rio de Janeiro struggles with rising crime, funding shortfalls, underequipped police forces and hospitals, and worries over the Zika virus, its 2016 games have highlighted the ongoing debate over the costs and benefits of hosting such a mega-event.

# CASE 1: OLYMPICS GAME



- When events were held in developed countries, either in Europe or the United States, games were publically funded, with these advanced countries better positioned to bear the costs due to their larger economies and more advanced infrastructure.
- The IOC requires cities hosting the games to have a minimum of 40,000 available hotel rooms, which in the case of Rio 2016 has necessitated the construction of 15,000 new hotel room. Roads, train lines, and airports need to be upgraded or constructed.

# CASE 1: OLYMPICS GAME

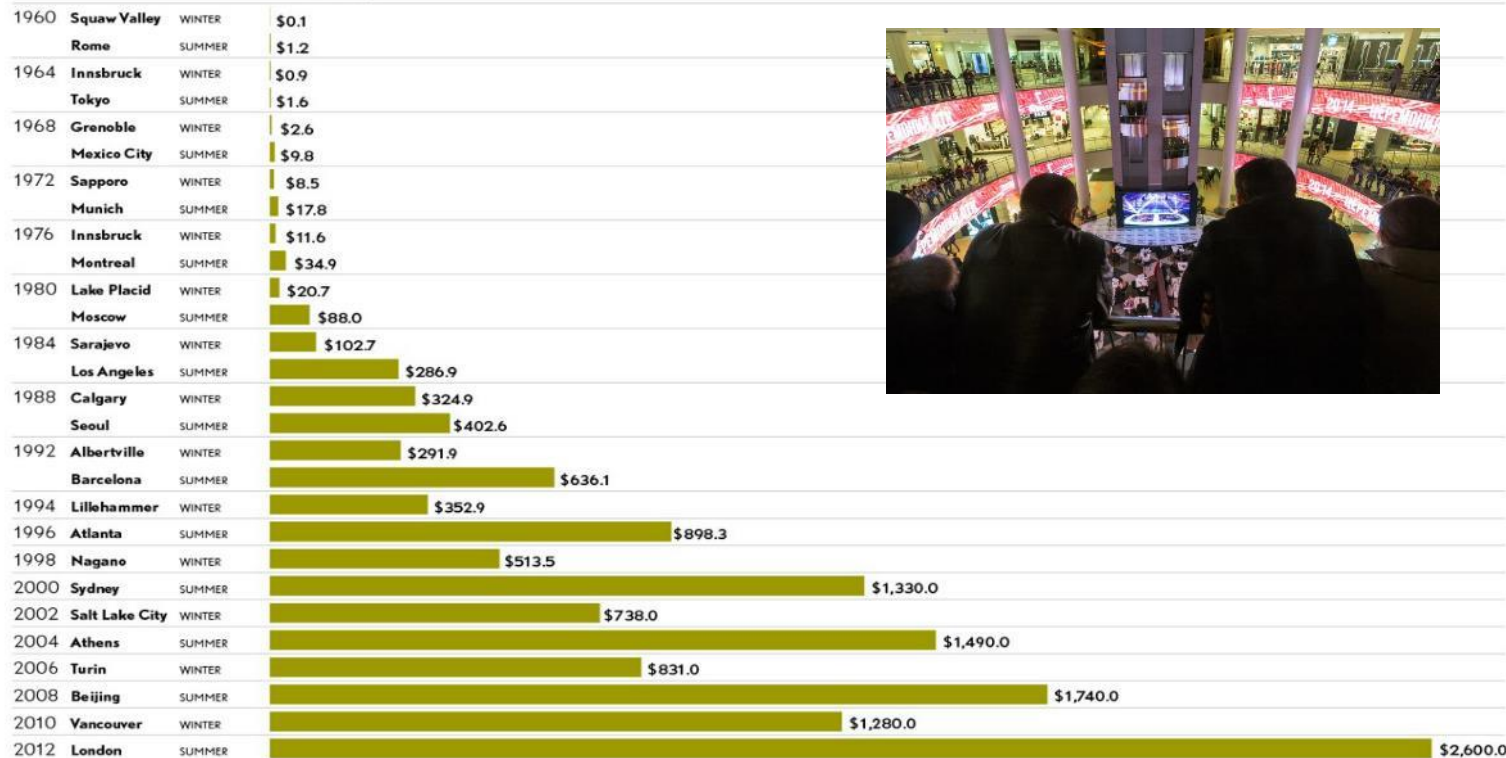


- Andrew Zimbalist, author of *Circus Maximus: the Economic Gamble behind Hosting the Olympics and the World Cup*.
- Every Olympics since 1960 has seen major cost overruns.
- In 1972, Denver became the first and only chosen host city to reject its Olympics after voters passed a referendum refusing additional public spending for the games
