

MACROECONOMICS AT WORK EXERCISE

THE MACROECONOMIC EFFECTS OF MAJOR EVENTS

REFERENCE: 'A Gold-Medal Boost for Growth' (by David Fairlamb), *BusinessWeek*, 26 July 2004, p. 18.

CHAPTERS RELEVANT TO THIS EXERCISE: 5, 6

OVERVIEW

A country's GDP, and the rate at which GDP increases over time, can be significantly influenced by additions to elements of aggregate expenditure, which are 'injected' into the circular flow as a result of major events. The Olympic Games are a case in point. This article analyses some of the implications of the Athens Olympics for the Greek economy.

QUESTIONS

1. What does the article suggest has been the magnitude of the impact of the Olympic Games on the Greek economy over the last four years?
2. Explain this effect in terms of macroeconomic theory.
3. What will be the likely effect after the Games are over?
4. Why will the government 'have to' reduce the budget deficit in the years following the Games?
5. What issues do the Games raise for the Greek balance of payments?
6. Why do you think there's reference, in an article on the *economic* effects of the Games, to their 'psychological impact'?