- The 1976 Summer Olympics in Montreal came to symbolize the fiscal risks of hosting. The projected cost of \$124 million was more than \$2.6 billion short of the actual cost, largely due to the construction delays and cost overruns of a new stadium

# CASE 1: OLYMPICS GAME

## Broadcast Revenue From Olympic Television Rights Fees

IN MILLIONS, USD



- In the era before television broadcasting, hosts didn't expect to make a profit.
- L.A.'s success led to a rising number of cities bidding—from two for the 1988 Games to twelve for the 2004 Games.
- Bidding by developing countries has more than tripled over the past two decades.
- China, Russia, and Brazil have been eager to use the games to demonstrate their progress on the world stage.

# CASE 1: OLYMPICS GAME

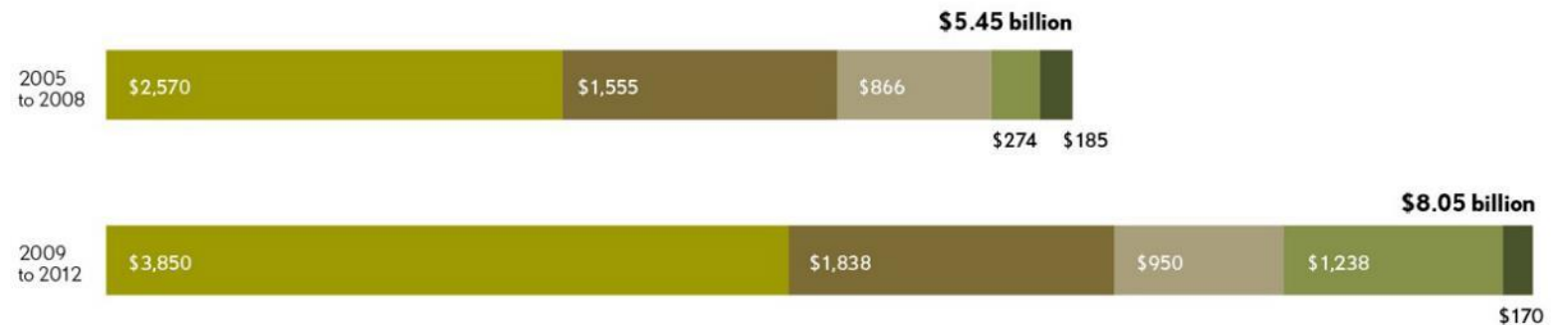


- Hosting the event will provide a major economic lift by creating jobs, drawing tourists, and boosting overall economic output
- The Summer Games are far larger, attracting hundreds of thousands of foreign tourists to watch over ten thousand athletes compete in about three hundred events, compared with under three thousand athletes competing in about one hundred events during the Winter Games.

## Sources of Olympic Revenue

IN MILLIONS, USD

TELEVISION    DOMESTIC SPONSORSHIPS    INTERNATIONAL SPONSORSHIPS    TICKETSALES    LICENSING



Source: IOC, Olympic Marketing File, 2014 via Andrew Zimbalist, Circus Maximus Credits: Eleanor Albert, David Foster

# CASE 1: OLYMPICS GAME



- Costs spiraled to over \$45 billion for Beijing's Summer Games in 2008, over \$50 billion for the Winter Games in Sochi, Russia, in 2014, and an estimated \$20 billion for Rio de Janeiro in 2016.
- A number of cities have withdrawn their bids for the 2022 and 2024 Games over cost concerns
- Cities must first invest millions of dollars in evaluating, preparing, and submitting a bid to the IOC.
- The cost of planning, hiring consultants, organizing events, and the necessary travel consistently falls between \$50 million and \$100 million. Tokyo spent as much as \$150 million on its failed 2016 bid, and about half that much for its successful 2020 bid

# CASE 1: OLYMPICS GAME



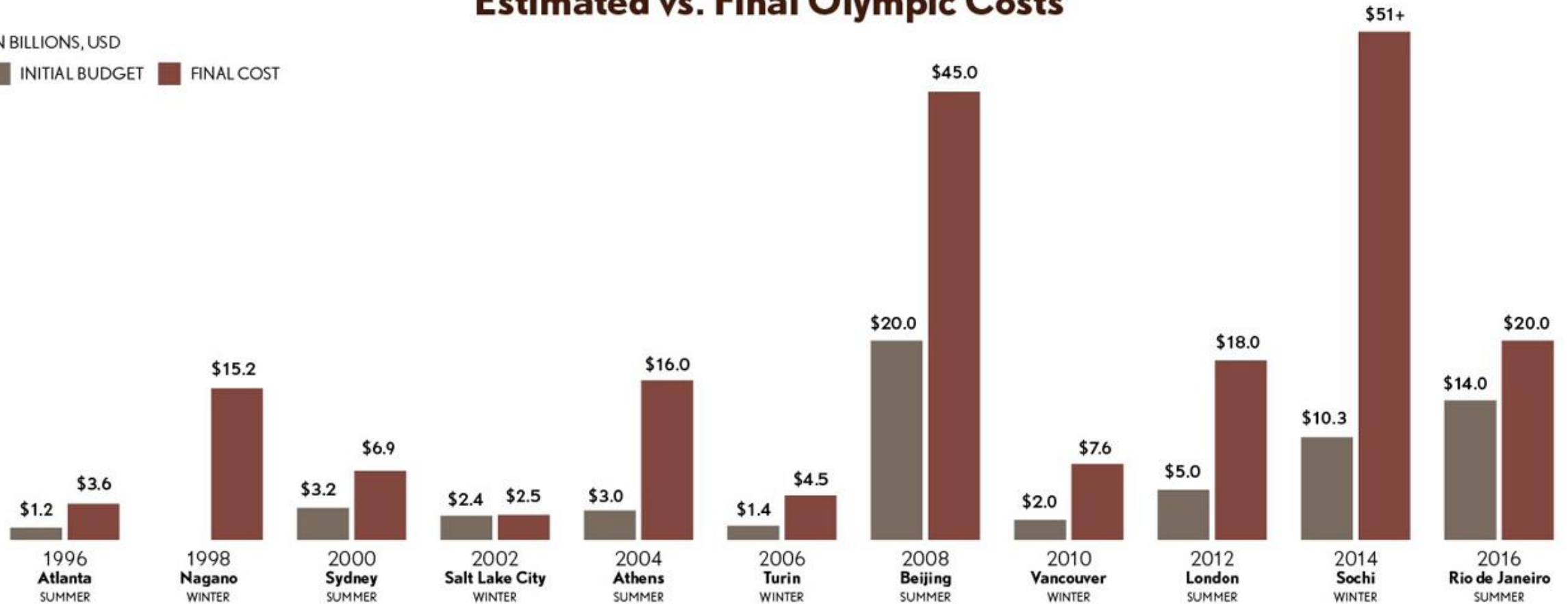
- Bangkok has never bid for an Olympic event before, and being the first bid in Southeast Asia to make the attempt.
- Bangkok held most of the needed infrastructure to hold a successful games and the nation also contained plenty of other sites to hold matches for team events.
- It was considered to be a bit of a "dark horse" bid, should the Mexican and Brazilian bids cancel each other out.
- The city itself, however, did not have the overall well-being others were perceived to have, and its financial backing not considered as strong.

# CASE 1: OLYMPICS GAME

## Estimated vs. Final Olympic Costs

IN BILLIONS, USD

■ INITIAL BUDGET ■ FINAL COST



\*Figures are all estimates based on academic and news wire sources

SOURCES: AP, Robert A. Baade and Victor A. Matheson, Douglas Booth and Colin Tatz, NYT, Xinhua, Andrew Zimbalist

# CASE 1: OLYMPICS GAME



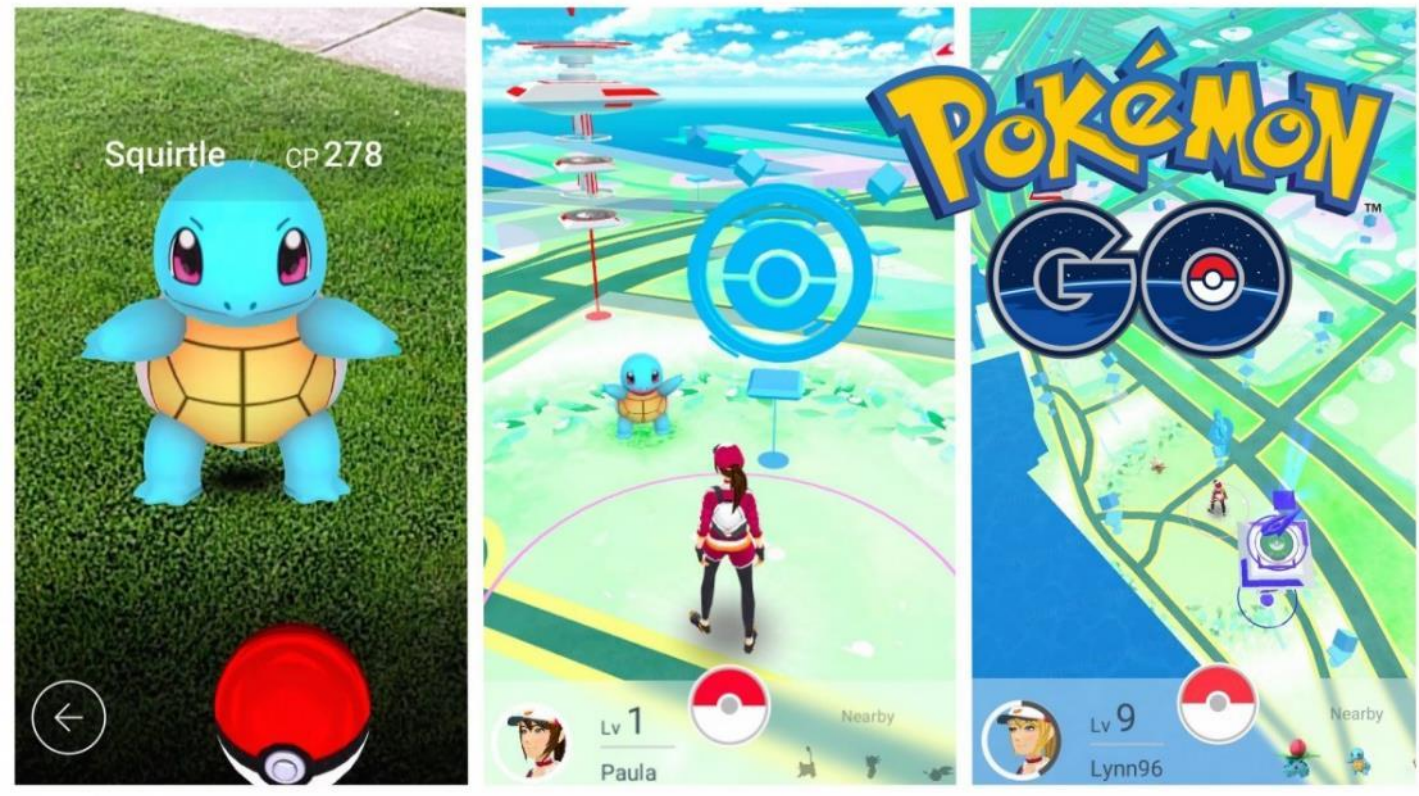
- Infrastructure costs range from \$5 billion to over \$50 billion.
- Sydney's Olympic stadium now costs the city \$30 million a year to maintain. Beijing's famous "Bird's Nest" stadium cost \$460 million to build and \$10 million a year to maintain, and sits unused.
- 85 percent of the Sochi 2014 Games' more than \$50 billion budget went to building non-sports infrastructure.
- More than half of the Beijing 2008 budget of \$45 billion went to rail, roads, and airports, while nearly a fourth went to environmental clean-up efforts.
- Security costs have escalated quickly after the 9/11 attacks—Sydney in 2000 spent \$250 million while Athens in 2004 spent over \$1.5 billion, and costs have remained between \$1 billion and \$2 billion since.

# CASE 1: OLYMPICS GAME



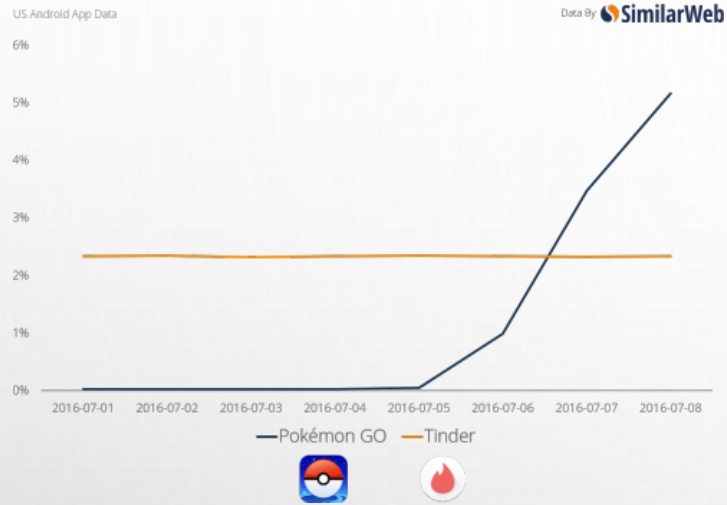
- These include the opportunity costs of public spending that could have been spent on other priorities.
- Servicing the debt that is left over after hosting the games can burden public budgets for decades.
- While Greece's billions in Olympic debt helped bankrupt the country, it took Montreal until 2006 to pay off the last of its debt from the 1976 Games.
- A study by the European Bank for Reconstruction and Development (EBRD) explains, the jobs created by Olympics construction are often temporary, and unless the host region is suffering from high unemployment, the jobs mostly go to workers who are already employed, blunting the impact on the broader economy.
- London in 2012, Beijing in 2008, and Salt Lake City in 2002 all saw decreases in tourism the years of their Olympics
- Much of the profit brought in by hotels, chain restaurants, and construction firms goes to international companies rather than remaining in the local economy

# CASE 2 : POKÉMON GO

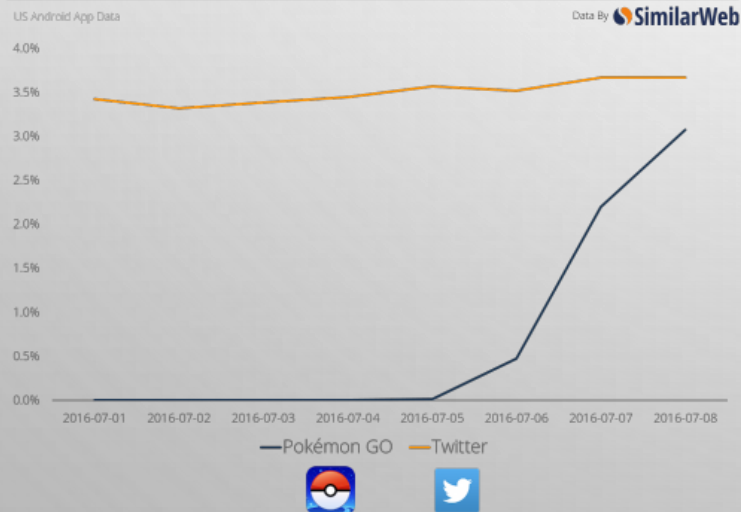


# CASE 2 : POKÉMON GO

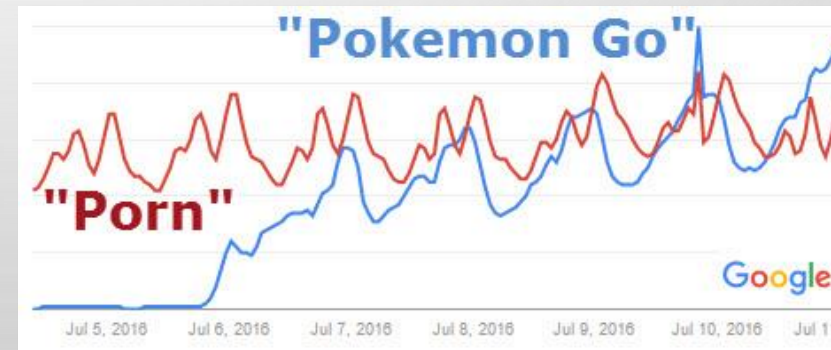
Android Installs: Pokémon GO vs Tinder



Daily Active Users: Pokémon GO vs Twitter



- In less than a week the game has topped *15 million* downloads and the 21 million active daily users spend an average of 33 minutes a day playing.
- That amounts to over *11.5 million hours* of playing per day, and those numbers only look to increase.
- The app briefly surpassed “Porn” as the most popular search term on Google.



# CASE 2 : POKÉMON GO

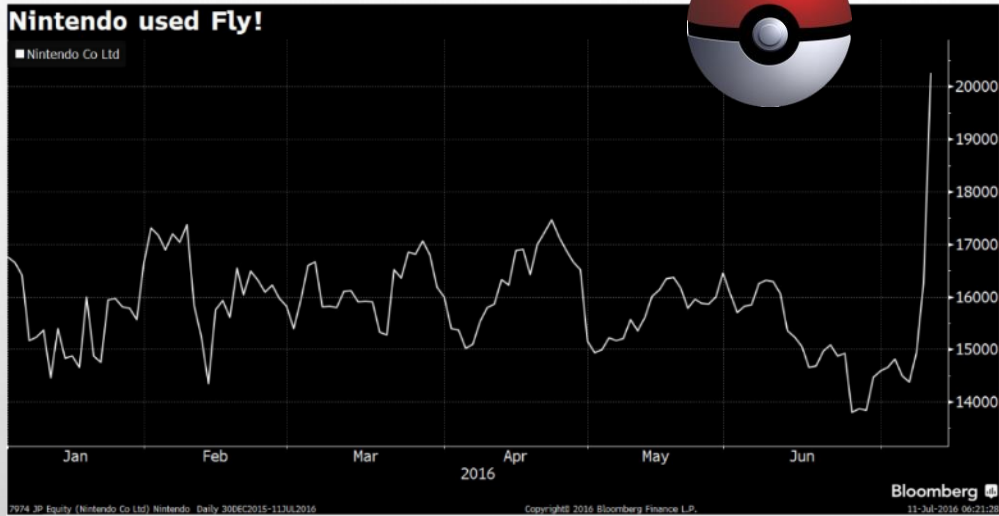
- Having fun with friends 50 years ago
  - Go bowling, dining out, movies
- These activities involved spending a certain amount of money in the local economy.
- Creating opportunities for adults in your town to start and run small businesses or teenagers who wanted to find a summer job.
- Money spent on items in the Pokémon Go world would go to a pocket of **Niantic** and **Nintendo**, not those of a local Pokémon entrepreneur
- Nintendo's shares are up by over 50% since the game's release, adding \$11 billion to its valuation
- "We presume that out of every 100 units earned at the App Store, 30 would go to Apple, 30 to [software developer] Niantic, 30 to Pokémon and 10 to Nintendo," writes Gibson.
- The internet economy creates the regional inequality.



<http://www.cnbc.com/2016/07/12/pokemon-go-is-everything-that-is-wrong-with-late-capitalism.html>



# CASE 2 : POKÉMON GO



- In the 20th century, new industries tended to create a lot of demand for capital
- Nintendo - invests in hiring programmers and designers. But the sums are tiny compared with the cost of industrial investment
- Smartphones are too cheap for smartphone repair shops to be a good business
- This seems to have severed the traditional link between capital accumulation and economic growth
- Slow growth outside of big cities means that customers have less money to spend on games like *Pokémon Go*



# CASE 2 : POKÉMON GO

MashableAsia ▾

All the ways people are making money from 'Pokémon Go'



<http://mashable.com/2016/07/19/pokemon-go-economics-making-money/>

- **Uber-for-Pokémon Go:** In Suffolk County, N.Y., a driver will drive you around to catch Pokémon for \$20 an hour. If you bring a friend, it's \$17 an hour each.
- The **24/7 Pokémon Go bus** roaming New York. Charges \$0.99 per Pokéstop, \$24.99 to take over a gym and \$49.99 for egg-hatching services.
- A Taiwanese travel e-commerce platform, launched a bus tour around Taipei for Pokemon Go fans
- **Paying someone to walk for you.** They'll take your *Pokémon Go* account and walk to hatch your eggs. It'll cost \$2 for a 2 kilometer egg, \$5 for a 5 kilometer egg and \$10 for a 10 kilometer egg.
- Accounts at levels 19, 20 and 21 are listed on **EBay** for as much as \$600
- In the U.K., T-Mobile offered its customers unlimited data for the year on the *Pokémon Go* app.
- Plenty of other businesses have been lucky enough to be near an important location within the game, boosting their foot traffic.

# CASE 2 : POKÉMON GO



- *Pokémon Go* is a free download. Inside the game, you can buy virtual storage devices for the Pokémon for \$1, or **lures** to ferret out the monsters. But while that generates \$1.6 million a day
- **Inc.com** did the math, it would cost about \$1.19 an hour to keep a steady stream of active Lure Modules, and when trainers come, they'll sit down and shop as well.
- **L'inizio's Pizza Bar** in Queens tried that, spending \$10 on Lure Modules, and in return saw a 30 percent increase in sales almost instantly.
- Businesses with gyms at their location are offering discounts or special perks to members of whichever "team" (Valor, Mystic or Instinct) is in control of the gym at the time of purchase.



<http://siliconangle.com/blog/2016/07/14/pokemon-go-one-free-apps-big-economic-impact/>

# CASE 2 : POKÉMON GO

- **Dating:** Pokémon Go is also a good excuse for shy geeky guys and gals to ask people out on dates. In the long-run, this could lead to a boom in marriages, more babies and a much-needed population and economic boost for Thailand.
- **Government Regulation:** The Department of Land Transport (DLT) ordered drivers of public transport vehicles to not play Pokémon Go during work. They could also be fined 1,000 baht if passengers file a complaint against them.





# WHAT CAN WE LEARN FROM THE CASES?

- What is economy?
- How can we understand it?



# WHAT CAN WE LEARN FROM THE CASES?

- Why people disagree?
- A **positive statement** is one that is objective and can be backed up by evidence.
- A **normative statement** is a value judgement and states what someone thinks 'ought to be'.
- Normative statements are subjective and influenced by personal biases, background, personal politics.



# WHAT CAN WE LEARN FROM THE CASES?

- How economy is related to the social and cultural system?
- 